



LEETON
SHIRE COUNCIL



ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2020



Leeton Shire Council

Annual Financial Statements

for the year ended 30 June 2020

Contents	Page
1. General Purpose Financial Statements	3
2. Special Purpose Financial Statements	94
3. Special Schedules	107

Overview

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

23-25 Chelmsford Place
Leeton NSW 2705

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.leeton.nsw.gov.au.



LEETON
SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2020

General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Understanding Council's Financial Statements	4
2. Statement by Councillors & Management	5
3. Primary Financial Statements:	
Income Statement	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
4. Notes to the Financial Statements	11
5. Independent Auditor's Reports:	
On the Financial Statements	83
Report on the Conduct of the Audit	86

Overview

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General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

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 28 October 2020.



Cr Paul Maytom
Mayor



Cr George Weston
Councillor



Jacqueline Kruger
General Manager



Jacqueline Hawkins
Responsible Accounting Officer

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 ² \$ '000	Actual 2019 ¹ \$ '000
	Income from continuing operations			
12,956	Rates and annual charges	3a	13,012	12,614
7,193	User charges and fees	3b	9,803	8,975
2,536	Other revenues	3c	1,310	1,232
5,431	Grants and contributions provided for operating purposes	3d,3e	6,439	5,313
13,080	Grants and contributions provided for capital purposes	3d,3e	3,935	3,258
1,104	Interest and investment income	4	888	1,460
250	Net gains from the disposal of assets	6	—	—
—	Rental income	13c	305	—
42,550	Total income from continuing operations		35,692	32,852
	Expenses from continuing operations			
12,095	Employee benefits and on-costs	5a	11,524	10,773
74	Borrowing costs	5b	82	90
8,730	Materials and contracts	5c	8,660	7,469
5,928	Depreciation and amortisation	5d	6,173	5,850
2,643	Other expenses	5e	2,693	2,595
—	Net losses from the disposal of assets	6	122	163
29,470	Total expenses from continuing operations		29,254	26,940
13,080	Operating result from continuing operations		6,438	5,912
13,080	Net operating result for the year		6,438	5,912
13,080	Net operating result attributable to council		6,438	5,912
—	Net operating result for the year before grants and contributions provided for capital purposes		2,503	2,654

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement.

(2) 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

	Notes	2020 \$ '000	2019 ¹ \$ '000
Net operating result for the year (as per Income Statement)		6,438	5,912
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	10(a)	54,061	847
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10(a)	—	512
Other movements in reserves – Intangible Assets Revaluation	11	28	2,316
Total items which will not be reclassified subsequently to the operating result		54,089	3,675
Total comprehensive income for the year		60,527	9,587
Total comprehensive income attributable to Council		60,527	9,587

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

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

	Notes	2020 \$ '000	2019 ¹ \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	10,863	3,564
Investments	7(b)	28,500	32,110
Receivables	8	2,200	4,176
Inventories	9a	982	691
Other	9b	68	47
Total current assets		42,613	40,588
Non-current assets			
Investments	7(b)	10,850	9,200
Receivables	8	76	84
Infrastructure, property, plant and equipment	10(a)	266,594	207,001
Intangible Assets	11	8,371	8,343
Total non-current assets		285,891	224,628
Total assets		328,504	265,216
LIABILITIES			
Current liabilities			
Payables	14	2,649	1,437
Income received in advance	14	381	1,591
Contract liabilities	12	1,931	—
Borrowings	14	442	325
Provisions	15	2,405	2,323
Total current liabilities		7,808	5,676
Non-current liabilities			
Borrowings	14	3,316	1,309
Provisions	15	261	156
Total non-current liabilities		3,577	1,465
Total liabilities		11,385	7,141
Net assets		317,119	258,075
EQUITY			
Accumulated surplus		130,369	125,414
Revaluation reserves		186,750	132,661
Council equity interest		317,119	258,075
Total equity		317,119	258,075

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

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

	Notes	as at 30/06/20			as at 30/06/19 ¹		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		125,414	132,661	258,075	119,502	128,986	248,488
Changes due to AASB 1058 and AASB 15 adoption	16	(1,483)	–	(1,483)	–	–	–
Net operating result for the year		6,438	–	6,438	5,912	–	5,912
Restated net operating result for the period		6,438	–	6,438	5,912	–	5,912
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	54,061	54,061	–	847	847
– Impairment (loss) reversal relating to IPP&E	10(a)	–	–	–	–	512	512
– Gain (loss) on revaluation of Intangible Assets		–	28	28	–	2,316	2,316
Other comprehensive income		–	54,089	54,089	–	3,675	3,675
Total comprehensive income		6,438	54,089	60,527	5,912	3,675	9,587
Equity – balance at end of the reporting period		130,369	186,750	317,119	125,414	132,661	258,075

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*.

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 \$ '000	Actual 2019 \$ '000
Cash flows from operating activities				
Receipts:				
12,956	Rates and annual charges		13,358	12,535
7,418	User charges and fees		8,943	9,853
1,104	Investment and interest revenue received		1,181	1,334
18,511	Grants and contributions		12,268	7,376
–	Bonds, deposits and retention amounts received		32	–
2,536	Other		1,159	1,308
Payments:				
(12,545)	Employee benefits and on-costs		(11,214)	(10,740)
(8,730)	Materials and contracts		(7,722)	(8,005)
(74)	Borrowing costs		(76)	(95)
(2,643)	Other		(2,629)	(2,611)
18,533	Net cash provided (or used in) operating activities	17b	15,300	10,955
Cash flows from investing activities				
Receipts:				
2,000	Sale of investment securities		1,960	–
100	Sale of real estate assets		200	826
250	Sale of infrastructure, property, plant and equipment		272	215
25	Deferred debtors receipts		5	–
Payments:				
–	Purchase of investment securities		–	(2,200)
(24,597)	Purchase of infrastructure, property, plant and equipment		(12,151)	(8,689)
–	Purchase of real estate assets		(411)	(21)
(5)	Deferred debtors and advances made		–	(1)
(22,227)	Net cash provided (or used in) investing activities		(10,125)	(9,870)
Cash flows from financing activities				
Receipts:				
1,455	Proceeds from borrowings and advances		2,449	–
Payments:				
(365)	Repayment of borrowings and advances		(325)	(309)
1,090	Net cash flow provided (used in) financing activities		2,124	(309)
(2,604)	Net increase/(decrease) in cash and cash equivalents		7,299	776
716	Plus: cash and cash equivalents – beginning of year	17a	3,564	2,788
(1,888)	Cash and cash equivalents – end of the year	17a	10,863	3,564
26,043	plus: Investments on hand – end of year	7(b)	39,350	41,310
24,155	Total cash, cash equivalents and investments		50,213	44,874

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	12
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	17
3	Revenue from continuing operations	18
4	Interest and investment income	25
5	Expenses from continuing operations	26
6	Gain or loss from disposal of assets	30
7(a)	Cash and cash equivalents	30
7(b)	Investments	31
7(c)	Restricted cash, cash equivalents and investments	32
8	Receivables	34
9	Inventories and other assets	36
10(a)	Infrastructure, property, plant and equipment	38
10(b)	Externally restricted infrastructure, property, plant and equipment	42
10(c)	Infrastructure, property, plant and equipment – current year impairments	42
11	Intangible assets	43
12	Contract assets and liabilities	43
13	Leases	45
14	Payables and borrowings	48
15	Provisions	51
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	53
17	Statement of cash flow information	58
18	Commitments	59
19	Contingencies	60
20	Financial risk management	63
21	Material budget variations	67
22	Fair Value Measurement	69
23	Related party disclosures	73
24	Statement of developer contributions	74
25	Result by fund	76
26(a)	Statement of performance measures – consolidated results	78
26(b)	Statement of performance measures – by fund	79
Additional Council disclosures (unaudited)		
26(c)	Statement of performance measures – consolidated results (graphs)	80
27	Council information and contact details	82

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 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.

(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 value of intangible assets (water licences) – refer Note 11
- (iii) employee benefit provisions – refer Note 15.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council reviewed receivables for impairment and found there to be minimal impairments – 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.

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

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

- General purpose operations
- Water service

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Sewerage service

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council relies on the commitment made by volunteers to help run some of its venues and events. These volunteer services are not recognised in Council's Income Statement as they would not be purchased if not donated and they are deemed to be immaterial.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note 16.

COVID-19 has caused a disruption to council's business practices with a number of staff working remotely from home or at other council facilities with limited staff operating from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost but some expenses have been incurred for additional equipment in setting up employees to work remotely.

Council has not been required to provide rent relief but has incurred additional cleaning costs associated with some council facilities.

Rate collections and other receivables have not been impacted by COVID-19 as at report date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Overall the financial impact has not been significant and is not anticipated to increase in future years. Council is of the view that physical non-current assets will not experience substantial declines in value due to Covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to Covid. For assets where fair value is determined by market value Council has no evidence of material changes to these values.

Accounting policy for borrowing costs

Borrowing costs are expensed when incurred.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided below.									
	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
Leeton Community Strategic Plan(CSP) Theme										
A Healthy and Caring Community	2,744	2,410	3,692	3,839	(948)	(1,429)	591	498	14,296	14,112
A Healthy Environment	3,059	2,694	2,237	2,218	822	476	235	50	4,873	4,796
A Quality Built Environment	15,333	13,741	15,030	13,736	303	5	2,744	2,625	254,678	196,297
A Thriving Economy and Good Jobs	86	15	822	875	(736)	(860)	–	–	2,867	2,563
An Active and Enriched Community	1,839	1,299	2,959	2,223	(1,120)	(924)	1,341	785	15,790	13,403
Strong Leadership	12,631	12,693	4,514	4,049	8,117	8,644	4,004	3,762	36,000	34,045
Total functions and activities	35,692	32,852	29,254	26,940	6,438	5,912	8,915	7,720	328,504	265,216

This CSP was divided into six themes based on the community's priority aspirations for the Shire. These themes and the 20 strategies which underpin them are:

A Healthy and Caring Community

- A community that focuses on being healthy
- A community that embraces lifelong learning
- A community that is friendly and inclusive
- A community that is safe to live in and move about
- A community that enjoys good housing

A Healthy and Caring Community

- A community that participates in sports and active leisure
- A community that enjoys arts and culture
- A community that values its heritage

A Healthy Natural Environment

- A community that respects the natural environment
- A community that enjoys our natural environment

A Thriving Economy with Good Jobs

- A community that thrives on irrigated agriculture
- A community that is strong in business and employment
- A community that has great attractions and events
- A community that enjoys a vibrant town centre

A Quality Built Environment

- A community that has reliable water and sewerage services in towns
- A community that has good road, rail and air transport
- A community that enjoys attractive towns and parks

Strong Leadership

- A community that has politicians who act and listen
- A community that speaks up and gets involved
- A community that is always on the front foot

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).

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	–	–	253	1,178	(253)	(1,178)	–	–	–	–
Administration	12,630	12,676	4,262	2,865	8,368	9,811	4,004	3,763	36,001	34,147
Public order and safety	312	334	605	583	(293)	(249)	247	257	1,348	1,206
Health	26	20	92	124	(66)	(104)	–	–	–	–
Environment	3,162	2,786	2,719	2,651	443	135	235	50	6,141	6,248
Community services and education	1,895	1,683	2,054	2,006	(159)	(323)	200	96	5,098	4,831
Housing and community amenities	653	542	944	948	(291)	(406)	86	60	28,630	10,860
Water supplies	5,269	5,843	3,987	3,767	1,282	2,076	–	–	42,547	41,023
Sewerage services	3,214	3,092	2,708	2,676	506	416	53	80	39,121	38,340
Recreation and culture	1,838	1,332	4,568	3,821	(2,730)	(2,489)	1,350	836	31,313	27,470
Mining, manufacturing and construction	82	58	209	158	(127)	(100)	–	–	775	595
Transport and communication	6,525	4,461	6,224	5,493	301	(1,032)	2,740	2,578	134,663	97,933
Economic affairs	86	25	629	670	(543)	(645)	–	–	2,867	2,563
Total functions and activities	35,692	32,852	29,254	26,940	6,438	5,912	8,915	7,720	328,504	265,216

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance

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

Administration

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

Public order and safety

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

Health

Includes inspection, food control, administration.

Environment

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

Community services and education

Includes administration social protection (welfare); migrant, youth services; aged and disabled persons services; child care; and other family and children services.

Housing and community amenities

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

Water supplies

Includes the supply of water services.

