

Muswellbrook Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Muswellbrook Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	88
On the Financial Statements (Sect 417 [3])	91

Overview

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

Street address
suburb NSW 9999

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.muswellbrook.nsw.gov.au.

Muswellbrook Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

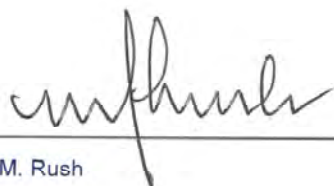
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

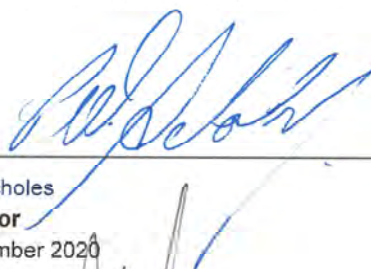
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 28 July 2020.



Cr. M. Rush
Mayor
26 November 2020



Cr. R. Scholes
Councillor
26 November 2020



Ms. F. Plesman
General Manager
26 November 2020



Mr. D. Hagger
Acting Responsible Accounting Officer
26 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
26,232	Rates and annual charges	3a	27,497	22,816
11,299	User charges and fees	3b	13,467	13,259
813	Other revenues	3c	1,221	6,527
5,699	Grants and contributions provided for operating purposes	3d,3e	7,124	6,747
15,666	Grants and contributions provided for capital purposes	3d,3e	9,931	13,818
1,226	Interest and investment income	4	1,377	1,922
5,919	Rental income	13	5,755	—
66,854	Total income from continuing operations		66,372	65,089
Expenses from continuing operations				
14,630	Employee benefits and on-costs	5a	16,275	14,419
2,798	Borrowing costs	5b	2,264	2,907
12,511	Materials and contracts	5c	12,507	12,546
13,328	Depreciation and amortisation	5d	12,761	12,382
4,265	Other expenses	5e	5,646	5,436
—	Net losses from the disposal of assets	6	1,470	209
—	Net share of interests in joint ventures and associates using the equity method	18	16	20
47,532	Total expenses from continuing operations		50,939	47,919
19,322	Operating result from continuing operations		15,433	17,170
19,322	Net operating result for the year		15,433	17,170
19,322	Net operating result attributable to council		15,433	17,170
3,656	Net operating result for the year before grants and contributions provided for capital purposes		5,502	3,352

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		15,433	17,170
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	39,938	2,160
Total items which will not be reclassified subsequently to the operating result		39,938	2,160
Total other comprehensive income for the year		39,938	2,160
Total comprehensive income for the year		55,371	19,330
 Total comprehensive income attributable to Council		 55,371	 19,330

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	5,066	6,164
Investments	7(b)	27,000	30,000
Receivables	8	7,765	6,074
Inventories	9a	1,700	1,700
Other	9b	220	116
Total current assets		41,751	44,054
Non-current assets			
Investments	7(b)	27,797	22,834
Receivables	8	846	—
Infrastructure, property, plant and equipment	10(a)	655,676	605,244
Investment property	11	55,323	55,988
Investments accounted for using the equity method	18	197	213
Total non-current assets		739,839	684,279
Total assets		781,590	728,333
LIABILITIES			
Current liabilities			
Payables	14	8,030	6,512
Contract liabilities	12	1,265	—
Borrowings	14	19,231	21,494
Provisions	15	3,734	3,259
Total current liabilities		32,260	31,265
Non-current liabilities			
Borrowings	14	45,975	47,935
Provisions	15	9,410	9,153
Total non-current liabilities		55,385	57,088
Total liabilities		87,645	88,353
Net assets		693,945	639,980
EQUITY			
Accumulated surplus	16	369,526	355,499
Revaluation reserves	16	324,419	284,481
Council equity interest		693,945	639,980
Total equity		693,945	639,980

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		355,499	284,481	639,980	338,329	282,321	620,650
Changes due to AASB 1058 and AASB 15 adoption	16	(1,406)	—	(1,406)	—	—	—
Restated opening balance		354,093	284,481	638,574	338,329	282,321	620,650
Net operating result for the year		15,433	—	15,433	17,170	—	17,170
Other comprehensive income							
— Gain (loss) on revaluation of IPP&E	10(a)	—	39,938	39,938	—	2,160	2,160
Other comprehensive income		—	39,938	39,938	—	2,160	2,160
Total comprehensive income		15,433	39,938	55,371	17,170	2,160	19,330
Equity – balance at end of the reporting period		369,526	324,419	693,945	355,499	284,481	639,980

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
26,232	Rates and annual charges		26,419	23,315
11,299	User charges and fees		13,756	13,601
1,226	Investment and interest revenue received		1,438	2,098
21,365	Grants and contributions		16,683	20,484
–	Bonds, deposits and retention amounts received		–	250
6,732	Other		5,743	5,020
<i>Payments:</i>				
(13,784)	Employee benefits and on-costs		(15,807)	(14,133)
(15,777)	Materials and contracts		(11,550)	(12,110)
(2,798)	Borrowing costs		(2,242)	(2,620)
–	Bonds, deposits and retention amounts refunded		(45)	(260)
(4,265)	Other		(6,222)	(4,457)
30,230	Net cash provided (or used in) operating activities	17b	28,173	31,188
Cash flows from investing activities				
<i>Receipts:</i>				
70	Sale of investment securities		37,250	31,750
–	Sale of infrastructure, property, plant and equipment		510	304
<i>Payments:</i>				
–	Purchase of investment securities		(39,213)	(36,260)
(326)	Purchase of investment property		665	(636)
(29,765)	Purchase of infrastructure, property, plant and equipment		(24,238)	(28,572)
–	Purchase of real estate assets		–	(7)
(30,021)	Net cash provided (or used in) investing activities		(25,026)	(33,421)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings and advances		2,000	7,000
<i>Payments:</i>				
(6,174)	Repayment of borrowings and advances		(6,329)	(3,828)
(6,174)	Net cash flow provided (used in) financing activities		(4,329)	3,172
(5,965)	Net increase/(decrease) in cash and cash equivalents		(1,182)	939
–	Plus: cash and cash equivalents – beginning of year	17a	6,164	5,225
(5,965)	Cash and cash equivalents – end of the year	17a	4,982	6,164
–	plus: Investments on hand – end of year	7(b)	54,797	52,834
(5,965)	Total cash, cash equivalents and investments		59,779	58,998

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	21
5	Expenses from continuing operations	22
6	Gain or loss from disposal of assets	27
7(a)	Cash and cash equivalents	28
7(b)	Investments	28
7(c)	Restricted cash, cash equivalents and investments	30
8	Receivables	32
9	Inventories and other assets	34
10(a)	Infrastructure, property, plant and equipment	36
10(b)	Externally restricted infrastructure, property, plant and equipment	39
11	Investment properties	40
12	Contract assets and liabilities	42
13	Leases	43
14	Payables and borrowings	44
15	Provisions	47
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	51
17	Statement of cash flow information	56
18	Interests in other entities	57
19	Commitments	60
20	Contingencies	61
21	Financial risk management	65
22	Material budget variations	69
23	Fair Value Measurement	71
24	Related party disclosures	78
25	Events occurring after the reporting date	79
26	Statement of developer contributions	80
27	Result by fund	83
28(a)	Statement of performance measures – consolidated results	86
28(b)	Statement of performance measures – by fund	87

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 28/07/2020. Council has the power to amend and reissue these 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 for the purpose of preparing these financial statements.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 22 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2020.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 16.

(b) Historical cost convention

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

(c) 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:

- estimated fair values of investment properties – refer Note 11
- estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- estimated tip remediation provisions – refer Note 15
- employee benefit provisions – refer Note 15

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Commercial Buildings

(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.

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council's dependence on volunteer services received is not material.

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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

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

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

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

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

New accounting standards adopted during the year

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
\$ '000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Economic Prosperity	5,761	6,282	4,653	3,978	1,108	2,304	398	446	55,896	58,663
Social Equity and Inclusion	803	712	1,669	1,782	(866)	(1,070)	72	103	22,079	21,275
Environmental Sustainability	583	596	1,630	1,851	(1,047)	(1,255)	7	98	192	192
Cultural Vitality	2,372	1,342	3,698	5,428	(1,326)	(4,086)	1,481	805	48,934	45,094
Community Infrastructure	30,757	35,037	29,194	25,926	1,563	9,111	8,252	5,522	593,481	549,388
Community Leadership	26,097	21,120	10,096	8,954	16,001	12,166	3,480	3,317	61,008	53,720
Other	—	—	—	—	—	—	—	—	—	1
Total functions and activities	66,373	65,089	50,940	47,919	15,433	17,170	13,690	10,291	781,590	728,333

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:

Economic Prosperity

Plan for Local Economic Prosperity 1. Support Job growth. 2. Diversify the economy, facilitate the development of intensive agriculture and other growth industries, make the Shire a more attractive place to invest and do business. 3. Facilitate greater access to higher education and participation in the knowledge and creativity economy. 4. Develop Muswellbrook as a Regional Centre.

Social Equity and Inclusion

Access to a wide range of community and government agencies appropriate for their age and needs. 5. Continue to improve the affordability, liveability and amenity of the Shire's. 6. Stabilise the tenancy turnover in the Shire's social housing. 7. Build social inclusion and improve the delivery of social services. 8. Retention and expansion of quality and affordable child care services. 9. Facilitate opportunities to expand senior's living. 10. Further the process of reconciliation in the Shire.

Environmental Sustainability

Environmental Sustainability to focus on the regeneration of mined land and urban riparian areas, increase our use of renewable energy and to monitor and manage our use of natural resources. 11. Higher quality final landforms with shallower voids and more emphasis on progressive rehabilitation with local workforce participation. 12. Enhance native vegetation connectivity across the Upper Hunter. 13. Our local rivers and creeks are enhanced, utilised and valued. 14. Support initiatives which reduce the community's impact on the environment. 15. Support Federal and State initiatives to reduce the human impact on climate change.

Cultural Vitality

Increase the local variety, availability and access to the arts and cultural experiences. 16. Conserve the heritage and history of the Shire. 17. Facilitate options to improve cultural activities in the Shire. 18. Facilitate cultural activities and events which engage the community and visitors and which create a 'sense of place' and identity.

Community Infrastructure

Expand on the infrastructure required for Muswellbrook to realise Regional Centre status, improve community facilities and improve accessibility to community facilities. 19. Our community's infrastructure is planned well, is safe and reliable and provides required levels of service. Utility services are operated as distinct business units within Council. 20. A safe, secure and reliable water supply and sewerage services are provided to all residents that will ensure public health. 21. The road, footpath and cycleway networks are integrated and allow for the safe movement of residents around the Shire.

Community Leadership

To improve the community's participation in decision making and implement business improvement initiatives to improve service delivery. 22. Collaborative and responsive community leadership that meets the expectations and anticipates the needs of the community. 23. Genuine and well informed community participation in decision making. 24. A Council that is well managed, efficient and properly resourced and that is responsive to its communities and stakeholders. 25. A sustainable Council that is best practice employer providing safe, happy and productive workplace.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Residential	1058 (1)	5,178	4,994
Farmland	1058 (1)	1,422	1,434
Mining	1058 (1)	10,910	6,856
Business	1058 (1)	1,531	1,359
Pensioner rate subsidies received (pursuant to s.496, s.496A, s.496B, s.501 & s.611)	1058 (1)	80	78
Domestic waste management services	15 (1)	2,422	2,354
Stormwater management services	15 (1)	157	157
Water supply services	15 (1)	1,599	1,563
Sewerage services	15 (1)	3,929	3,756
Waste management services (non-domestic)	15 (1)	160	157
Annual charges levied		8,267	7,987
– Water	1058 (1)	36	36
– Sewerage	1058 (1)	36	36
– Domestic waste management	1058 (1)	37	36
TOTAL RATES AND ANNUAL CHARGES		27,497	22,816

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.

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.

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

2019 Accounting Policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	3,546	3,761
Sewerage services	15 (1)	722	751
Total specific user charges		4,268	4,512
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	127	102
Inspection services	15 (1)	11	16
Private works – section 67	15 (1)	27	18
Regulatory/ statutory fees	1058 (1)	47	55
Section 10.7 certificates (EP&A Act)	1058 (1)	51	64
Section 603 certificates	15 (1)	32	31
Town planning	1058 (1)	31	27
DECCW levy recovered	1058 (1)	1,572	1,601
Development/building control	1058 (1)	270	230
Water and sewer related sales	15 (1)	625	464
Total fees and charges – statutory/regulatory		2,793	2,608
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	15 (1)	59	67
Community centres	15 (1)	29	53
Leaseback fees – Council vehicles	15 (1)	25	27
Leisure centre	15 (1)	18	23
Library and art gallery	15 (1)	35	40
Park rents	15 (1)	23	29
Restoration charges	15 (1)	26	28
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	2,497	2,165
Swimming centres	15 (1)	387	566
Waste disposal tipping fees	15 (1)	3,076	2,907
Gym centre	15 (1)	81	100
Road vehicle permits	15 (1)	105	93
Other	15 (1)	45	41
Total fees and charges – other		6,406	6,139
TOTAL USER CHARGES AND FEES		13,467	13,259

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

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

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

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

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

Accounting policy for user charges and fees

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property	15 (1)	–	5,814
Rental income – other council properties (2019 only)	15 (1)	–	232
Rental Income - Other Council Properties	15 (1)	461	–
Fines	1058 (1)	46	41
Legal fees recovery – rates and charges (extra charges)	1058 (1)	80	219
Legal fees recovery – other		–	45
Insurance claims recoveries	15 (1)	257	78
Insurance rebates	15 (1)	73	77
Mine Related Road Study	15 (1)	299	–
Other	15 (1)	5	21
<u>TOTAL OTHER REVENUE</u>		<u>1,221</u>	<u>6,527</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	3,196	3,124	–	–
Financial assistance – local roads component	1058 (1)	468	450	–	–
Total general purpose		3,664	3,574	–	–
Specific purpose					
Bushfire and emergency services	1058 (2)	268	193	17	–
Community care	15 (2)	72	103	–	–
Economic development		–	51	460	396
Environmental programs	15 (2)	6	53	–	–
Heritage and cultural	15 (2)	83	75	1	1
LIRS subsidy		44	53	–	–
Recreation and culture	1058 (2)	208	30	892	699
Street lighting	15 (2)	60	59	–	–
Transport (roads to recovery)	1058 (2)	867	330	–	–
Transport (other roads and bridges funding)	15 (2)	223	233	6,410	4,156
Planning		–	44	–	–
Waste management	15 (2)	136	96	–	–
Water Services		–	–	279	145
Total specific purpose		1,967	1,320	8,059	5,397
Total grants		5,631	4,894	8,059	5,397
Grant revenue is attributable to:					
– Commonwealth funding		4,531	3,904	279	249
– State funding		1,100	990	7,780	5,148
		5,631	4,894	8,059	5,397