Sewerage services

Includes the supply of sewerage services.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

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

Economic affairs

Includes camping areas, tourism and area promotion; industrial development promotion; events; real estate development and other business undertakings.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

	AASB	2020 \$ '000	2019 \$ '000
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	3,913	3,837
Farmland	1058 (1)	2,967	2,850
Business	1058 (1)	429	420
Less: pensioner rebates (mandatory)		(93)	(90)
Less: pensioner rebates (Council policy)		(167)	(170)
Rates levied to ratepayers		7,049	6,847
Pensioner rate subsidies received	15 (1)	93	90
Total ordinary rates		7,142	6,937
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	1,246	1,143
Stormwater management services	1058 (1)	91	120
Water supply services	1058 (1)	1,496	1,463
Sewerage services	1058 (1)	2,443	2,388
Waste management services (non-domestic)	1058 (1)	170	166
Other	1058 (1)	10	8
Recycling	1058 (1)	562	542
Trade waste	1058 (1)	18	16
Less: pensioner rebates (mandatory)		(92)	(90)
Less: pensioner rebates (Council policy)		(166)	(169)
Annual charges levied		5,778	5,587
Pensioner subsidies received:			
– Water	15 (1)	37	36
– Sewerage	15 (1)	30	30
– Domestic waste management	15 (1)	25	24
Total annual charges		5,870	5,677
TOTAL RATES AND ANNUAL CHARGES		13,012	12,614

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	2020 \$ '000	2019 \$ '000
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1058 (1)	3,100	3,532
Sewerage services	1058 (1)	423	332
Total specific user charges		3,523	3,864
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	48	56
Inspection services	15 (1)	14	10
Private works – section 67	1058 (1)	37	53
Regulatory/ statutory fees	1058 (1)	11	27
Registration fees	1058 (1)	16	24
Section 10.7 certificates (EP&A Act)	15 (1)	22	26
Section 603 certificates	1058 (1)	20	25
Tapping fees	1058 (1)	47	30
Town planning	15 (1)	136	110
Total fees and charges – statutory/regulatory		351	361
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	1058 (1)	216	210
Child care	15 (1)	1,634	1,510
Lease rentals		–	260
Employee Contributions (FBT reduction) – Council vehicles	1058 (1)	84	83
Library and art gallery	1058 (1)	12	15
RMS (formerly RTA) charges (state roads not controlled by Council)	1058 (1)	2,582	1,374
Swimming centres	1058 (1)	102	107
Tourism	1058 (1)	46	10
Waste disposal tipping fees	1058 (1)	821	722
Golf course	15 (1)	281	264
Roxy theatre	1058 (1)	76	109
Stadium	1058 (1)	48	52
User group contributions	15 (1)	13	18
Other	15 (1)	14	16
Total fees and charges – other		5,929	4,750
TOTAL USER CHARGES AND FEES		9,803	8,975

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

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

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

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

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

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

	AASB	2020 \$ '000	2019 \$ '000
(c) Other revenues			
Fines – other	1058 (1)	44	31
Legal fees recovery – rates and charges (extra charges)	1058 (1)	44	35
Commissions and agency fees	1058 (1)	1	1
Diesel rebate	1058 (1)	51	48
Insurance claims recoveries	15 (1)	62	16
Recycling income (non-domestic)	1058 (1)	56	90
Sales – general	1058 (1)	113	124
Sale of Investment Water	1058 (1)	767	767
Donations and sponsorship received	1058 (1)	1	2
Child care operations	15 (1)	16	11
Insurance rebates	1058 (1)	32	22
Other	1058 (1)	123	85
<u>TOTAL OTHER REVENUE</u>		<u>1,310</u>	<u>1,232</u>

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

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

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

Accounting policy for other revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,643	1,655	–	–
Financial assistance – local roads component	1058 (1)	548	533	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,742	1,718	–	–
Financial assistance – local roads component	1058 (1)	580	551	–	–
Total general purpose		4,513	4,457	–	–
Specific purpose					
Domestic waste management		–	–	180	–
Sewerage services		–	–	53	80
Child care	15 (1)	142	83	–	–
Community care	1058 (1)	45	4	–	–
Economic development	1058 (1)	582	300	–	–
Employment and training programs	15 (1)	31	4	–	–
Heritage and cultural	1058 (1)	15	9	581	7
Library	1058 (1)	1	7	–	–
Library – per capita	1058 (1)	66	38	–	–
Library – special projects	1058 (1)	–	7	–	–
LIRS subsidy	1058 (1)	51	61	–	–
Noxious weeds	1058 (1)	50	50	–	–
NSW rural fire services	1058 (1)	75	76	168	181
Recreation and culture	1058 (1)	350	–	333	746
Storm/flood damage	1058 (1)	–	–	–	783
Street lighting	1058 (1)	61	60	–	–
Transport (roads to recovery)	1058 (2)	–	–	985	462
Transport (other roads and bridges funding)	1058 (2)	49	32	563	199
Youth services	1058 (1)	2	3	–	–
Other	1058 (1)	19	71	–	–
Total specific purpose		1,539	805	2,863	2,458
Total grants		6,052	5,262	2,863	2,458
Grant revenue is attributable to:					
– Commonwealth funding		4,536	4,482	53	1,324
– State funding		1,477	769	2,810	1,134
– Other funding		39	11	–	–
		6,052	5,262	2,863	2,458

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)

	Notes	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	–	2
S94A – fixed development consent levies		1058 (1)	–	–	100	134
S 64 – water supply contributions		1058 (1)	–	–	52	55
S 64 – sewerage service contributions		1058 (1)	–	–	54	15
S 64 – stormwater contributions		1058 (1)	–	–	12	–
Total developer contributions – cash			–	–	218	206
Total developer contributions	24		–	–	218	206
Other contributions:						
Cash contributions						
Other councils – joint works/services		1058 (2)	–	–	594	40
Recreation and culture			–	–	–	10
Roads and bridges		1058 (2)	–	–	198	66
RMS contributions (regional roads, block grant)		1058 (1)	387	44	–	352
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	22	29
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	40	97
Other			–	7	–	–
Total other contributions – cash			387	51	854	594
Total other contributions			387	51	854	594
Total contributions			387	51	1,072	800
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>			<u>6,439</u>	<u>5,313</u>	<u>3,935</u>	<u>3,258</u>

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control 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 are recognised at the assets fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(f) Unspent grants and contributions – external restrictions		
Operating grants		
Unexpended at the close of the previous reporting period	2,332	2,380
Reclassification to Operating from Capital Grant	231	–
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	60
Add: operating grants received for the provision of goods and services in a future period	614	2,269
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(2,377)
Less: operating grants received in a previous reporting period now spent and recognised as income	(2,516)	–
Unexpended and held as externally restricted assets (operating grants)	661	2,332

Unexpended operating grants include:

- Crown Land Plans of Management Grant unspent amount of \$44,237.
- Minor grants totalling \$41,985 - OLG Pound Grant, Visitor Guide, Library Priority Grant and Leeton Connect.
- Grants received that are sitting in the Contract Liability Account \$405,932
- It Project for 3 Councils \$167,470

Capital grants

Unexpended at the close of the previous reporting period	1,429	199
Reclassification from Capital to Operating Grant	(231)	–
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	545
Add: capital grants received for the provision of goods and services in a future period	1,515	884
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(199)
Less: capital grants received in a previous reporting period now spent and recognised as income	(904)	–
Unexpended and held as externally restricted assets (capital grants)	1,809	1,429

Unexpended capital grants include but are not limited to:

- The Roxy Theatre Upgrade grant of \$116K was received in advance and has not been fully spent.
- The CBD Enhancement Phase 2 grant of \$373K was received in advance and has not been fully spent.
- Drought Relief R#3 - \$500k was received and the projects have not yet commenced.
- Leeton Pool funding was received for \$600K and has not been spent as yet.

All these funds are sitting in the Contract Liability account \$1,515K

Contributions

Unexpended at the close of the previous reporting period	412	280
Add: contributions recognised as income in the current period but not yet spent	95	132
Unexpended and held as externally restricted assets (contributions)	507	412

These contributions are mainly Developer Contributions that are set aside to spend at a later date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

	2020 \$ '000	2019 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	56	49
– Cash and investments	829	1,404
– Deferred debtors	3	7
Total Interest and investment income	888	1,460

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	28	25
General Council cash and investments	249	785

Restricted investments/funds – external:

Development contributions		
– Section 7.11	3	3
– Section 64	1	1
Water fund operations	333	365
Sewerage fund operations	172	206
Domestic waste management operations	102	75
Total interest and investment revenue	888	1,460

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

	2020 \$ '000	2019 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	9,766	8,878
Travel expenses	53	62
Employee leave entitlements (ELE)	1,018	977
Superannuation	1,052	990
Workers' compensation insurance	126	125
Fringe benefit tax (FBT)	54	29
Payroll tax	37	41
Training costs (other than salaries and wages)	141	169
Protective clothing	35	30
Other	35	88
Total employee costs	12,317	11,389
Less: capitalised costs	(793)	(616)
TOTAL EMPLOYEE COSTS EXPENSED	11,524	10,773
Number of 'full-time equivalent' employees (FTE) at year end	140	122
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	147	136

The FTE at year end includes casual FTE of 5. Casual FTE excluded in 2019 were 17.

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

	2020 \$ '000	2019 \$ '000
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	82	90
Total interest bearing liability costs	82	90
Total interest bearing liability costs expensed	82	90
TOTAL BORROWING COSTS EXPENSED	82	90

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(c) Materials and contracts		
Raw materials and consumables	6,786	5,476
Contractor and consultancy costs		
– Garbage collection charges	810	798
– Contractor and consultancy costs – Administration	145	416
– Contractor and consultancy costs – Building & Planning	19	22
– Contractor and consultancy costs – Engineering	172	60
– Other contractor and consultancy costs	286	206
Auditors remuneration ¹	101	103
Legal expenses:		
– Legal expenses: planning and development	16	13
– Legal expenses: debt recovery	44	35
– Legal expenses: other	26	36
Expenses from leases of low value assets (2020 only)	2	–
Film and other hire expenses	35	72
Water purchases	218	232
Total materials and contracts	8,660	7,469
TOTAL MATERIALS AND CONTRACTS	8,660	7,469

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Auditor remuneration

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

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

Audit and review of financial statements	47	55
Remuneration for audit and other assurance services	47	55
Total Auditor-General remuneration	47	55

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

Other audit and assurance services	3	3
Internal Audit	51	45
Remuneration for audit and other assurance services	54	48
Total remuneration of non NSW Auditor-General audit firms	54	48
Total Auditor remuneration	101	103

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	Notes	2020 \$ '000	2019 \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		684	602
Office Furniture and Equipment		81	39
Land improvements (depreciable)		35	28
Infrastructure:	10(a)		
– Buildings – non-specialised		5	5
– Buildings – specialised		853	830
– Other structures		368	326
– Roads		2,322	2,222
– Bridges		37	37
– Footpaths		70	68
– Stormwater drainage		125	108
– Water supply network		875	889
– Sewerage network		705	690
Other assets:			
– Other		13	6
Total gross depreciation and amortisation costs		6,173	5,850
Total depreciation and amortisation costs		6,173	5,850
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10(a)		
– Roads		–	(512)
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	(512)
Amounts taken through revaluation reserve	10(a)	–	512
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>6,173</u>	<u>5,850</u>

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.

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

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

	2020 \$ '000	2019 \$ '000
(e) Other expenses		
Advertising	88	93
Bad and doubtful debts	4	—
Bank charges	71	65
Commissions / agency fees	28	28
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	18	15
– NSW fire brigade levy	33	30
– NSW rural fire service levy	113	111
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	110	108
Councillors' expenses (incl. mayor) – other (excluding fees above)	58	58
Donations, contributions and assistance to other organisations (Section 356):		
– Annual donations	20	13
– Discretionary donations, contributions and assistance	8	14
Electricity and heating	591	569
Insurance	347	352
Licences and permits	26	26
Office expenses (including computer expenses)	348	279
Postage	36	38
Printing and stationery	87	81
Regional arts board	12	11
Street lighting	256	309
Subscriptions and publications	138	116
Telephone and communications	236	197
Valuation fees	39	54
Rental	—	3
Total other expenses	2,693	2,595
TOTAL OTHER EXPENSES	2,693	2,595

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

	Notes	2020 \$ '000	2019 \$ '000
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		272	215
Less: carrying amount of plant and equipment assets sold/written off		(396)	(330)
Net gain/(loss) on disposal		(124)	(115)
Real estate assets held for sale	9		
Proceeds from disposal – real estate assets		200	826
Less: carrying amount of real estate assets sold/written off		(198)	(874)
Net gain/(loss) on disposal		2	(48)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(122)	(163)

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.