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		15 (1)	662	790	1,437	4,185
S 7.11 – contributions towards amenities/services		15 (1)	667	663	11	25
S 7.12 – fixed development consent levies			–	–	81	37
S 64 – water supply contributions			–	–	66	24
S 64 – sewerage service contributions			–	–	109	5
Total developer contributions – cash			1,329	1,453	1,704	4,276
Total developer contributions	26		1,329	1,453	1,704	4,276
Other contributions:						
Cash contributions						
Bushfire services			–	–	–	412
Community services			–	5	–	–
Heritage/cultural		15 (1)	2	4	–	–
Recreation and culture		15 (1)	92	275	32	30
Library operations		15 (1)	25	116	52	72
Roads and bridges		1058 (1)	45	–	24	3,631
Total other contributions – cash			164	400	108	4,145
Non-cash contributions						
Bushfire services			–	–	60	–
Total other contributions – non-cash			–	–	60	–
Total other contributions			164	400	168	4,145
Total contributions			1,493	1,853	1,872	8,421
TOTAL GRANTS AND CONTRIBUTIONS			7,124	6,747	9,931	13,818

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

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

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

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*.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

(f) Unspent grants and contributions – external restrictions

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

Operating grants

Unexpended at the close of the previous reporting period	493	677
Add: operating grants recognised in the current period but not yet spent	157	191
Less: operating grants recognised in a previous reporting period now spent	(112)	(375)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–

Unexpended and held as externally restricted assets (operating grants)	538	493
---	------------	------------

Unexpended at the close of the previous reporting period	1,371	694
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	330	677
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	–
Less: capital grants received in a previous reporting period now spent and recognised as income	(516)	–
Unexpended at the close of the previous reporting period	22,634	22,390
Add: contributions recognised as income in the current period but not yet spent	2,380	4,433
Less: contributions recognised in a previous reporting period now spent	(5,835)	(4,189)

\$ '000	AASB 15 2020	AASB 1058 2020
---------	-----------------	-------------------

(g) Disaggregation of material revenue streams

The following shows the revenue recognition pattern for the material revenue streams of Council.

Revenue recognition at a point in time

Rates and annual charges	–	27,497
Financial assistance grants	–	3,664
User charges and fees	13,766	–
Grant revenue and non-developer contributions	164	168
Developer contributions	–	3,291
Fines	–	46
Rental Income - Investment Property	5,755	–
Other [specify if material]	876	–
	20,561	34,666

Revenue recognised over time

Grant revenue	1,913	–
Grants to acquire or construct Council controlled assets	–	8,293
	1,913	8,293

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	170	144
– Cash and investments	1,188	1,756
– Other	19	22
Total Interest and investment income	1,377	1,922
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	170	144
General Council cash and investments	644	989
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	24	38
– Section 64	262	263
Water fund operations	277	374
Sewerage fund operations	–	114
Total interest and investment revenue	1,377	1,922

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	13,049	12,230
Employee termination costs (where material – other than vested leave paid)	218	424
Travel expenses	365	386
Employee leave entitlements (ELE)	1,666	1,427
Superannuation	1,275	1,333
Workers' compensation insurance	694	520
Fringe benefit tax (FBT)	78	97
Payroll tax	84	82
Training costs (other than salaries and wages)	182	194
Sick leave insurance	2	2
Protective clothing	37	49
Staff appreciation	24	22
Total employee costs	17,674	16,766
Less: capitalised costs	(1,399)	(2,347)
TOTAL EMPLOYEE COSTS EXPENSED	16,275	14,419
Number of 'full-time equivalent' employees (FTE) at year end	–	157
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	–	171

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,978	2,620
Total interest bearing liability costs		1,978	2,620
Total interest bearing liability costs expensed		1,978	2,620
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	15	264	256
Interest applicable on interest free (and favourable) loans to Council		22	31
Total other borrowing costs		286	287
TOTAL BORROWING COSTS EXPENSED		2,264	2,907

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	9,673	9,924
Auditors remuneration ²	93	80
Legal expenses:		
– Legal expenses: planning and development	1	5
– Legal expenses: other	1,585	1,395
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	50	43
Venue manager	10	10
Waste collection	1,095	1,089
Total materials and contracts	12,507	12,546
TOTAL MATERIALS AND CONTRACTS	12,507	12,546

Accounting policy for materials and contracts

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

1. Operating lease payments are attributable to:

Computers	50	43
	50	43

2. Auditor remuneration

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

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

Audit and review of financial statements	78	54
Remuneration for audit and other assurance services	78	54
Total Auditor-General remuneration	78	54

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

– Other audit and assurance services: Internal Auditor	15	26
Remuneration for audit and other assurance services	15	26
Total remuneration of non NSW Auditor-General audit firms	15	26
Total Auditor remuneration	93	80

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,106	1,117
Office equipment		235	149
Furniture and fittings		117	121
Land improvements (depreciable)		127	125
Infrastructure:	10(a)		
– Buildings – non-specialised		3	3
– Buildings – specialised		1,922	1,882
– Other structures		424	406
– Roads		3,898	3,753
– Bridges		615	608
– Footpaths		402	377
– Stormwater drainage		610	601
– Water supply network		1,731	1,695
– Sewerage network		1,390	1,378
Other assets:			
– Other		158	144
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10(a)	23	23
Total gross depreciation and amortisation costs		12,761	12,382
Total depreciation and amortisation costs		12,761	12,382
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>12,761</u>	<u>12,382</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.

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

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	38	58
Bank charges	58	62
Cleaning	173	180
Community facility contribution	130	130
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	26	22
– NSW fire brigade levy	46	41
– NSW rural fire service levy	410	326
– Upper Hunter Weeds Authority	100	98
– Waste levy	1,442	1,660
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	133	142
Councillors' expenses (incl. mayor) – other (excluding fees above)	6	11
Donations, contributions and assistance to other organisations (Section 356)	58	72
Electricity and heating	1,133	1,166
Insurance	820	810
Postage	14	20
Printing and stationery	16	23
Street lighting	358	422
Telephone and communications	108	116
Valuation fees	57	51
Fair value decrements - investment properties	493	–
Total other expenses	5,646	5,436
TOTAL OTHER EXPENSES	5,646	5,436

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		260	–
Less: carrying amount of property assets sold/written off		(180)	–
Net gain/(loss) on disposal		80	–
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		250	304
Less: carrying amount of plant and equipment assets sold/written off		(76)	(92)
Net gain/(loss) on disposal		174	212
Infrastructure			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(1,695)	(421)
Net gain/(loss) on disposal		(1,695)	(421)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		37,250	31,750
Less: carrying amount of investments sold/redeemed/matured		(37,250)	(31,750)
Net gain/(loss) on disposal		–	–
Other Assets			
Less: carrying amount of Other Assets sold/written off		(29)	–
Net gain/(loss) on disposal		(29)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,470)	(209)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	–	(106)
Cash-equivalent assets		
– Deposits at call	5,066	6,270
Total cash and cash equivalents	5,066	6,164

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'held to maturity'	27,000	27,797	30,000	22,834
Total Investments	27,000	27,797	30,000	22,834
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	32,066	27,797	36,164	22,834
Financial assets at amortised cost				
Long term deposits	14,500	–	17,000	3,000
NCD's, FRN's (with maturities > 3 months)	12,500	27,797	13,000	19,834
Total	27,000	27,797	30,000	22,834

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

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

Rates and annual charges outstanding are secured against the property.