Note 7(a). Cash and cash equivalents

	2020 \$ '000	2019 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	2,837	597
Cash-equivalent assets		
– Deposits at call	8,026	2,967
Total cash and cash equivalents	10,863	3,564

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Investments				
b. 'Financial assets at amortised cost'	28,500	10,850	32,110	9,200
Total Investments	28,500	10,850	32,110	9,200
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	39,363	10,850	35,674	9,200
Financial assets at amortised cost				
Long term deposits	28,500	6,500	29,110	8,500
FRN's (with maturities > 3 months)	–	4,350	3,000	700
Total	28,500	10,850	32,110	9,200

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

Council's financial assets measured at fair value through profit or loss comprise of investments held as Floating Rate Notes in the Statement of Financial Position.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Total cash, cash equivalents and investments	39,363	10,850	35,674	9,200
attributable to:				
External restrictions	22,203	10,850	21,199	9,200
Internal restrictions	15,985	–	14,144	–
Unrestricted	1,175	–	331	–
	39,363	10,850	35,674	9,200

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

External restrictions

Developer contributions – general	479	390
Developer contributions – water fund	28	22
Specific purpose unexpended grants – general fund	2,470	1,564
Water supplies	15,896	15,314
Water supplies – retention	1	1
Water supplies – carry over works	638	793
Sewerage services	6,502	7,674
Sewerage services – carry over works	1,891	614
Stormwater management	298	358
Deposits, retention and bonds	331	308
Domestic waste management	3,238	3,361
Un-expended Loan Funds	1,281	–
External restrictions	33,053	30,399

Total external restrictions

33,053 30,399

Internal restrictions

Plant and vehicle replacement	1,961	1,565
Infrastructure replacement	2,746	2,692
Employees leave entitlement	2,113	2,113
Unfinished Works	2,368	1,878
Golf Club Committee	–	15
Buildings	676	496
Childcare centre	231	231
Community services – Youth	16	16
Emergency services	30	30
Aged housing	116	162
Insurance	41	41
Workers compensation equalisation	397	397
Aerodrome	315	185
Roads general	2,281	2,205
Roxy theatre	102	102
Stadium	12	12

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)

	2020 \$ '000	2019 \$ '000
Sportsgrounds improvements	265	215
Swimming pool	1,044	994
Land development	715	615
Renewable Energy Efficiencies	100	100
Other	—	80
Cemetery Expansion	100	—
Leeton Museum & Art Gallery	150	—
Computer & Office Equipment	50	—
Community Grant Schemes	6	—
Valuation Reserve	40	—
Election Reserve	110	—
Total internal restrictions	15,985	14,144
TOTAL RESTRICTIONS	49,038	44,543

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Purpose				
Rates and annual charges	182	–	528	–
Interest and extra charges	78	–	79	–
User charges and fees	550	–	890	–
Accrued revenues				
– Interest on investments	337	–	629	–
– Other income accruals	428	–	103	–
Deferred debtors	71	76	68	84
Government grants and subsidies	193	–	1,649	–
Net GST receivable	377	–	245	–
Other debtors – Rental Bonds	–	–	1	–
Total	2,216	76	4,192	84
Less: provision of impairment				
Rates and annual charges	(11)	–	(11)	–
User charges and fees	(5)	–	(5)	–
Total provision for impairment – receivables	(16)	–	(16)	–
TOTAL NET RECEIVABLES	2,200	76	4,176	84

Externally restricted receivables

Water supply

– Water Consumption Charges	284	–	–	–
– Rates and availability charges	64	–	63	–
– Other	19	25	448	4

Sewerage services

– Accrued Income	126	–	64	–
– Rates and availability charges	84	–	94	–
– Other	51	4	32	8

Domestic waste management

	–	–	59	–
Total external restrictions	628	29	760	12

Unrestricted receivables	1,572	47	3,416	72
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TOTAL NET RECEIVABLES	2,200	76	4,176	84
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	2020 \$ '000	2019 \$ '000
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	16	16
Balance at the end of the year	16	16

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

COVID-19

Council's rates and user charges have not been significantly impacted by the COVID-19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision.

Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until 30 September 2020 and no interest can be charged until after 31 December 2020.

The impact this may have is not able to be measured at this stage however it is not expected to be significant.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	866	—	603	—
Stores and materials	116	—	88	—
Total inventories at cost	982	—	691	—
TOTAL INVENTORIES	982	—	691	—

(b) Other assets

Prepayments	68	—	47	—
TOTAL OTHER ASSETS	68	—	47	—

Externally restricted assets

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Water				
Prepayments	1	—	—	—
Total water	1	—	—	—
Total unrestricted assets	1,049	—	738	—
TOTAL INVENTORIES AND OTHER ASSETS	1,050	—	738	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

	Notes	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Details for real estate development					
Residential		41	—	40	—
Industrial/commercial		802	—	540	—
Other properties		23	—	23	—
Total real estate for resale		866	—	603	—

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

Represented by:

Acquisition costs		558	—	129	—
Development costs		308	—	474	—
Total costs		866	—	603	—
Total real estate for resale		866	—	603	—

Movements:

Real estate assets at beginning of the year		603	—	1,456	—
– Purchases and other costs		411	—	21	—
– Transfers in from (out to) Note 10(a)		50	—	—	—
– WDV of sales (expense)	6	(198)	—	(874)	—
Total real estate for resale		866	—	603	—

(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;

	2020 \$ '000	2019 \$ '000
Real estate for resale	524	63
	524	63

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Tfrs from/(to) real estate assets (Note 9) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	2,688	–	2,688	2,688	1,390	–	–	(1,832)	–	(50)	–	4,885	–	4,885
Plant and equipment	7,131	(550)	6,581	–	1,395	(396)	(684)	–	–	–	–	8,051	(1,155)	6,896
Office Furniture & Equipment	368	(39)	329	–	203	–	(81)	14	–	–	–	585	(119)	466
Land:														
– Operational land	4,473	–	4,473	–	470	–	–	–	–	–	205	5,148	–	5,148
– Community land	8,029	–	8,029	–	–	–	–	–	–	–	–	8,029	–	8,029
Land improvements – depreciable	1,651	(539)	1,112	55	–	–	(35)	–	–	–	–	1,706	(574)	1,132
Infrastructure:														
– Buildings – non-specialised	232	(5)	227	12	–	–	(5)	–	35	–	–	209	(10)	199
– Buildings – specialised	25,166	(830)	24,336	988	50	–	(853)	365	(35)	–	1,475	28,079	(1,683)	26,396
– Other structures	7,485	(326)	7,159	170	26	–	(368)	54	–	–	–	7,736	(695)	7,041
– Roads	104,131	(29,815)	74,316	3,121	693	–	(2,322)	58	–	–	256	77,209	(1,087)	76,122
– Bridges	3,724	(684)	3,040	–	–	–	(37)	–	–	–	1,636	4,639	–	4,639
– Footpaths	6,390	(1,198)	5,192	41	284	–	(70)	–	–	–	2,289	7,736	–	7,736
– Bulk earthworks (non-depreciable)	8,706	–	8,706	–	–	–	–	–	–	–	30,224	38,930	–	38,930
– Stormwater drainage	10,498	(2,300)	8,198	156	–	–	(125)	–	–	–	17,477	25,706	–	25,706
– Water supply network	58,025	(33,933)	24,092	329	–	–	(875)	80	–	–	229	58,985	(35,130)	23,855
– Sewerage network	64,837	(36,377)	28,460	38	–	–	(705)	1,261	–	–	270	66,752	(37,428)	29,324
Other assets:														
– Other assets	73	(10)	63	–	40	–	(13)	–	–	–	–	113	(23)	90
Total Infrastructure, property, plant and equipment	313,607	(106,606)	207,001	7,598	4,551	(396)	(6,173)	–	–	(50)	54,061	344,498	(77,904)	266,594

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period									as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Reinstatement costs for impaired assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment reversal (recognised in equity) \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	820	–	820	1,465	593	–	–	–	–	(190)	–	–	2,688	–	2,688
Plant and equipment	5,970	–	5,970	1,455	87	–	(330)	(602)	–	–	–	–	7,131	(550)	6,581
Office equipment	275	–	275	60	34	–	–	(39)	–	–	–	–	368	(39)	329
Land:															
– Operational land	3,832	–	3,832	–	–	–	–	–	–	–	641	–	4,473	–	4,473
– Community land	8,671	–	8,671	–	–	–	–	–	–	–	(641)	–	8,029	–	8,029
Land improvements – depreciable	1,524	(511)	1,013	105	23	–	–	(28)	–	–	–	–	1,651	(539)	1,112
Infrastructure:															
– Buildings – non-specialised	197	–	197	35	–	–	–	(5)	–	–	–	–	232	(5)	227
– Buildings – specialised	24,981	–	24,981	185	–	–	–	(830)	–	–	–	–	25,166	(830)	24,336
– Other structures	6,980	–	6,980	316	88	–	–	(326)	–	102	–	–	7,485	(326)	7,159
– Roads	101,643	(28,968)	72,675	2,355	132	863	–	(2,222)	512	–	–	–	104,131	(29,815)	74,316
– Bridges	3,725	(647)	3,078	–	–	–	–	(37)	–	–	–	–	3,724	(684)	3,040
– Footpaths	6,159	(1,130)	5,029	4	226	–	–	(68)	–	–	–	–	6,390	(1,198)	5,192
– Bulk earthworks (non-depreciable)	8,705	–	8,705	–	–	–	–	–	–	–	–	–	8,706	–	8,706
– Stormwater drainage	10,100	(2,192)	7,908	363	35	–	–	(108)	–	–	–	–	10,498	(2,300)	8,198
– Water supply network	56,915	(32,524)	24,391	69	74	–	–	(889)	–	56	–	390	58,025	(33,933)	24,092
– Sewerage network	63,708	(35,135)	28,573	31	57	–	–	(690)	–	32	–	457	64,837	(36,377)	28,460
Other assets:															
– Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Other assets	39	(4)	35	34	–	–	–	(6)	–	–	–	–	73	(10)	63
Total Infrastructure, property, plant and equipment	304,244	(101,111)	203,133	6,477	1,349	863	(330)	(5,850)	512	–	–	847	313,607	(106,606)	207,001

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 5		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 150
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Water Treatment Plants	30 to 70	Culverts	50 to 100
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	45 to 80		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	infinite
Sealed roads: structure	50	Swimming pools	60
Unsealed roads	20 to 150	Other open space/recreational assets	15 to 200
Bridge: concrete	100	Other infrastructure	15 to 100
Other Road Assets	40 to 100		
Road pavements	60		
Kerb, gutter and 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(a). Infrastructure, property, plant and equipment (continued)

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 15.

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".

In accordance with the requirements of SAC4 and AASB 116 Council has critically examined whether they control any rural fire-fighting equipment and have determined that the Rural Fire Service is the Controlling Authority. Consequently, Leeton Shire Council has not brought to account in the financial statements any rural fire service plant and equipment assets that have been vested in Council.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land:	All purchases are capitalised, but land resumed for public works need not be capitalised if the resumption costs are less than \$5,000.
Buildings and Land Improvements:	Capital expenses totalling less than \$2,000 need not be capitalised.
Plant & Equipment and Office Furniture & Equipment:	Capital expenses totalling less than \$1,000 need not be capitalised.
Water & Sewer Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Stormwater Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Transport Assets:	Capital expense totalling less than \$10,000 on any road or other asset need not be capitalised.
Other Infrastructure Assets:	Capital expenses on swimming pools less than \$10,000 or on any other recreational asset less than \$1,000 need not be capitalised

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	789	–	789	123	–	123
Plant and equipment	139	30	109	137	14	123
Office equipment	9	6	3	9	3	6
Buildings	846	68	778	844	34	810
Other structures	60	3	57	41	1	40
Infrastructure	58,985	35,130	23,855	58,025	33,933	24,092
Total water supply	60,828	35,237	25,591	59,179	33,985	25,194
Sewerage services						
WIP	601	–	601	1,422	–	1,422
Plant and equipment	281	57	224	281	28	253
Buildings	189	26	163	190	13	177
Other structures	159	8	151	159	3	156
Infrastructure	66,751	37,427	29,324	64,837	36,377	28,460
Total sewerage services	67,981	37,518	30,463	66,889	36,421	30,468
Domestic waste management						
Plant and equipment	379	78	301	305	38	267
Land						
– Operational land	494	–	494	494	–	494
Total DWM	873	78	795	799	38	761
TOTAL RESTRICTED IPP&E	129,682	72,833	56,849	126,867	70,444	56,423

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

	2020 \$ '000	2019 \$ '000
Notes		
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):		
Reinstatement of Flood Damaged roads	–	863
Total impairment reversals	–	863
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	–	863

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

	2020 \$ '000	2019 \$ '000
Water Licences		
Opening values at 1 July		
Gross book value	8,343	6,027
Net book value – opening balance	8,343	6,027
Movements for the year		
– Revaluation	28	2,316
Closing values at 30 June		
Gross book value	8,371	8,343
Total Water Licences – net book value	8,371	8,343
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	8,371	8,343

Accounting policy for intangible assets

Council holds a number of high and general security water licences which it recognises as an intangible asset.