Financial assets through profit or loss

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	32,066	27,797	36,164	22,834
attributable to:				
External restrictions	12,496	21,733	21,423	15,495
Internal restrictions	17,511	6,064	14,024	7,339
Unrestricted	2,059	—	717	—
	32,066	27,797	36,164	22,834

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	1,898	—
Specific purpose unexpended loans – sewer	—	204

External restrictions – included in liabilities

External restrictions – other

Developer contributions – general	8,239	9,204
Developer contributions – water fund	7,351	7,145
Developer contributions – sewer fund	3,589	6,273
Specific purpose unexpended grants (recognised as revenue) – general fund	1,840	1,719
Specific purpose unexpended grants (recognised as revenue) – water fund	—	145
Water supplies	7,104	8,221
Sewerage services	978	962
Domestic waste management	485	345
Road Network Efficiency	2,700	2,700
Bengalla Coal Community Fund	45	—

External restrictions – other

Total external restrictions

	32,331	36,714
	34,229	36,918

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Internal restrictions		
Plant and vehicle replacement	2,303	1,622
Infrastructure replacement	54	487
Employees leave entitlement	1,590	1,062
Deposits, retentions and bonds	2,606	2,652
Carpark replacement	113	113
Road works contingency	442	625
Building replacement	7	45
Administrative	3	3
Builders Rubble	80	61
Environmental	613	687
Infrastructure works	125	125
Recreation	305	346
Road closure	143	109
Stormwater management	750	594
Waste Levy Aggregate (R&D)	61	61
Financial Assistance Grant	1,885	1,819
Road Pavment Consumption Charge	82	56
Culture	45	46
Waste management centre	6,816	5,636
Drainage	143	143
Future Fund	395	290
Mine Affected Roads	856	426
Carryover Works 18/19 Operating	—	43
Carryover Works 18/19 Capital	199	1,543
Sustainability Reserve	185	185
SRV Reserve	855	1,140
Road Reserve	912	912
Economic Development	142	150
Bio Valley Study	—	35
Contingency Reserve	436	347
Carryover Works 19/20 Operating	329	—
Carryover Works 19/20 Capital	1,030	—
Mine Affected Roads Study	70	—
Total internal restrictions	23,575	21,363
TOTAL RESTRICTIONS	57,804	58,281

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	2,113	846	1,476	—
User charges and fees	783	—	1,072	—
Accrued revenues				
– Interest on investments	108	—	169	—
Amounts due from other councils	118	—	218	—
VPA's	500	—	265	—
Government grants and subsidies	171	—	—	—
Net GST receivable	318	—	191	—
RMS Routine Services	351	—	1	—
RMS IPWO's	1,409	—	673	—
Waste depot charges	437	—	322	—
Commercial Properties – Rental.	348	—	194	—
Restart NSW	984	—	1,423	—
Other debtors	188	—	133	—
Total	7,828	846	6,137	—
Less: provision of impairment				
User charges and fees	(52)	—	(52)	—
Other debtors	(11)	—	(11)	—
Total provision for impairment – receivables	(63)	—	(63)	—
TOTAL NET RECEIVABLES	7,765	846	6,074	—
Externally restricted receivables				
Water supply				
– Rates and availability charges	474	—	109	—
– Other	1,718	—	1,934	—
Sewerage services				
– Rates and availability charges	462	—	473	—
– Other	524	—	691	—
Total external restrictions	3,178	—	3,207	—
Unrestricted receivables	4,587	846	2,867	—
TOTAL NET RECEIVABLES	7,765	846	6,074	—

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	63	63
Balance at the end of the year	63	63

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, whichever occurs first.

Receivables with a contractual amount of \$9000 written off during the reporting period are not subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	1,506	—	1,506	—
Stores and materials	194	—	194	—
Total inventories at cost	1,700	—	1,700	—
<u>TOTAL INVENTORIES</u>	<u>1,700</u>	<u>—</u>	<u>1,700</u>	<u>—</u>
(b) Other assets				
Prepayments	220	—	116	—
<u>TOTAL OTHER ASSETS</u>	<u>220</u>	<u>—</u>	<u>116</u>	<u>—</u>
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total externally restricted assets	—	—	—	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	1,920	—	1,932	—
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>1,920</u>	<u>—</u>	<u>1,932</u>	<u>—</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development				
Residential	1,506	—	1,506	—
Total real estate for resale	1,506	—	1,506	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	1,506	—	1,506	—
Total costs	1,506	—	1,506	—
Total real estate for resale	1,506	—	1,506	—
Movements:				
Real estate assets at beginning of the year	1,506	—	1,499	—
– Purchases and other costs	—	—	7	—
Total real estate for resale	1,506	—	1,506	—

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

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

\$ '000	2020	2019
Real estate for resale	1,171	1,099
	1,171	1,099

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	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfns from/to investment properties	Revaluation increments/ (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress	37,803	—	37,803	1,200	2,680	—	—	(34,670)	—	—	7,013	—	7,013
Plant and equipment	17,132	(11,171)	5,961	268	772	(76)	(1,106)	—	—	—	17,260	(11,441)	5,819
Office equipment	3,643	(2,529)	1,114	—	—	—	(235)	—	—	—	3,643	(2,764)	879
Furniture and fittings	1,715	(1,000)	715	—	24	—	(117)	—	—	—	1,738	(1,117)	621
Land:													
— Operational land	9,277	—	9,277	—	—	—	—	—	—	—	9,277	—	9,277
— Community land	9,994	—	9,994	—	—	—	—	—	—	—	9,994	—	9,994
Land improvements — depreciable	5,693	(1,131)	4,562	743	36	—	(127)	47	—	—	6,519	(1,258)	5,261
Infrastructure:													
— Buildings — non-specialised	710	(610)	100	—	—	—	(3)	—	—	—	440	(343)	97
— Buildings — specialised	72,424	(29,298)	43,126	99	1,890	(180)	(1,922)	266	2,070	—	76,419	(31,071)	45,348
— Other structures	10,628	(3,031)	7,597	524	1,501	(100)	(424)	577	—	—	12,892	(3,218)	9,674
— Roads	379,356	(97,507)	281,849	4,893	1,042	—	(3,898)	—	—	16,290	378,637	(78,461)	300,176
— Bridges	60,645	(18,343)	42,302	5	—	—	(615)	—	—	14,257	65,597	(9,648)	55,949
— Footpaths	16,608	(4,369)	12,239	117	305	—	(402)	—	—	(3,272)	17,226	(8,237)	8,989
— Stormwater drainage	58,922	(21,717)	37,205	12	376	—	(610)	—	—	11,334	73,281	(24,963)	48,318
— Water supply network	102,958	(48,513)	54,445	2,358	387	—	(1,731)	1,240	—	547	107,970	(50,721)	57,249
— Sewerage network	92,417	(43,489)	48,928	3,306	504	(1,595)	(1,390)	32,540	—	782	120,657	(37,583)	83,074
Other assets:													
— Heritage collections	4,694	—	4,694	—	70	—	—	—	—	—	4,764	—	4,764
— Other	1,768	(1,540)	228	—	52	(29)	(158)	—	—	—	1,451	(1,359)	92
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
— Tip assets	5,110	(2,005)	3,105	—	—	—	(23)	—	—	—	5,110	(2,028)	3,082
Total Infrastructure, property, plant and equipment	891,497	(286,253)	605,244	13,525	9,639	(1,980)	(12,761)	—	2,070	39,938	919,888	(264,212)	655,676

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WMP transfers	Revaluation increments/ (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	26,850	—	26,850	6,477	4,832	—	—	(357)	—	37,803	—	37,803
Plant and equipment	15,892	(11,167)	4,725	1,335	1,069	(92)	(1,117)	37	—	17,132	(11,171)	5,961
Office equipment	3,121	(2,380)	741	210	212	—	(149)	100	—	3,643	(2,529)	1,114
Furniture and fittings	1,637	(879)	758	56	21	—	(121)	—	—	1,715	(1,000)	715
Land:												
— Operational land	8,779	—	8,779	—	498	—	—	—	—	9,277	—	9,277
— Community land	9,994	—	9,994	—	—	—	—	—	—	9,994	—	9,994
Land improvements — depreciable	5,601	(1,005)	4,596	66	—	—	(125)	26	—	5,693	(1,131)	4,562
Infrastructure:												
— Buildings — non-specialised	4,330	(2,202)	2,128	—	—	—	(3)	—	—	710	(610)	100
— Buildings — specialised	66,204	(26,173)	40,031	1,195	1,649	—	(1,882)	108	—	72,424	(29,298)	43,126
— Other structures	10,050	(2,629)	7,421	213	280	—	(406)	86	—	10,628	(3,031)	7,597
— Roads	373,626	(93,981)	279,645	4,534	1,723	(301)	(3,753)	—	—	379,356	(97,507)	281,849
— Bridges	60,078	(17,751)	42,327	624	—	(40)	(608)	—	—	60,645	(18,343)	42,302
— Footpaths	16,475	(4,021)	12,454	140	102	(80)	(377)	—	—	16,608	(4,369)	12,239
— Stormwater drainage	58,527	(21,116)	37,411	20	375	—	(601)	—	—	58,922	(21,717)	37,205
— Water supply network	99,648	(46,054)	53,594	1,314	354	—	(1,695)	—	877	102,958	(48,513)	54,445
— Sewerage network	90,083	(41,426)	48,657	337	31	—	(1,378)	—	1,283	92,417	(43,489)	48,928
Other assets:												
— Heritage collections	4,623	—	4,623	—	71	—	—	—	—	4,694	—	4,694
— Other	1,623	(1,397)	226	—	145	—	(144)	—	—	1,768	(1,540)	228
Reinstatement, rehabilitation and restoration assets (refer Note 15):												
— Tip assets	5,110	(1,982)	3,128	—	—	—	(23)	—	—	5,110	(2,005)	3,105
Total Infrastructure, property, plant and equipment	862,251	(274,163)	588,088	16,521	11,362	(513)	(12,382)	—	2,160	891,497	(286,253)	605,244

(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 for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

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

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 12.

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

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

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
\$ '000						
Water supply						
WIP	928	—	928	1,291	—	1,291
Plant and equipment	690	438	252	714	418	296
Office equipment	87	87	—	87	87	—
Furniture and fittings	21	16	5	21	16	5
Land						
— Operational land	575	—	575	575	—	575
Infrastructure	107,969	50,721	57,248	102,958	48,513	54,445
Total water supply	110,270	51,262	59,008	105,646	49,034	56,612
Sewerage services						
WIP	—	—	—	32,539	—	32,539
Plant and equipment	736	315	421	429	306	123
Office equipment	29	29	—	29	29	—
Furniture and fittings	2	2	—	2	2	—
Land						
— Operational land	1,142	—	1,142	1,142	—	1,142
— Community land	45	—	45	45	—	45
Infrastructure	120,657	37,583	83,074	92,417	43,489	48,928
Total sewerage services	122,611	37,929	84,682	126,603	43,826	82,777
TOTAL RESTRICTED IPP&E	232,881	89,191	143,690	232,249	92,860	139,389

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	55,323	55,988
Total owned investment property	55,323	55,988

(a) Reconciliation – owned investment property

Reconciliation of annual movement (Note 10):

Opening balance	55,988	55,352
– Capitalised expenditure – this year	1,896	637
– Net gain/(loss) from fair value adjustments	(491)	–
– Transfers from/(to) owner occupied (Note 10)	(2,070)	–
– Other movements	–	(1)
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	55,323	55,988

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2020 revaluations were based on independent assessments made by: M3 Property Valuations NSW, John Maher Property Strategies Australia and Ray White Valuations with a market appraisal of each of the properties.

(c) Contractual obligations at reporting date (2019 only)

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

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

(d) Leasing arrangements – Council as lessor (2019 only)

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	4,263	4,994
Later than 1 year but less than 5 years	5,097	6,712
Later than 5 years	870	1,866
Total minimum lease payments receivable	10,230	13,572

Generally for leases of a commercial nature the lease terms sought are greater than 5 years, with a restricted capital contribution, annual rental increases, net leases (outgoings recoverable), no option, and payable a month in advance.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties (continued)

\$ '000	2020	2019
(e) Investment property income and expenditure – summary (2019 only)		
Rental income from investment property:		
– Minimum lease payments	–	5,814
Net revenue contribution from investment property	–	5,814
plus:		
Fair value movement for year	(491)	–
Total income attributable to investment property	(491)	5,814

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	915	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	309	—
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	41	—
Total grants received in advance		1,265	—
Total contract liabilities		1,265	—

Notes

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

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

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	1,838	—
Contract liabilities relating to externally restricted assets	1,838	—
Total contract liabilities relating to restricted assets	1,838	—
Total contract liabilities	1,265	—

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

(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)	516
Operating grants (received prior to performance obligation being satisfied)	97
Operating contributions (received prior to performance obligation being satisfied)	16

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	629
--	------------

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

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

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

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

Note 13. Leases

Council as a lessor

Operating leases

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	5,755
Total income relating to operating leases	5,755