- The water licences are individually tradable on the open water licence sales market.
- The licences were obtained principally through land acquisitions where the water licence was attached to the land.
- The water licences are individually tradable separate from the land and can be sold on a permanent or temporary basis.
- Income received from the sale of water entitlements are disclosed as other revenue.
- The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date.
- No amortisation costs are applicable, as high and general security licences have an indefinite life.
- Water licences purchased are initially recorded at cost and are revalued at least every 5 years based on market evidence.
- Water licences are tested for impairment annually based on market evidence. If the recoverable amount is less than the carrying amount the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

Note 12. Contract assets and liabilities

		2020 Current \$ '000	2020 Non-current \$ '000
	Notes		
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,515	–
Unexpended operating grants (enforceable contracts)	(ii)	406	–
Prepaid rates		–	–
Total grants received in advance		1,921	–
User fees and charges received in advance:			
Child Care Fees in Advance - Leeton Early Learning Centre	(iii)	10	–
Total user fees and charges received in advance		10	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

	2020 Current \$ '000	2020 Non-current \$ '000
Total contract liabilities	1,931	—

Notes

(i) Council has received funding to construct assets including Leeton Swimming Pool, Drought Relief Round #3 & CBD Enhancement Projects 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 1058 being an enforceable contract.

(iii) Childcare fees are paid 2 weeks in advance with 2 weeks notice required for non-attendance/cancellation. No option for refunds is available if the child does not attend. Parents sign an enrolment form that details all the relevant terms and conditions. Revenue is recognised as Council provides the service.

	2020 Current \$ '000	2020 Non-current \$ '000
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	1,931	—
Contract liabilities relating to externally restricted assets	1,931	—
Total contract liabilities relating to unrestricted assets	—	—
Total contract liabilities	1,931	—
		2020 \$ '000

(ii) Revenue recognised (during the financial year) from opening contract liability balances**Grants and contributions received in advance:**

Capital grants (to construct Council controlled assets)	666
Operating grants (received prior to performance obligation being satisfied)	572
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	1,238

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

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

(i) Council as a lessee

Office equipment

Leases for office equipment are generally for low value assets. The leases are for 5 years with no renewal option, the payments are fixed.

2020
\$ '000

(a) Income Statement

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

Expenses relating to low-value leases	2
	<u>2</u>

(b) Statement of Cash Flows

Total cash outflow for leases	2
	<u>2</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has no concessionary leases or below market value leases.

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

Refer to Note 5c and Note 18b.

(c) Operating leases

Council leases out a number of properties to community groups, training providers, emergency services, businesses and individuals. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 *Investment Property* as they are held for strategic purposes.

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

	2020
	\$ '000
(i) Operating lease income	
Office Space / commercial / land ¹	159
Housing	137
Other lease income	9
Total income relating to operating leases	305
(ii) Operating lease expenses	
Properties for lease	
Operating expenses from property that generated rental income	413
Total expenses relating to operating leases	413

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

	2020 \$ '000
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(iv) Maturity analysis of contractual lease income

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

< 1 year	22
1–2 years	267
2–3 years	251
3–4 years	216
4–5 years	209
> 5 years	239
Total undiscounted contractual lease income receivable	1,204

(1) Some of Council's leased properties may have been subsidised. The value of the subsidies are \$70,000. Net result shown

	Plant & Equipment 2020 \$ '000
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(v) Reconciliation of IPP&E assets leased out as operating leases

Opening balance as at 1 July 2019	2,579
Additions renewals	727
Depreciation expense	(185)
WIP transfers	98
Revaluation increments to equity (ARR)	1,475
Closing balance as at 30 June 2020	4,694

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Payables				
Goods and services	1,726	—	760	—
Accrued expenses:				
– Accrued Interest on Borrowings	35	—	29	—
– Salaries and wages	337	—	214	—
– Other expenditure accruals	210	—	125	—
Security bonds, deposits and retentions	341	—	309	—
Total payables	2,649	—	1,437	—
Income received in advance (2019 only)				
Payments received in advance	—	—	1,591	—
Prepaid rates	381	—	—	—
Total income received in advance	381	—	1,591	—
Borrowings				
Loans – secured ¹	442	3,316	325	1,309
Total borrowings	442	3,316	325	1,309
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,472</u>	<u>3,316</u>	<u>3,353</u>	<u>1,309</u>

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

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	13	—	1	—
Sewer	7	—	—	—
Payables and borrowings relating to externally restricted assets	20	—	1	—
Total payables and borrowings relating to restricted assets	20	—	1	—
Total payables and borrowings relating to unrestricted assets	3,452	3,316	3,352	1,309
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,472</u>	<u>3,316</u>	<u>3,353</u>	<u>1,309</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes	as at 30/06/20
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Closing balance \$ '000
Loans – secured	1,634	(325)	2,449	3,758
TOTAL	1,634	(325)	2,449	3,758

	as at 30/06/18		Non-cash changes	as at 30/06/19
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Closing balance \$ '000
Loans – secured	1,943	(309)	–	1,634
TOTAL	1,943	(309)	–	1,634

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

(c) Financing arrangements

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

Bank overdraft facilities ¹	545	545
Credit cards/purchase cards	50	50
Total financing arrangements	595	595

Drawn facilities as at balance date:

– Credit cards/purchase cards	14	13
Total drawn financing arrangements	14	13

Undrawn facilities as at balance date:

– Bank overdraft facilities	545	545
– Credit cards/purchase cards	36	37
Total undrawn financing arrangements	581	582

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Councils Loans are secured by future cash flows.

Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured by future cashflows of Council.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Borrowing costs are expensed when incurred.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	852	–	723	–
Long service leave	1,519	258	1,600	111
ELE on-costs	34	3	–	45
<u>TOTAL PROVISIONS</u>	<u>2,405</u>	<u>261</u>	<u>2,323</u>	<u>156</u>

	2020 \$ '000	2019 \$ '000
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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	1,416	1,392
	<u>1,416</u>	<u>1,392</u>

(b) Description of and movements in provisions

	ELE provisions			
	Annual leave \$ '000	Long service leave \$ '000	ELE on-costs \$ '000	Total \$ '000
2020				
At beginning of year	723	1,711	45	2,479
Remeasurement effects	129	(192)	–	(63)
Other	–	258	(8)	250
Total ELE provisions at end of year	852	1,777	37	2,666
2019				
At beginning of year	662	1,614	41	2,317
Remeasurement effects	61	97	–	158
Other	–	–	4	4
Total ELE provisions at end of year	723	1,711	45	2,479

Accounting policy for provisions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Water Licences

The reserve for high security water licences is used to record increments/decrements in the value of tradeable water licences.

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

Council has no prior year adjustments.

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

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

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

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

(ii) AASB 15 and AASB 1058

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

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

Upfront fees – Leeton Early Learning Centre

Prior to adopting AASB 15, the Council recognised child care fees on receipt. Under AASB 15, since the fees relate to a specific service the income is receipted once the service obligation has been met.

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. Council 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.

Council currently has no contracts that this note applies to.

Principal v agent

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

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

Council has no Principal v agent transactions.

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)

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 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.

Under AASB1058 if there is no enforceable contract but the contract has a specific promise then the income can be recognised as the promise is satisfied.

Under AASB1058 if there is an enforceable contract but no specific promise then the income can be recognised on receipt.

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:

- Reclassification of 2019/20 income from contract liability to income received in advance.
- Additional line item for contract liabilities have been created.
- Movements to and from Accumulated Surplus being 2019/20 restated income to, and 2018/19 restated income from.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasur-ement	Carrying amount under previous revenue standards
Current assets				
Cash and cash equivalents	10,863	–	–	10,863
Investments	28,500	–	–	28,500
Receivables	2,200	–	–	2,200
Inventories	982	–	–	982
Other	68	–	–	68
Total current assets	42,613	–	–	42,613
Current liabilities				
Payables	2,649	–	–	2,649
Income received in advance	381	10	–	391
Contract liabilities	1,931	(10)	(1,921)	–
Borrowings	442	–	–	442
Provisions	2,405	–	–	2,405
Total current liabilities	7,808	–	(1,921)	5,887
Non-current assets				
Investments	10,850	–	–	10,850
Receivables	76	–	–	76
Infrastructure, property, plant and equipment	266,594	–	–	266,594
Intangible assets	8,371	–	–	8,371
Total non-current assets	285,891	–	–	285,891
Non-current liabilities				
Borrowings	3,316	–	–	3,316
Provisions	261	–	–	261
Total Non-current liabilities	3,577	–	–	3,577
Net assets	317,119	–	1,921	319,040
Equity				
Accumulated surplus	130,369	–	1,921	132,290
Revaluation reserves	186,750	–	–	186,750
Council equity interest	317,119	–	1,921	319,040
Total equity	317,119	–	1,921	319,040

Council has reclassified 2019/20 prepaid grants, rates and childcare income to contract liabilities. The contract liability remeasurment and reclassification affects the accumulated surplus balances. The 2018/19 restated income has been remeasured to NIL.

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	13,012	–	–	13,012
User charges and fees	9,803	–	–	9,803
Other revenues	1,310	–	–	1,310
Grants and contributions provided for operating purposes	6,439	–	406	6,845
Grants and contributions provided for capital purposes	3,935	–	1,515	5,450
Interest and investment income	888	–	–	888
Rental income	305	–	–	305
Total Income from continuing operations	35,692	–	1,921	37,613
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	11,524	–	–	11,524
Borrowing costs	82	–	–	82
Materials and contracts	8,660	–	–	8,660
Depreciation and amortisation	6,173	–	–	6,173
Other expenses	2,693	–	–	2,693
Net losses from the disposal of assets	122	–	–	122
Total Expenses from continuing operations	29,254	–	–	29,254
Total Operating result from continuing operations	6,438	–	1,921	8,359
Net operating result for the year	6,438	–	1,921	8,359
Total comprehensive income	60,527	–	1,921	62,448

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

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 liabilities	–	1,483	1,483
Total liabilities	7,141	1,483	8,624
Accumulated surplus	125,414	(1,483)	123,931
Revaluation Reserves	132,661	–	132,661
Total equity	258,075	(1,483)	256,592

Notes to the Financial Statements

for the year ended 30 June 2020

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

(iii) AASB 16 Leases

Council as a lessee

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

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

Council as a lessor

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

(d) Changes in accounting policies due to adoption of new accounting standards (retrospective)

Council made no retrospective changes in accounting policies due to adoption of new accounting standards.

(e) Voluntary changes in accounting policies

Nature of changes in accounting policies

There have been no voluntary changes made to accounting policies.

(f) Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

There has been no material difference in the accounting estimates on the current year.

Nature and effect of changes in accounting estimates on future years

There is expected to be no material difference in the accounting estimates in future years.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

	Notes	2020 \$ '000	2019 \$ '000
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	10,863	3,564
Balance as per the Statement of Cash Flows		10,863	3,564
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,438	5,912
Adjust for non-cash items:			
Depreciation and amortisation		6,173	5,850
Net losses/(gains) on disposal of assets		122	163
Adoption of AASB 15/1058		(1,483)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,979	(1,692)
Decrease/(increase) in inventories		(28)	(15)
Decrease/(increase) in other current assets		(21)	(47)
Increase/(decrease) in payables		966	(521)
Increase/(decrease) in accrued interest payable		6	(5)
Increase/(decrease) in other accrued expenses payable		208	(98)
Increase/(decrease) in other liabilities		(1,178)	1,246
Increase/(decrease) in contract liabilities		1,931	–
Increase/(decrease) in provision for employee benefits		187	162
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		15,300	10,955

(c) Non-cash investing and financing activities

Council does not have any Non-cash investing and financing activities.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

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

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	1,878	1,068
Water infrastructure	869	1,097
Sewer infrastructure	3,101	690
Roads and drainage	4,347	1,507
Other Structures	4,961	221
Total commitments	15,156	4,583

These expenditures are payable as follows:

Within the next year	15,156	4,583
Total payable	15,156	4,583

Sources for funding of capital commitments:

Unexpended/Future grants/Contract	9,632	1,264
Externally restricted reserves	4,201	1,962
Internally restricted reserves	1,323	1,357
Total sources of funding	15,156	4,583

Details of capital commitments

Capital commitments includes Purchase Orders raised but items not yet supplied, unfinished works and revoked works.

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

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

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

Within the next year	–	3
Later than one year and not later than 5 years	–	9
Total non-cancellable operating lease commitments	–	12

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

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

Council currently leases 2 photocopiers over a 60 month term with a lease value of \$6,750 each and are classed as Low Value leases.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

A description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

Pooled employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million for each year from 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These 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.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

A description of any agreed allocation of a deficit or surplus:

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

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

Given the entity accounts for that plan as if it were a defined contribution the following information applies:

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 \$1,051,587.