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	2,790	–	1,833	–
Goods and services – capital expenditure	1,974	–	1,037	–
Security bonds, deposits and retentions	2,607	–	2,652	–
Prepaid rates	405	–	–	–
Other	18	–	990	–
Pepaid Water Charges	158	–	–	–
Prepaid Debtors	78	–	–	–
Total payables	8,030	–	6,512	–
Borrowings				
Bank overdraft	84	–	–	–
Loans – secured ¹	19,147	45,975	21,494	47,935
Total borrowings	19,231	45,975	21,494	47,935
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>27,261</u>	<u>45,975</u>	<u>28,006</u>	<u>47,935</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 21.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	681	1,007	885	2,674
Sewer	803	15,620	1,552	32,596
Domestic waste management	60	–	60	–
Payables and borrowings relating to externally restricted assets	1,544	16,627	2,497	35,270
Total payables and borrowings relating to restricted assets	1,544	16,627	2,497	35,270
Total payables and borrowings relating to unrestricted assets	25,717	29,348	25,509	12,665
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>27,261</u>	<u>45,975</u>	<u>28,006</u>	<u>47,935</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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

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

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

Payables – security bonds, deposits and retentions	171	170
Total payables and borrowings	171	170

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	69,429	(6,350)	2,000	43	–	–	65,122
TOTAL	69,429	(6,350)	2,000	43	–	–	65,122

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	66,226	(3,829)	7,000	32	–	69,429
TOTAL	66,226	(3,829)	7,000	32	–	69,429

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

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

Bank overdraft facilities ¹	750	750
Credit cards/purchase cards	63	67
Total financing arrangements	813	817

Undrawn facilities as at balance date:

– Bank overdraft facilities	750	750
– Credit cards/purchase cards	63	62
Total undrawn financing arrangements	813	812

Additional financing arrangements information**Breaches and defaults**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 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.

Finance leases (2019 only)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,633	–	1,551	–
Long service leave	2,000	347	1,635	354
Other leave	101	–	73	–
Sub-total – aggregate employee benefits	3,734	347	3,259	354
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	9,063	–	8,799
Sub-total – asset remediation/restoration	–	9,063	–	8,799
<u>TOTAL PROVISIONS</u>	<u>3,734</u>	<u>9,410</u>	<u>3,259</u>	<u>9,153</u>

(a) Provisions relating to restricted assets

Externally restricted assets

Water	611	–	594	–
Sewer	163	–	588	–
Provisions relating to externally restricted assets	774	–	1,182	–
Total provisions relating to restricted assets	774	–	1,182	–
Total provisions relating to unrestricted assets	2,960	9,410	2,077	9,153
<u>TOTAL PROVISIONS</u>	<u>3,734</u>	<u>9,410</u>	<u>3,259</u>	<u>9,153</u>

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

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

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

Provisions – employees benefits	2,526	2,342
	<u>2,526</u>	<u>2,342</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	1,551	1,989	73	3,613
Additional provisions	1,091	598	—	1,689
Amounts used (payments)	(1,009)	(240)	—	(1,249)
Other	—	—	28	28
Total ELE provisions at end of year	1,633	2,347	101	4,081
2019				
At beginning of year	1,466	1,798	63	3,327
Additional provisions	1,148	555	—	1,703
Amounts used (payments)	(1,063)	(364)	—	(1,427)
Other	—	—	10	10
Total ELE provisions at end of year	1,551	1,989	73	3,613

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	8,799	8,799
Other	264	264
Total other provisions at end of year	9,063	9,063
2019		
At beginning of year	8,543	8,543
Unwinding of discount	256	256
Total other provisions at end of year	8,799	8,799

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

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.

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

Restoration

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

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

Rehabilitation

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

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 7(c).

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.

Fair value through other comprehensive income reserve (FVOCI)

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

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

AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

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

Revenue recognition from contract modifications

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

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

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

Principal v agent

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

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

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 up-front rather than spreading them over the life of the licence.

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	197
– Under AASB 1058	1,209
Total Contract liabilities	1,406

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	5,066	—	—	5,066	
Investments	27,000	—	—	27,000	
Receivables	7,765	—	—	7,765	
Inventories	1,700	—	—	1,700	
Other	220	—	—	220	
Total current assets	41,751	—	—	41,751	
Current liabilities					
Payables	8,030	—	—	8,030	
Contract liabilities	1,265	—	(1,265)	—	
Borrowings	19,231	—	—	19,231	
Provisions	3,734	—	—	3,734	
Total current liabilities	32,260	—	(1,265)	30,995	
Non-current assets					
Investments	27,797	—	—	27,797	
Receivables	846	—	—	846	
Infrastructure, property, plant and equipment	655,676	—	—	655,676	
Investment property	55,323	—	—	55,323	
Investments accounted for using equity method	197	—	—	197	
Total non-current assets	739,839	—	—	739,839	
Non-current liabilities					
Borrowings	45,975	—	—	45,975	
Provisions	9,410	—	—	9,410	
Total Non-current liabilities	55,385	—	—	55,385	
Net assets	693,945	—	1,265	695,210	
Equity					
Accumulated surplus	369,526	—	1,265	370,791	
Revaluation reserves	324,419	—	—	324,419	
Council equity interest	693,945	—	1,265	695,210	
Total equity	693,945	—	1,265	695,210	

Council has done a comparison to show the significant differences between previous standards and AASB 15/AASB 1058.

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	27,497	—	—	27,497	
User charges and fees	13,467	—	—	13,467	
Other revenues	1,221	—	—	1,221	
Grants and contributions provided for operating purposes	7,124	—	350	7,474	
Grants and contributions provided for capital purposes	9,931	—	915	10,846	
Interest and investment income	1,377	—	—	1,377	
Rental income	5,755	—	—	5,755	
Total Income from continuing operations	66,372	—	1,265	67,637	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	16,275	—	—	16,275	
Borrowing costs	2,264	—	—	2,264	
Materials and contracts	12,507	—	—	12,507	
Depreciation and amortisation	12,761	—	—	12,761	
Other expenses	5,646	—	—	5,646	
Net losses from the disposal of assets	1,470	—	—	1,470	
Net share of interests in joint ventures and associates using the equity method	16	—	—	16	
Total Expenses from continuing operations	50,939	—	—	50,939	
Total Operating result from continuing operations	15,433	—	1,265	16,698	
Net operating result for the year	15,433	—	1,265	16,698	
Total comprehensive income	55,371	—	—	55,371	

Council has shown the comparison for the significant differences between previous standards and AASB 15/AASB 1058.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	728,333	—	728,333
Contract liabilities	—	1,406	1,406
Total liabilities	88,353	1,406	89,759
Accumulated surplus	355,499	(1,406)	354,093
Total equity	639,980	(1,406)	638,574

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	5,066	6,164
Less bank overdraft	14	(84)	—
Balance as per the Statement of Cash Flows		4,982	6,164

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

Net operating result from Income Statement		15,433	17,170
Adjust for non-cash items:			
Depreciation and amortisation		12,761	12,382
Net losses/(gains) on disposal of assets		1,470	209
Non-cash capital grants and contributions		(60)	(412)
Adoption of AASB 15/1058		(1,406)	(1,406)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		22	31
Unwinding of discount rates on reinstatement provisions		—	256
Share of net (profits)/losses of associates/joint ventures using the equity method		16	19
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,537)	(159)
Decrease/(increase) in inventories		—	25
Decrease/(increase) in other current assets		(104)	7
Increase/(decrease) in payables		957	411
Increase/(decrease) in other liabilities		(376)	962
Increase/(decrease) in contract liabilities		1,265	1,864
Increase/(decrease) in provision for employee benefits		468	286
Increase/(decrease) in other provisions		264	—
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		28,173	31,645