The amount of additional contributions included in the total employer contribution advised above is \$90,100. Council's expected contribution to the plan for the next annual reporting period is \$154,862.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1695.2	
Past Service Liabilities	1773.2	95.6%
Vested Benefits	1757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.23% as at 30 June 2020.

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

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

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

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2020.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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.

(ii) S94/94A Plans

Council levies section 94/94A contributions upon various developments across the Council area through the required contribution plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Tips and quarries

Council operates tips and quarries and will have to rehabilitate the sites at some future date. As at 30 June 2020 Council is unable to reliably estimate the financial cost of such work.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,863	3,564	10,863	3,564
Receivables	2,276	4,260	1,895	3,920
Investments				
– 'Financial assets at amortised cost'	39,350	41,310	39,350	41,310
Total financial assets	52,489	49,134	52,108	48,794
Financial liabilities				
Payables	2,649	1,437	3,027	1,437
Loans/advances	3,758	1,634	3,759	1,634
Lease liabilities	–	–	8	–
Total financial liabilities	6,407	3,071	6,794	3,071

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

- **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.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2020				
Possible impact of a 1% movement in interest rates	334	334	(334)	(334)
2019				
Possible impact of a 1% movement in interest rates	265	265	(265)	(265)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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.

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	199	182	–	–	–	381
2019						
Gross carrying amount	340	188	–	–	–	528

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.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	1,880	12	21	192	5	2,110
Expected loss rate (%)	0.00%	0.00%	1.50%	1.50%	1.50%	0.15%
ECL provision	–	–	–	5	–	5
2019						
Gross carrying amount	3,536	35	35	103	39	3,748
Expected loss rate (%)	0.00%	0.00%	1.50%	1.50%	1.50%	0.07%
ECL provision	–	–	1	2	1	4

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2020							
Trade/other payables	0.00%	362	2,284	–	–	2,646	2,649
Loans and advances	4.06%	–	573	1,741	2,366	4,680	3,758
Total financial liabilities		362	2,857	1,741	2,366	7,326	6,407
2019							
Trade/other payables	0.00%	309	1,124	–	–	1,433	1,437
Loans and advances	4.90%	–	400	1,328	133	1,861	1,634
Total financial liabilities		309	1,524	1,328	133	3,294	3,071

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/06/2020 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 -----	
REVENUES				
Rates and annual charges	12,956	13,012	56	0% F
User charges and fees	7,193	9,803	2,610	36% F
Additional revenue was received in the following areas: Water consumption charges were over budget by \$685k due to a dry summer and RMS income received was an extra \$2,194k.				
Other revenues	2,536	1,310	(1,226)	(48)% U
Council's Other Revenues was down significantly from what was budgeted. This has mainly been due to COVID-19 restrictions. In particular, cancellation of events, reduction in fundraising practices and debt recovery.				
Operating grants and contributions	5,431	6,439	1,008	19% F
The variances to operating grants was due to the restated 2018/19 income of \$238k, income received for the Leeton Grandstand project of \$350k and Drought Relief funding of \$415k that was spent on operational projects.				
Capital grants and contributions	13,080	3,935	(9,145)	(70)% U
Grant income of \$1,277k from 2019/20 was reclassified due to the changes to accounting policies and will not be shown as income until the year that it is spent. Council secured grant funding for the following but income received was not for the budgeted amount, CBD project \$1,200k, Roxy Theatre \$1,400k, skatepark \$250k, Leeton Pool \$3,000k, Wamoon sewer project \$1,400k and the Darlington Point Road Bridge \$2,500k. Council failed to secure grant funding for Vance Estate expansion project \$1,400k.				
Interest and investment revenue	1,104	888	(216)	(20)% U
Lower than budgeted returns on Council investments due to interest rate cuts by the Reserve Bank. Council also takes a conservative approach with investments and limits the risk by not investing in banks that have a low or no credit rating.				
Net gains from disposal of assets	250	–	(250)	100% U
Sale of Council assets resulted in a loss this year.				
Rental income	–	305	305	∞ F
The changes to the required disclosures during the year has meant that rental income is now shown separately. Council had budgeted income of \$281k.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	12,095	11,524	571	5% F
Borrowing costs	74	82	(8)	(11)% U
Council did not take out budeted loans until late in the year which kept the borrowing costs down.				
Materials and contracts	8,730	8,660	70	1% F
Depreciation and amortisation	5,928	6,173	(245)	(4)% U
Other expenses	2,643	2,693	(50)	(2)% U
Net losses from disposal of assets	–	122	(122)	∞ U
Council's assets were sold at a loss this year.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	18,533	15,300	(3,233)	(17)% U
Council budgeted for \$113M in grant funding and received in significantly less (\$3.9M)				
Cash flows from investing activities	(22,227)	(10,125)	12,102	(54)% F
Council budgeted \$24.5M for the purchase of assets and only spent \$12.1M.				
Cash flows from financing activities	1,090	2,124	1,034	95% F
During 2019/20 Council carried out a complete scope of the works to be undertaken during the upgrade to the Leeton Pool. The pricing of the works based on the scope meant that Council needed to borrow additional funds to complete the project.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Intangibles

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 unobserv-able inputs	
2020					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	—	6,896	6,896
Office Furniture & Equipment	30/06/18	—	—	466	466
Operational land	30/06/18	—	5,148	—	5,148
Community land	30/06/18	—	—	8,029	8,029
Land improvements	30/06/18	—	—	1,132	1,132
Buildings – specialised	30/06/18	—	—	26,396	26,396
Buildings – non-specialised	30/06/18	—	199	—	199
Other structures	30/06/18	—	—	7,041	7,041
Roads	30/06/20	—	—	76,122	76,122
Bridges	30/06/20	—	—	4,639	4,639
Footpaths	30/06/20	—	—	7,736	7,736
Bulk earthworks	30/06/20	—	—	38,930	38,930
Stormwater drainage	30/06/20	—	—	25,706	25,706
Water supply network	30/06/20	—	—	23,855	23,855
Sewerage network	30/06/20	—	—	29,324	29,324
Other assets	30/06/18	—	—	90	90
Work in progress	30/06/20	—	—	4,885	4,885
Total infrastructure, property, plant and equipment		—	5,347	261,247	266,594
Intangible assets					
Water Licences	30/06/20	8,371	—	—	8,371
Total intangible assets		8,371	—	—	8,371

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	—	6,581	6,581
Office Furniture & Equipment	30/06/18	—	—	329	329
Operational land	30/06/18	—	4,473	—	4,473
Community land	30/06/18	—	—	8,029	8,029
Land improvements	30/06/18	—	—	1,112	1,112
Buildings – specialised	30/06/18	—	—	24,336	24,336
Buildings – non-specialised	30/06/18	—	227	—	227
Other structures	30/06/18	—	—	7,159	7,159
Roads	07/01/15	—	—	74,316	74,316
Bridges	07/01/15	—	—	3,040	3,040
Footpaths	07/01/15	—	—	5,192	5,192
Bulk earthworks	07/01/15	—	—	8,706	8,706
Stormwater drainage	07/01/15	—	—	8,198	8,198
Water supply network	30/06/19	—	—	24,092	24,092
Sewerage network	30/06/19	—	—	28,460	28,460
Other assets	30/06/18	—	—	63	63
Work in progress	30/06/19	—	—	2,688	2,688
Total infrastructure, property, plant and equipment		—	4,700	202,301	207,001
Intangible assets					
Water Licences	30/06/19	8,343	—	—	8,343
Total intangible assets		8,343	—	—	8,343

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

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

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. Leeton Shire Council use valuation techniques consistent with one or more of those approaches to measure fair value on all its asset classes.

Cost Approach

A valuation technique that reflects the amount that could be required to replace the service capacity of an asset.

Income Approach

Valuation technique that converts future amounts (cash flows or income and expenses) to a single current (discount) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Market Approach

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

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

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

	Total IPP&E \$ '000
2019	
Opening balance	199,104
Transfers from/(to) another asset class	(641)
Purchases (GBV)	8,654
Disposals (WDV)	(330)
Depreciation and impairment	(5,845)
FV gains – other comprehensive income	1,359
Closing balance	202,301
2020	
Opening balance	202,301
Transfers from/(to) another asset class	(15)
Purchases (GBV)	11,667
Disposals (WDV)	(396)
Depreciation and impairment	(6,168)
FV gains – other comprehensive income	53,858
Closing balance	261,247

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

None

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

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

	Fair value (30/6/20) \$ '000	Valuation technique/s	Unobservable inputs
Plant, equipment, furniture, fittings and office equipment	7,362	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	8,029	Rate per square metre. \$0.03 - \$120.15	Land value, land area
Land Improvements	1,132	Cost used to approximate fair value	Asset condition, remaining lives, residual value
Specialised buildings	26,396	Cost approach based on sq metre rate	Asset condition, consumption rate, remaining lives
Other structures (Includes Swimming Pools and other Recreational assets)	7,041	Cost used to approximate fair value	Gross replacement cost, useful life and residual value or Asset Condition, consumption rate and remaining life.
Roads, bridges, footpaths, bulkworks	127,427	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Stormwater drainage	25,706	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Water Supply and Sewerage Network	53,179	Based on NSW Office of Water Reference Rates Manual	Asset condition, pattern of consumption, residual value, components, dimensions and specification, unit rates
Other assets	90	Cost used to approximate fair value	Gross replacement cost, useful life and residual value

d. The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all assets classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land and Buildings are undertaken by Council's assets officer in conjunction with the various technical staff.

Operational Land and Building valuations are conducted by a qualified external valuer, Community Land is valued using the Valuer Generals valuation.

Management reviews the valuations reports for consistency and accuracy and to ensure all valuations movements are fully explained.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

	2020 \$ '000	2019 \$ '000
Compensation:		
Short-term benefits	656	736
Post-employment benefits	44	51
Other long-term benefits	13	(6)
Termination benefits	15	–
Total	728	781

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2020						
Airconditioning Maintenance and Servicing	1	4	–	30 day terms on invoices, market value	–	–
Consultancy - Director	2	86	20	14 day terms on invoices, market value	–	–
2019						
Airconditioning Maintenance and Servicing	1	24	–	30 day terms on invoices, market value	–	–
Consultancy - Director	2	–	–		–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

- 1 Council enters into an as needs basis with Weston and Weston after they lost the service agreement contract , a company which is controlled by a member of the KMP of Council. The contract was awarded through a competitive tender process based on market rates for these services.
- 2 Council has entered into an agreement with Star Advisory for the provision of consultancy in relation to the Directorship of Business and Investment on a 12 month contract.

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19						as at 30/06/20	
	Opening Balance \$ '000	Contributions received during the year		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	2	12	–	–	–	–	14	–
Traffic facilities	38	–	–	–	–	–	38	–
Open space	39	–	–	–	(27)	–	12	–
Recreation facilities	19	–	–	1	–	–	20	–
Plan administration	1	–	–	–	–	–	1	–
S7.11 contributions – under a plan	99	12	–	1	(27)	–	85	–
S7.12 levies – under a plan	291	100	–	3	–	–	394	–
Total S7.11 and S7.12 revenue under plans	390	112	–	4	(27)	–	479	–
S64 contributions	22	106	–	–	(100)	–	28	–
Total contributions	412	218	–	4	(127)	–	507	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
	\$ '000	Cash \$ '000	Non-cash \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
S7.11 Contributions – under a plan									
LEETON S94 FIXED LEVY PLAN									
Drainage	2	12	–	–	–	–	14	–	
Traffic facilities	38	–	–	–	–	–	38	–	
Open space	39	–	–	–	(27)	–	12	–	
Plan administration	1	–	–	–	–	–	1	–	
Recreation facilities	19	–	–	1	–	–	20	–	
Total	99	12	–	1	(27)	–	85	–	

S7.12 Levies – under a plan

Leeton S7.12 Fixed Levy Plan

Section 94A	291	100	–	3	–	–	394	–	
Total	291	100	–	3	–	–	394	–	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	9,177	1,429	2,406
User charges and fees	6,056	3,248	499
Interest and investment revenue	383	333	172
Other revenues	1,156	149	5
Grants and contributions provided for operating purposes	6,372	37	30
Grants and contributions provided for capital purposes	3,713	92	130
Rental income	305	–	–
Total income from continuing operations	27,162	5,288	3,242
Expenses from continuing operations			
Employee benefits and on-costs	8,655	1,708	1,161
Borrowing costs	82	–	–
Materials and contracts	7,225	883	552
Depreciation and amortisation	4,491	929	753
Other expenses	1,936	486	271
Net losses from the disposal of assets	122	–	–
Total expenses from continuing operations	22,511	4,006	2,737
Operating result from continuing operations	4,651	1,282	505
Net operating result for the year	4,651	1,282	505
Net operating result attributable to each council fund	4,651	1,282	505
Net operating result for the year before grants and contributions provided for capital purposes	938	1,190	375

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	5,719	3,414	1,730
Investments	14,151	9,523	4,826
Receivables	1,572	367	261
Inventories	982	—	—
Other	67	1	—
Total current assets	22,491	13,305	6,817
Non-current assets			
Investments	5,387	3,626	1,837
Receivables	47	25	4
Infrastructure, property, plant and equipment	210,540	25,591	30,463
Intangible assets	8,371	—	—
Total non-current assets	224,345	29,242	32,304
TOTAL ASSETS	246,836	42,547	39,121
LIABILITIES			
Current liabilities			
Payables	2,629	13	7
Income received in advance	381	—	—
Contract liabilities	1,931	—	—
Borrowings	442	—	—
Provisions	2,405	—	—
Total current liabilities	7,788	13	7
Non-current liabilities			
Borrowings	3,316	—	—
Provisions	261	—	—
Total non-current liabilities	3,577	—	—
TOTAL LIABILITIES	11,365	13	7
Net assets	235,471	42,534	39,114
EQUITY			
Accumulated surplus	85,077	24,869	20,423
Revaluation reserves	150,394	17,665	18,691
Council equity interest	235,471	42,534	39,114
Total equity	235,471	42,534	39,114

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,625	8.27%	9.52%	12.86%	16.15%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	31,757					
2. Own source operating revenue ratio *						
Total continuing operating revenue excluding all grants and contributions ¹	25,318	70.93%	73.91%	71.84%	69.01%	>60.00%
Total continuing operating revenue	35,692					
3. Unrestricted current ratio						
Current assets less all external restrictions	19,257	4.34x	4.33x	5.12x	4.52x	>1.50x
Current liabilities less specific purpose liabilities	4,441					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,880	21.82x	21.95x	25.15x	28.26x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	407					
5. Rates, annual charges, interest and extra charges outstanding percentage *						
Rates, annual and extra charges outstanding	249	1.82%	4.52%	3.92%	3.06%	<10.00%
Rates, annual and extra charges collectible	13,708					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	45,863	25.05	22.71	22.51	20.70	>3.00
Monthly payments from cash flow of operating and financing activities	1,830	mths	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4.52%	2.87%	22.90%	33.81%	12.05%	9.87%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio *							
Total continuing operating revenue excluding capital grants and contributions ¹	62.87%	65.59%	97.56%	96.78%	95.06%	95.05%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.34x	4.33x	1,023.46	13,027.00	973.86x	∞	>1.50x
Current liabilities less specific purpose liabilities			x	x			
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13.84x	12.19x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage *							
Rates, annual and extra charges outstanding	2.52%	6.26%	0.00%	0.00%	0.00%	0.00%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	22.24	22.54	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 20a above.

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

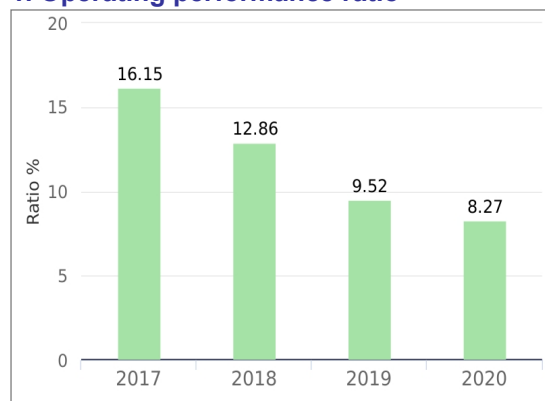
* These 2 ratios have had the pensioner subsidies removed from the 2018/19 amounts due to changes in the 2019/20 Accounting Code. This change is to ensure comparatives remain consistent.

Notes to the Financial Statements

for the year ended 30 June 2020

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.27%

Council's Operating Performance ratio continues to remain above the benchmark. This is attributable to grants, fees and charges and interest from investments.

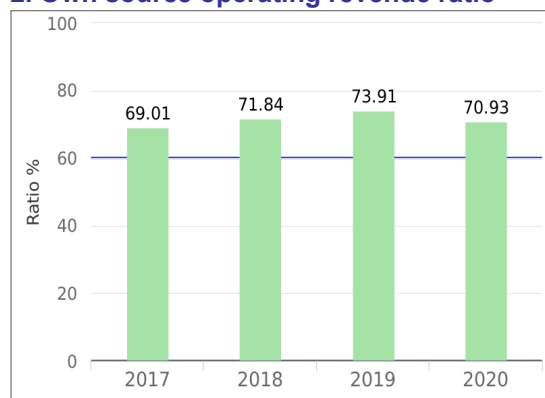
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio *



Purpose of own source operating revenue ratio *

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

Commentary on 2019/20 result

2019/20 ratio 70.93%

With an increase in fees and charges income, sale of investment water and the interest earned on investments, Council's Own Source Revenue Ratio continues to be above the benchmark of >60%.

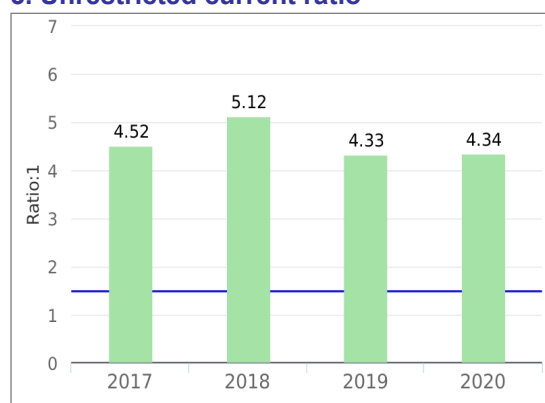
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 4.34x

Council remains well above the industry benchmark which indicates a strong capacity to pay debt as and when they fall due.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

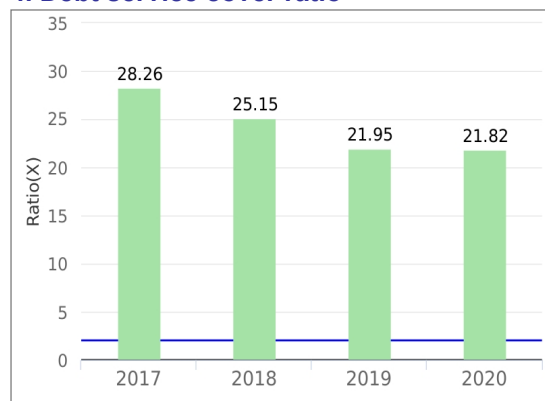
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 21.82x

Council's Debt Service Ratio continues to track well above the industry benchmark. Council has adequate cash to service its loan obligations.

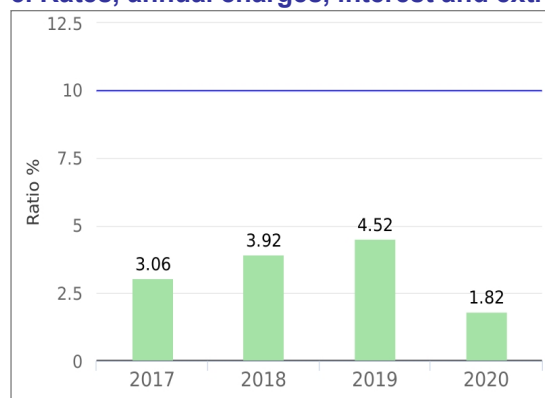
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 1.82%

The Outstanding Rates Ratio is well below the industry standard of <10% for rural councils. This is due to stringent debt recovery actions carried out during the year.

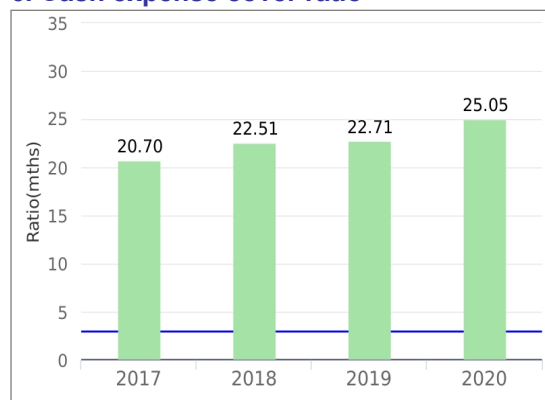
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 25.05 mths

Council continues to have a very strong Liquidity Ratio which enables it to meet expenses as required.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Principal place of business:

23-25 Chelmsford Place
Leeton NSW 2705

Contact details

Mailing Address:

23-25 Chelmsford Place
Leeton NSW 2705

Telephone: 02 6953 0911

Facsimile: 02 6953 3337

Opening hours:

Office Hours: 8.30am to 5.00pm

Cashier Hours: 9:00am to 4:00pm (Mon - Fri)

Internet: www.leeton.nsw.gov.au

Email: council@leeton.nsw.gov.au

Officers

General Manager

Jacqueline Kruger

Responsible Accounting Officer

Jacqueline Hawkins

Public Officer

Kerrie-Anne Hare

Auditors

NSW Audit Office
Level 15, 1 Margaret Street
Sydney NSW 2000

Elected members

Mayor

Cr Paul Maytom

Councillors

Cr George Weston (Deputy Mayor)

Cr Peter Davidson

Cr Michael Kidd

Cr Tracey Morris

Cr Paul Smith

Cr Tony Ciccio

Cr Tony Reneker

Cr Sandra Nardi

Other information

ABN: 59 217 957 665



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

29 October 2020
SYDNEY



Cr Paul Maytom
Mayor
Leeton Shire Council
23-25 Chelmsford Place
LEETON NSW 2705

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D2023340/1753

29 October 2020

Dear Mayor

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





I have audited the general purpose financial statements (GPFS) of the Leeton 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

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	13.0	12.6	 3.2
Grants and contributions revenue	10.4	8.6	 20.9
Operating result from continuing operations	6.4	5.9	 8.5
Net operating result before capital grants and contributions	2.5	2.7	 7.4

The Council's operating result from continuing operations (\$6.4 million including depreciation and amortisation expense of \$6.2 million) was \$0.5 million higher than the 2018–19 result. This movement was mainly due to an increase in grants and contributions income of \$1.8 million, which was partially offset by an increase in material and contracts expenses of \$1.2 million.

The net operating result before capital grants and contributions of \$2.5 million was \$0.2 million lower than the 2018–19 result. This movement was mainly due to increases in materials and contracts expenses of \$1.2 million, employee benefits and on-costs of \$0.8 million and depreciation and amortisation expenses of \$0.3 million. This was partially offset by the increase in user charges and fees of \$0.8 million and rates and annual charges of \$0.4 million.

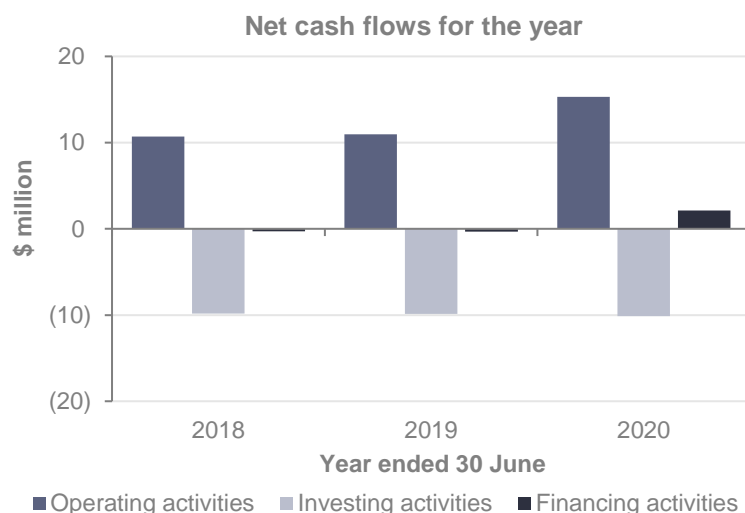
Rates and annual charges revenue (\$13.0 million) increased by \$0.4 million (3.2 per cent) in 2019–20 due to Council's pegged rate, which increased general rates revenue by 2.7 per cent in 2019–20 and an increase in the number of rateable properties.