(c) Non-cash investing and financing activities

Other non-cash items (Rural Fire Service)		60	412
Total non-cash investing and financing activities		60	412

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	(16)	(20)	197	213
Total	(16)	(20)	197	213

Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
Strategic Services Australia Ltd	Joint Venture	Equity method	197	212
Total carrying amounts – material joint ventures			197	212

(b) Details

Principal activity		Place of business
Strategic Services Australia Ltd	Local Government Services	Thornton

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Strategic Services Australia Ltd	4.0%	4.0%	4.0%	4.0%	8.0%	8.0%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

(d) Summarised financial information for joint ventures

\$ '000	Strategic Services Australia Ltd	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	5,101	5,311
Other current assets	1,446	1,606
Non-current assets	310	327
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	1,343	1,399
Other current liabilities	896	842
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	11	20
Net assets	4,607	4,983
Reconciliation of the carrying amount		
Opening net assets (1 July)	5,400	5,886
Profit/(loss) for the period	(376)	(486)
Closing net assets	5,024	5,400
Council's share of net assets (%)	4.3%	4.3%
Council's share of net assets (\$)	197	212
Statement of comprehensive income		
Income	5,632	5,661
Depreciation and amortisation	(105)	(111)
Other expenses	(5,903)	(6,035)
Profit/(loss) from continuing operations	(376)	(485)
Profit/(loss) for the period	(376)	(485)
Total comprehensive income	(376)	(485)
Share of income – Council (%)	4.3%	4.1%
Profit/(loss) – Council (\$)	(16)	(20)
Total comprehensive income – Council (\$)	(16)	(20)
Summarised Statement of cash flows		
Cash flows from operating activities	(79)	255
Cash flows from investing activities	27	6
Cash flows from financing activities	(159)	–
Net increase (decrease) in cash and cash equivalents	(211)	261

(e) Summarised financial information for individually immaterial joint ventures

Council is a member of the Upper Hunter Weeds Authority Council, a body corporate established under the Local Government Act 1993 (NSW) to the control of Noxious Weeds. Council is one of three constituent members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Council is of the opinion that it does not control the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Joint Ventures

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

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

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	9,283	9,105
Plant and equipment	285	1,138
Road Infrastructure	8,626	2,942
Land	2,808	—
Sewerage Infrastructure	565	4,404
Land Improvements	300	497
Water Infrastructure	275	3,206
Other	475	2,327
Other Structures	110	—
Total commitments	22,727	23,619

These expenditures are payable as follows:

Within the next year	22,727	23,619
Total payable	22,727	23,619

Sources for funding of capital commitments:

Unrestricted general funds	(1)	—
Future grants and contributions	11,492	6,004
Unexpended grants	244	1,948
Externally restricted reserves	8,429	13,147
Internally restricted reserves	2,563	2,316
Unexpended loans	—	204
Total sources of funding	22,727	23,619

Details of capital commitments

Projects that have not been completed in the 2019/20 financial year but have capital commitments.

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

(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	—	54
Later than one year and not later than 5 years	—	201
Total non-cancellable operating lease commitments	—	255

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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 standard employer contributions and additional lump sum contributions to the fund.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

The plan is defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

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 \$157,300.41. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$165,402.04.

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

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

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

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the 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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

An indication of the level of participation of the entity in the plan compared with other participating entities.

An employer's past service contribution per annum 0.20% as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2019 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Contribution to Muswellbrook Cinema

During 2014/15 Council made a conditional loan to the owners of the Muswellbrook Cinema with the aim of facilitating the establishment of the Cinema. The loan amount was \$650K and is only repayable in the event of the conditions set out in the agreement between the owners and Council are not met. The loan is secured by bank guarantees issued in favour of Council. The amount repayable decreases in each of the years between 2014/15 and 2019/20.

The cinema has met all the necessary requirements during 2019/20 and as such the value of the loan outstanding has been reduced to Nil. The loan was issued in accordance with Council's Community Strategic Plan and after an appropriate period of public consultation.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

Related Assets and Liabilities Not Recognised

As a result of the Thomas Mitchell Drive Contribution Study and the planning and approval conditions related to that Council has an obligation to undertake road works on Thomas Mitchell Drive. These take the form of a completion of upgrading works, two reseals and rehabilitation. The reseals are planned for around 2023 and 2031 and the rehabilitation between 2035 and 2040.

The costs of these works is estimated at \$9.74M in 2013 dollars. As the works are undertaken, coal mines deemed to be the major contributors to the need for the works are required to make monetary contribution toward the works. In total, these mines are required to pay 39.1% of the actual cost of the works.

As the works are completed the effected coal mines will be invoiced for their contributions based upon the costs of the work and their assessed impact on Thomas Mitchell Drive.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	5,066	6,164	5,066	6,164
Receivables	8,611	6,074	8,611	6,074
Investments				
– 'Financial assets at amortised cost'	54,797	52,834	54,797	53,308
Total financial assets	68,474	65,072	68,474	65,546
Financial liabilities				
Bank overdraft	84	–	84	–
Payables	8,030	6,512	8,030	6,512
Loans/advances	65,122	69,429	65,122	69,429
Total financial liabilities	73,236	75,941	73,236	75,941

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	635	635	635	635
2019				
Possible impact of a 1% movement in interest rates	582	582	582	582

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(b) Credit risk

Credit risk profile

Receivables – rates and annual charges

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

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	564	1,867	252	204	72	2,959
2019						
Gross carrying amount	–	888	241	252	95	1,476

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	1,659	1,092	610	1,004	1,350	5,715
ECL provision	–	–	–	–	61	61
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.50%	1.06%
2019						
Gross carrying amount	1,871	650	520	390	1,230	4,661
ECL provision	–	–	–	–	55	55
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.50%	1.19%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Bank overdraft	0.00%	84	–	–	–	84	84
Trade/other payables	0.00%	2,607	5,018	–	–	7,625	7,625
Loans and advances – fixed	3.05%	–	13,425	35,385	16,312	65,122	65,122
Total financial liabilities		2,691	18,443	35,385	16,312	72,831	72,831
2019							
Trade/other payables	0.00%	2,652	2,882	–	–	5,534	6,512
Loans and advances – fixed	3.77%	43,552	1,702	6,725	17,450	69,429	69,429
Total financial liabilities		46,204	4,584	6,725	17,450	74,963	75,941