Grants and contributions revenue (\$10.4 million) increased by \$1.8 million (20.9 per cent) in 2019–20 mainly due to:

- \$0.35 million of recreation and culture operating grant received during the year
- \$0.58 million of heritage and cultural capital grant received during the year
- \$0.59 million of contribution from other councils' joint works / services during the year.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$10.9 million (\$3.6 million for the year ended 30 June 2019). There was a net increase in cash and cash equivalents of \$7.3 million for the year ended 30 June 2020.
- Net cash provided by operating activities has increased by \$4.3 million. This is mainly due to the \$4.9 million increase in grants and contributions which is offset by the increase in employee benefits and on-costs of \$0.5 million.
- Net cash used in investing activities increased by \$0.3 million. This is mainly due to the increase in the purchase of infrastructure, property, plant and equipment of \$3.5 million.
- Net cash flows provided by financing activities increased by \$2.4 million due to the \$2.4 million increase in proceeds from borrowings and advances.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	33.0	30.5	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$2.5 million is primarily due to an increase in specific purpose unexpended grants and unexpended loan funds restrictions. • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$1.9 million is primarily due to unfinished works, cemetery expansion, Leeton Museum & Art Gallery and election reserve restrictions. • Unrestricted cash and investments were \$1.2 million, which is available to provide liquidity for day-to-day operations of the Council. There was a \$0.9 million increase in the unrestricted cash and investments balance.
Internal restrictions	16.0	14.1	
Unrestricted	1.2	0.3	
Cash and investments	50.2	44.9	

Debt

Council has \$3.8 million of external borrowings (2019: \$1.6 million) which is secured over the revenue of Council. The increase of \$2.4M in external borrowings is for the Leeton Pool and Grandstand projects and remains unexpended as at 30 June 2020.

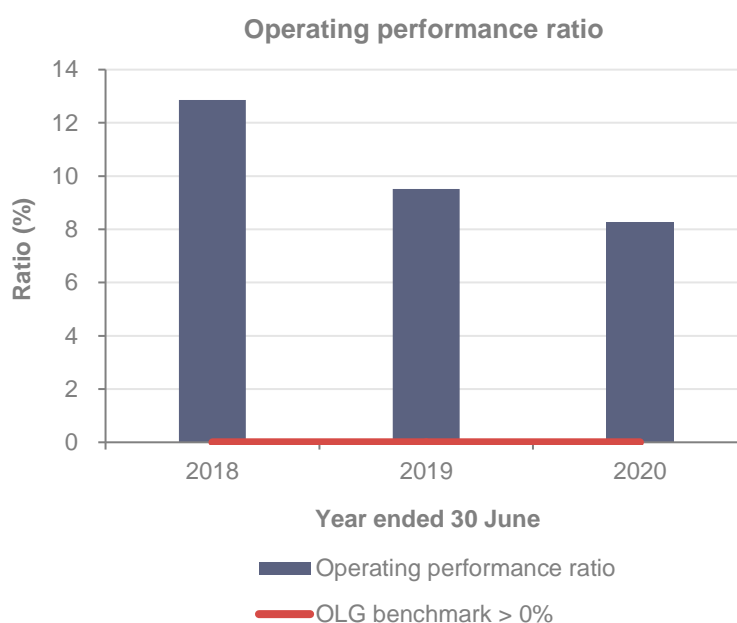
PERFORMANCE

Performance measures

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

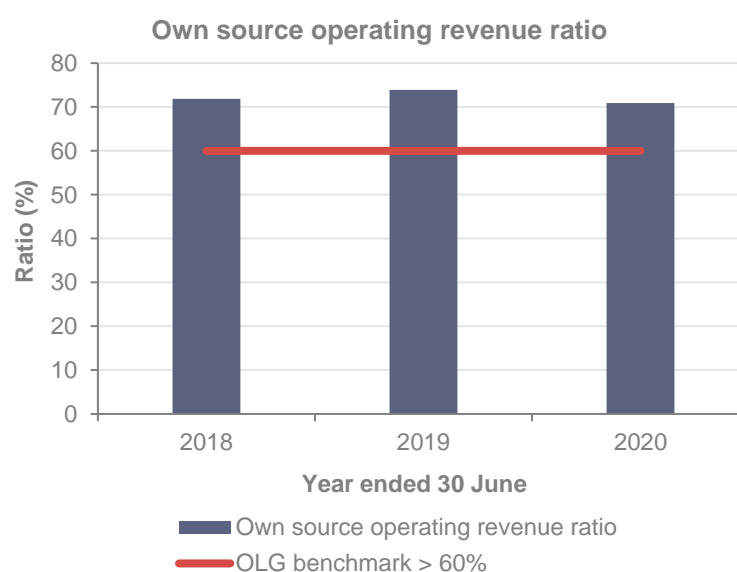
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The operating performance ratio of 8.27% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditures within operating revenue.
- The decrease in operating performance ratio is mainly due to the increase in grants and contributions.



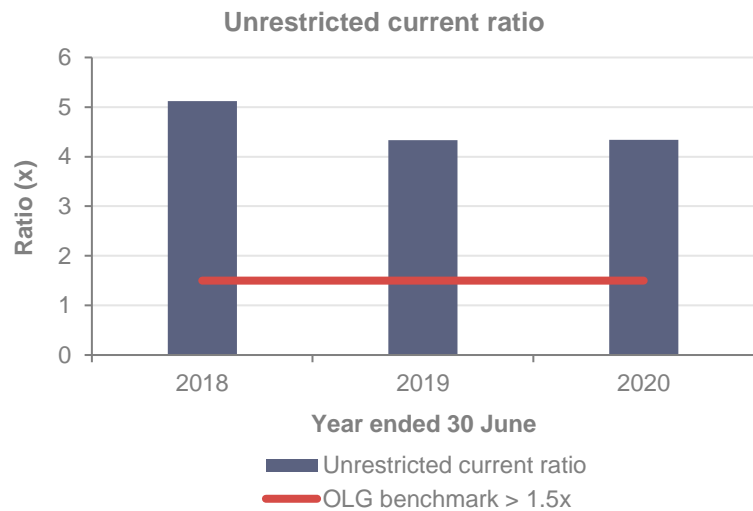
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 70.93% is above the industry benchmark of 60%. This indicates that the Council is less reliant on external funding sources, such as grants and contributions.
- The Council's own source operating revenue ratio has remained steady year on year.



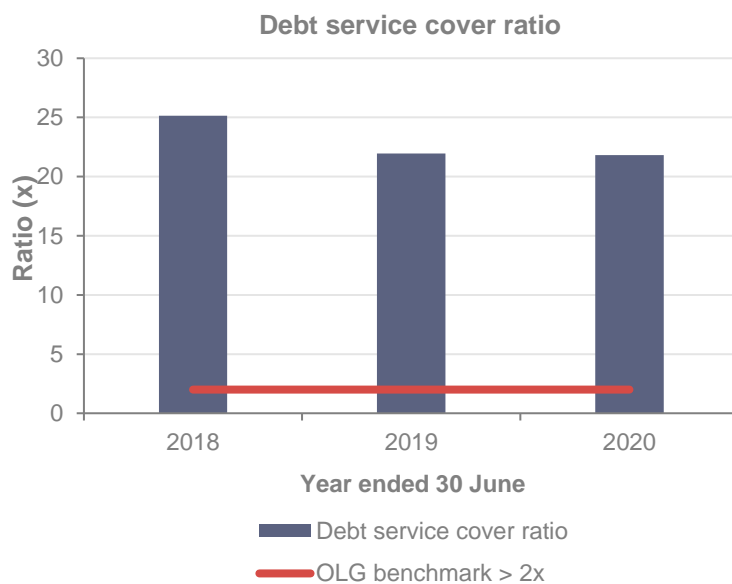
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 4.34 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained steady year on year.



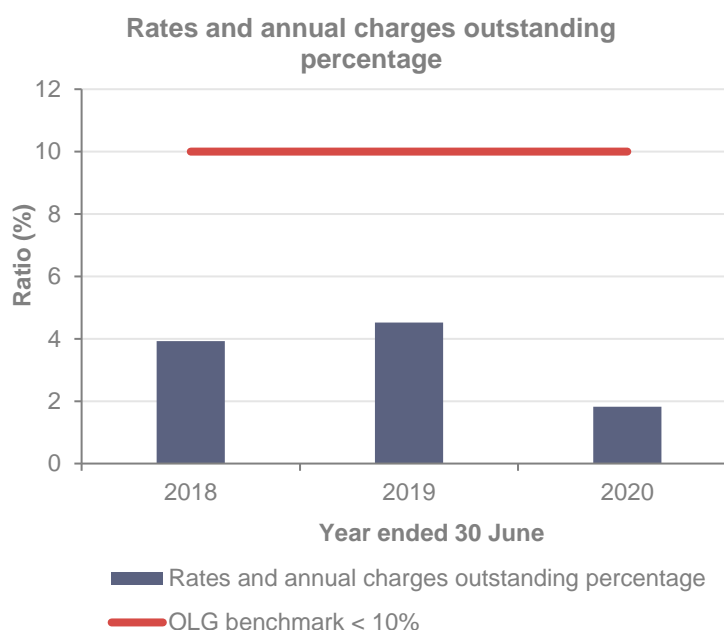
Debt service cover ratio

- 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's debt service cover ratio of 21.82 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.
- The debt service cover ratio has remained relatively stable year on year. The slight increase is due to the increase in operating result and depreciation expenses.



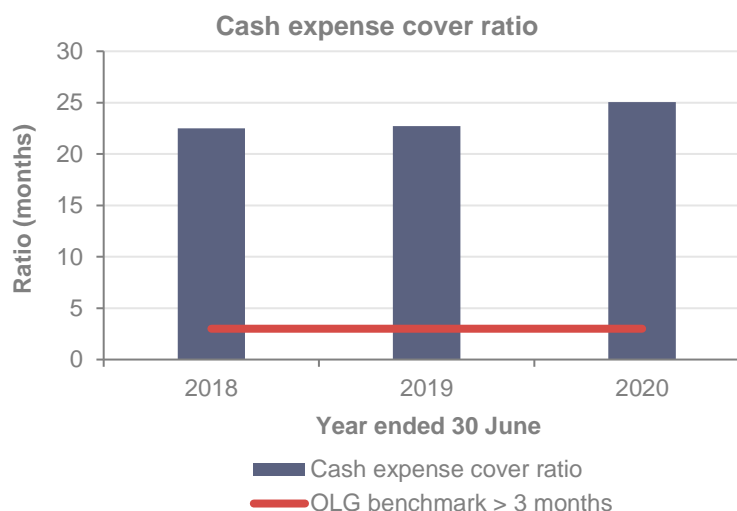
Rates and annual charges outstanding per centage

- 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.
- The Council's rates and annual charges outstanding ratio of 1.82% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding per centage has decreased from the previous year and remains below the benchmark for rural councils which is a reflection of sound debt recovery procedures at the Council.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 25.05 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 25.05 months of operating cash expenditure without additional cash inflows at 30 June 2020.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$7.6 million of assets in the 2019–20 financial year, compared to \$6.5 million of assets in the 2018–19 financial year. This mainly relates to roads (\$3.1 million), capital work in progress (\$2.7 million) and specialised buildings (\$1.0 million).

OTHER MATTERS

Impact of new accounting standards

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

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

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

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 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 \$1.5 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

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

The Council disclosed the impact of adopting AASB 16 in Note 13.

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.

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

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

cc: Ms Jackie Kruger, General Manager
Mr Graham Bradley, Chair of the Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment



LEETON
SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2020

Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	2
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Note 1 – Significant Accounting Policies	7
Auditor's Report on Special Purpose Financial Statements	10

Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records, and
- 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 28 October 2020.



Cr Paul Maytom
Mayor



Cr George Weston
Councillor



Jacqueline Kruger
General Manager



Jacqueline Hawkins
Responsible Accounting Officer

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	1,429	1,342
User charges	3,248	3,666
Interest	333	365
Grants and contributions provided for non-capital purposes	37	36
Other income	149	282
Total income from continuing operations	5,196	5,691
Expenses from continuing operations		
Employee benefits and on-costs	1,708	1,653
Materials and contracts	883	710
Depreciation, amortisation and impairment	929	942
Water purchase charges	218	225
Other expenses	268	237
Total expenses from continuing operations	4,006	3,767
Surplus (deficit) from continuing operations before capital amounts	1,190	1,924
Grants and contributions provided for capital purposes	92	152
Surplus (deficit) from continuing operations after capital amounts	1,282	2,076
Surplus (deficit) from all operations before tax	1,282	2,076
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(327)	(529)
SURPLUS (DEFICIT) AFTER TAX	955	1,547
Plus accumulated surplus	23,587	21,510
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	327	529
Closing accumulated surplus	24,869	23,586
Return on capital %	4.7%	7.6%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	955	1,547
Less: capital grants and contributions (excluding developer contributions)	(92)	(152)
Surplus for dividend calculation purposes	863	1,395
Potential dividend calculated from surplus	431	697

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	2,406	2,331
User charges	1	3
Liquid trade waste charges	498	396
Interest	172	207
Grants and contributions provided for non-capital purposes	30	30
Other income	5	2
Total income from continuing operations	3,112	2,969
Expenses from continuing operations		
Employee benefits and on-costs	1,161	1,132
Materials and contracts	552	570
Depreciation, amortisation and impairment	753	734
Other expenses	271	240
Total expenses from continuing operations	2,737	2,676
Surplus (deficit) from continuing operations before capital amounts	375	293
Grants and contributions provided for capital purposes	130	123
Surplus (deficit) from continuing operations after capital amounts	505	416
Surplus (deficit) from all operations before tax	505	416
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(103)	(81)
SURPLUS (DEFICIT) AFTER TAX	402	335
Plus accumulated surplus	19,918	19,504
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	103	81
Closing accumulated surplus	20,423	19,920
Return on capital %	1.2%	1.0%
Subsidy from Council	–	109
Calculation of dividend payable:		
Surplus (deficit) after tax	402	335
Less: capital grants and contributions (excluding developer contributions)	(130)	(123)
Surplus for dividend calculation purposes	272	212
Potential dividend calculated from surplus	136	106

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	3,414	204
Investments	9,523	12,312
Receivables	367	511
Other	1	–
Total current assets	13,305	13,027
Non-current assets		
Investments	3,626	2,798
Receivables	25	4
Infrastructure, property, plant and equipment	25,591	25,194
Total non-current assets	29,242	27,996
TOTAL ASSETS	42,547	41,023
LIABILITIES		
Current liabilities		
Payables	13	1
Total current liabilities	13	1
TOTAL LIABILITIES	13	1
NET ASSETS	42,534	41,022
EQUITY		
Accumulated surplus	24,869	23,586
Revaluation reserves	17,665	17,436
TOTAL EQUITY	42,534	41,022

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,730	102
Investments	4,826	6,170
Receivables	261	190
Total current assets	6,817	6,462
Non-current assets		
Investments	1,837	1,402
Receivables	4	8
Infrastructure, property, plant and equipment	30,463	30,468
Total non-current assets	32,304	31,878
TOTAL ASSETS	39,121	38,340
LIABILITIES		
Current liabilities		
Payables	7	–
Total current liabilities	7	–
TOTAL LIABILITIES	7	–
NET ASSETS	39,114	38,340
EQUITY		
Accumulated surplus	20,423	19,920
Revaluation reserves	18,691	18,420
TOTAL EQUITY	39,114	38,340

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Comprising the whole of the operations and net assets of Council's water supply activities servicing the towns of Leeton, Yanco, Whitton and Murrami which are established as a separate Special Rate Fund.

b. Sewerage Service

Comprising the whole of the operations and net assets of Council's sewerage reticulation & treatment activities servicing the towns of Leeton, Whitton and Yanco, which are established as a separate Special Rate Fund.

Category 2

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

Council has no Category 2 Business Activities

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30 June 2019.

(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

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Leeton Shire 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:

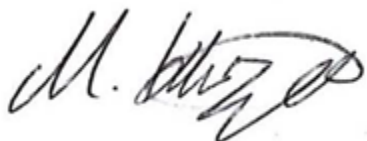
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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. The description forms part of my auditor's report.

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

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

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

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

29 October 2020
SYDNEY



LEETON
SHIRE COUNCIL

SPECIAL SCHEDULES

For the year ended 30 June 2020

Special Schedules

for the year ended 30 June 2020

Contents

Page

Special Schedules

Permissible income for general rates

2

Report on Infrastructure Assets - Values

6

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2019/20 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	7,467	7,215
Plus or minus adjustments ²	b	9	20
Notional general income	$c = a + b$	7,476	7,235
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	$i = e \times (c + g)$	194	195
Sub-total	$k = (c + g + h + i + j)$	7,670	7,430
Plus (or minus) last year's carry forward total	l	(37)	—
Sub-total	$n = (l + m)$	(37)	—
Total permissible income	$o = k + n$	7,633	7,430
Less notional general income yield	p	7,627	7,467
Catch-up or (excess) result	$q = o - p$	7	(37)
Carry forward to next year ⁶	$t = q + r + s$	7	(37)

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

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

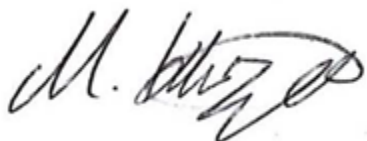
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

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

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

29 October 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	150	150	25	25	199	208	3.2%	10.0%	15.0%	10.0%	61.8%
	Buildings – specialised	1,067	1,067	232	232	25,454	27,043	58.3%	24.9%	12.7%	3.0%	1.1%
	Water buildings	–	–	3	3	777	846	14.8%	85.2%	0.0%	0.0%	0.0%
	Sewer Buildings	100	100	2	2	164	190	20.0%	20.0%	9.0%	21.0%	30.0%
	Sub-total	1,317	1,317	262	262	26,594	28,287	56.4%	26.6%	12.3%	3.1%	1.7%
Other structures	Other	494	494	67	67	1,576	1,703	60.0%	8.0%	3.3%	25.0%	3.7%
	Sub-total	494	494	67	67	1,576	1,703	60.0%	8.0%	3.3%	25.0%	3.7%
Roads	Sealed roads	1,983	1,983	1,167	902	55,585	55,585	1.0%	55.1%	40.0%	1.0%	3.0%
	Unsealed roads	520	520	560	552	8,096	8,096	58.1%	35.0%	1.0%	1.8%	4.2%
	Bridges	2,563	2,563	37	26	4,638	4,638	10.0%	23.9%	12.0%	30.0%	24.1%
	Footpaths	417	417	52	21	7,736	7,736	68.2%	24.3%	2.5%	4.0%	1.0%
	Other road assets	147	147	10	117	2,937	4,024	58.2%	28.8%	9.0%	1.0%	3.0%
	Bulk earthworks	–	–	–	–	38,930	38,930	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Guttering	95	95	26	40	9,504	9,504	10.8%	48.5%	39.8%	1.0%	0.0%
	Sub-total	5,725	5,725	1,852	1,658	127,426	128,513	41.4%	32.8%	21.2%	2.0%	2.6%
Water supply network	Mains	256	256	636	636	15,278	29,664	41.0%	15.0%	44.0%	0.1%	0.0%
	Dams/Weirs	–	–	–	–	2,062	3,582	0.0%	10.9%	89.2%	0.0%	0.0%
	Pump Stations	15	15	20	20	64	834	3.1%	75.4%	19.5%	1.5%	0.6%
	Telemetry	87	87	–	–	242	355	53.0%	10.0%	12.0%	20.0%	5.0%
	Filtration/Treatment Plant	250	250	927	927	1,117	13,388	3.0%	36.7%	58.4%	1.0%	1.0%
	Reservoirs	200	200	–	–	5,092	10,542	0.0%	62.5%	35.5%	1.0%	1.0%
	Water Meters	880	880	38	38	–	620	0.0%	0.0%	0.0%	80.0%	20.0%
	Sub-total	1,688	1,688	1,621	1,621	23,855	58,985	21.6%	28.8%	47.5%	1.4%	0.7%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1	2	3	4	5
Sewerage network	Sewer Lines	1,927	1,927	248	248	20,018	35,566	25.4%	27.7%	42.1%	0.0%	4.9%
	Pump Stations	300	300	346	346	2,793	5,910	3.1%	53.4%	38.5%	2.0%	3.0%
	Telemetry	345	345	—	—	1,318	1,696	70.0%	7.0%	3.0%	10.0%	10.0%
	Vent Stacks	—	—	—	—	89	586	0.0%	18.2%	81.8%	0.0%	0.0%
	Treatment Plants	90	90	407	407	5,106	22,994	0.0%	27.8%	72.2%	0.1%	0.0%
	Sub-total	2,662	2,662	1,001	1,001	29,324	66,752	15.6%	29.4%	51.5%	0.4%	3.1%
Stormwater drainage	Pipes	100	100	11	16	21,196	21,196	35.8%	53.0%	11.3%	0.0%	0.0%
	Pump Stations	339	339	34	52	819	819	40.0%	10.0%	9.0%	40.0%	1.0%
	Pits & Inlets	30	30	16	25	3,691	3,691	50.9%	33.4%	15.7%	0.0%	0.1%
	Sub-total	469	469	61	93	25,706	25,706	38.1%	48.8%	11.8%	1.3%	0.0%
Open space / recreational assets	Other Recreation Assets	461	461	445	445	4,466	4,948	22.5%	17.9%	51.0%	3.4%	5.2%
	Swimming pools	3,287	3,287	40	40	998	1,084	0.0%	0.0%	0.0%	50.0%	50.0%
	Sub-total	3,748	3,748	485	485	5,464	6,032	18.5%	14.7%	41.8%	11.8%	13.2%
TOTAL - ALL ASSETS		16,103	16,103	5,349	5,187	239,945	315,978	33.0%	31.6%	31.2%	1.9%	2.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	2019	Prior periods 2018	2017	Benchmark
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	4,855					
Depreciation, amortisation and impairment	5,360	90.58%	74.27%	63.76%	53.97%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	16,103					
Net carrying amount of infrastructure assets	239,948	6.71%	2.20%	2.18%	3.04%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	5,187					
Required asset maintenance	5,349	96.97%	100.30%	100.00%	100.79%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	16,103	5.10%	1.39%	1.30%	1.83%	
Gross replacement cost	315,978					

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

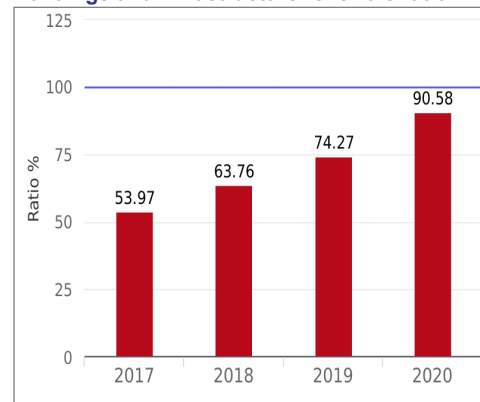
(1) Excludes Work In Progress (WIP)

(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 90.58%

Council's Buildings & Infrastructure Renewals ratio has improved over previous years due to the completion of renewal projects.

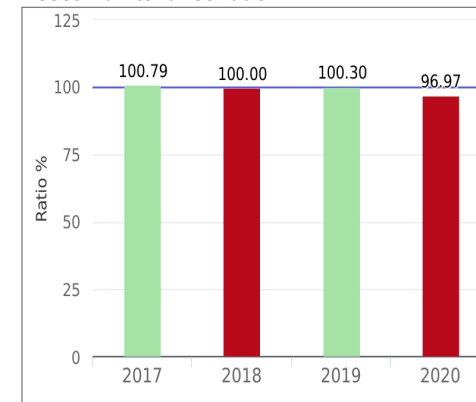
Benchmark: — $\geq 100.00\%$

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 96.97%

Council carried out most of the required maintenance this year whether included in the original budget or added in as issues occurred.

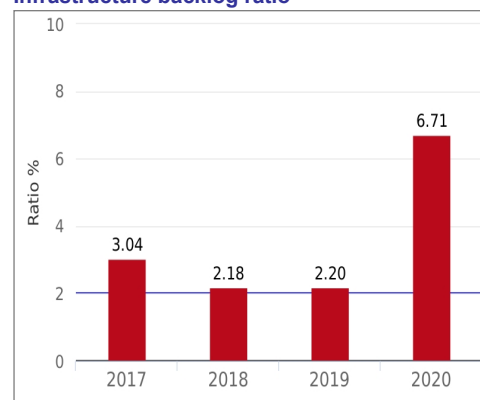
Benchmark: — $> 100.00\%$

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 6.71%

Council carried out a revaluation of all its infrastructure assets during the year, including condition ratings. These condition ratings impact this ratio. Council also has a large amount of incomplete capital works that are included in Work in Progress (\$4.885M). Work in Progress (WIP) is excluded from this ratio until the works are complete.

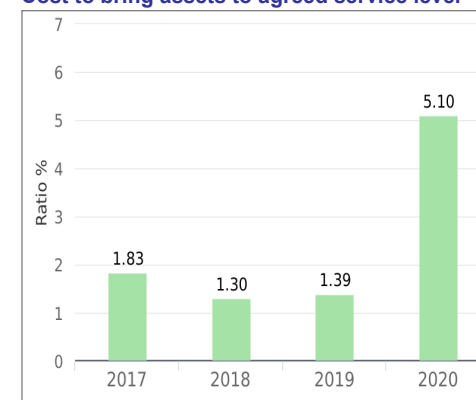
Benchmark: — $< 2.00\%$

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 5.10%

Council has a large number of capital renewal projects that are not yet complete. The increase in this ratio is reflective of that.

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	118.73%	109.05%	37.60%	7.76%	5.39%	4.49%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	6.29%	1.96%	7.08%	2.52%	9.08%	3.02%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	94.06%	100.62%	100.00%	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	6.18%	1.54%	2.86%	1.04%	3.99%	1.33%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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