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 26/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	26,232	27,497	1,265	5% F
User charges and fees	11,299	13,467	2,168	19% F
This result is mainly due to a major increase in the Individually priced work orders during this financial year.				
Other revenues	813	1,221	408	50% F
Insurance Claim Recoveries (\$257k) and Mine Related Study (\$299k) were not in Council's original budget. Other Rental Income and Fines did not meet the original budget.				
Operating grants and contributions	5,699	7,124	1,425	25% F
This variation is mainly due to the early receipt of the 50% of the 2019/20 Financial Assistance Grant. These payments are recorded in the year of receipt rather than the year they pertain to as Council accepts control of the funds upon the receipt.				
Capital grants and contributions	15,666	9,931	(5,735)	(37)% U
This mainly resulted in council not receiving grant funding due to ongoing capital projects which will continue and will be completed in 2020/21 Financial year.				
Interest and investment revenue	1,226	1,377	151	12% F
Additional interest received during the financial year compared to the original estimate budgets.				
Rental income	5,919	5,755	(164)	(3)% U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	14,630	16,275	(1,645)	(11)% U
Increase in Employees Leave Entitlements and Workers' Compensation Insurance premium.				
Borrowing costs	2,798	2,264	534	19% F
Borrowing for 2019/2020 financial year was able to be reduced due to refinancing of two loans.				
Materials and contracts	12,511	12,507	4	0% F
Depreciation and amortisation	13,328	12,761	567	4% F
Other expenses	4,265	5,646	(1,381)	(32)% U
Differences between actual and budget relates to the Council's increase in the New South Wales Rural Fire Service Levy and the Fair value decrements of its investment properties.				
Net losses from disposal of assets	–	1,470	(1,470)	∞ U
Joint ventures and associates – net losses	–	16	(16)	∞ U
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	30,230	28,173	(2,057)	(7)% U
This result is due to the higher than expected increase in the New South Wales Rural Fire Service levy and the Fair value decrements after the revaluation of investment properties.				
Cash flows from investing activities	(30,021)	(25,026)	4,995	(17)% F
This result is due to the ongoing of multi years capital projects.				
Cash flows from financing activities	(6,174)	(4,329)	1,845	(30)% F
This has resulted from Council receiving a COVID-19 loan during the 2019/20 financial year that was not in the original estimates budgets.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Infrastructure, Property, Plant and Equipment.
- Investment Property.
- Financial Assets.

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.

AASB113 Fair value measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows;

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Financial assets					
Other financial assets	30/06/20	—	54,797	—	54,797
Total financial assets		—	54,797	—	54,797
Investment property					
Investment Properties	30/06/20	—	55,323	—	55,323
Total investment property		—	55,323	—	55,323
Infrastructure, property, plant and equipment					
Plant and Equipment	30/06/20	—	—	5,819	5,819
Office Equipment	30/06/20	—	—	879	879
Furniture and Fittings	30/06/20	—	—	621	621
Operational Land	30/06/18	—	—	9,277	9,277
Community Land	30/06/18	—	—	9,994	9,994
Depreciable Land Improvements	30/06/16	—	—	5,261	5,261
Buildings – Non-Specialised	30/06/18	—	—	97	97
Buildings – Specialised	30/06/18	—	—	45,348	45,348
Other Structures	30/06/16	—	—	9,674	9,674
Roads	30/06/20	—	—	300,176	300,176
Bridges	30/06/20	—	—	55,949	55,949
Footpaths	30/06/20	—	—	8,989	8,989
Stormwater Drainage	30/06/20	—	—	48,318	48,318
Water Supply Network	30/06/17	—	—	57,249	57,249
Sewerage Network	30/06/17	—	—	83,074	83,074
Heritage Collections	30/06/18	—	—	4,764	4,764
Other	30/06/20	—	—	92	92
Total infrastructure, property, plant and equipment		—	—	645,581	645,581

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Investment property					
Investment Properties	30/06/18	—	—	55,988	55,988
Total investment property		—	—	55,988	55,988
Infrastructure, property, plant and equipment					
Plant and Equipment	30/06/19	—	—	5,961	5,961
Office Equipment	30/06/19	—	—	1,114	1,114
Furniture and Fittings	30/06/19	—	—	715	715
Operational Land	30/06/18	—	—	9,277	9,277
Community Land	30/06/18	—	—	9,994	9,994
Depreciable Land Improvements	30/06/16	—	—	4,562	4,562
Buildings – Non-Specialised	30/06/18	—	—	100	100
Buildings – Specialised	30/06/18	—	—	43,126	43,126
Other Structures	30/06/16	—	—	7,597	7,597
Roads	30/6/15	—	—	281,850	281,850
Bridges	30/6/15	—	—	42,302	42,302
Footpaths	30/6/15	—	—	12,239	12,239
Stormwater Drainage	30/6/15	—	—	37,205	37,205
Water Supply Network	30/6/16	—	—	54,445	54,445
Sewerage Network	30/6/16	—	—	48,928	48,928
Heritage Collections	30/6/18	—	—	4,694	4,694
Other	30/6/13	—	—	228	228
Total infrastructure, property, plant and equipment		—	—	564,337	564,337

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

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

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

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

Financial assets

Council's investments in the form of deposits and other notes held with financial institutions are valued at their face of par value. This value is adjusted where the security has been acquired at either a discount or a premium with that discount or premium being amortised over period between the acquisition and the maturity of the security.

This valuation occurs based on the principle that Council has designated the securities as being "Held to Maturity".

Accounts receivables are valued at their face value.

The key unobservable input is that Council has no motive to test the marketability of either its financial securities or its accounts receivable.

Investment property

The key unobservable input is the estimated lease returns in which the valuations are based.

The fair value is determined by an independent local real estate agent with the appropriate level of experience and a solid understanding of the market for local properties of this type, There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

There has been a change from Level 3 to Level 2 for the 2019/20 financial statements.

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

Plant and Equipment, Office Equipment and Furniture and Fittings.

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost and this is disclosed as the fair value in the Notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs into the valuation are the remaining useful life and any residual value. Council reviews the value of these assets by taking into account the pattern of consumption, estimated remaining useful life and any residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Asset Val.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on the Unimproved Capital Value as provided by the Valuer-General. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Depreciable Land Improvements.

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the replacement cost approach by experienced Council Engineers and Asset Management Staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Buildings - Non specialised and Specialised.

Buildings were valued by Asset Val in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

Other Structures.

This asset class comprises infrastructure such as dog leash free areas, ancillary waste facilities, fences, carparks and skateparks.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads, Bridges and Footpaths

This asset class comprises infrastructure including the Road Carriageway, Footpaths, Guardrails, Kerb and Gutter, Retaining walls, Bridges and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other infrastructure within this class. APV performed the valuation as at 30 June 2020.

Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with Office of Local Government Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

APV performed the valuation as at 30 June 2020.

Water Supply and Sewerage Network

Assets within these classes include the mains, pump stations, access pits, reservoirs and treatment plants which enable the treatment and reticulation of potable water and the collection and treatment of waste water. Mains are valued in accordance with the NSW Reference Rates Manual issued by the NSW Office of Water, which is based on extensive data collected in relation to expected replacement cost of water and sewer mains. All other items are valued in accordance with their replacement cost. Valuations are undertaken internally by experienced and qualified Council staff. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

Heritage Assets

Assets within this class comprise of Council's Art Collection. The collection is independently valued with the most recent valuation being completed in 2018.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
2019					
Opening balance	4,725	741	758	8,779	9,994
Purchases (GBV)	2,408	422	78	498	—
Disposals (WDV)	(92)	—	—	—	—
Depreciation and impairment	(1,117)	(149)	(121)	—	—
Work in progress transfers	37	100	—	—	—
Closing balance	5,961	1,114	715	9,277	9,994
2020					
Opening balance	5,961	1,114	715	9,277	9,994
Purchases (GBV)	1,040	—	23	—	—
Disposals (WDV)	(76)	—	—	—	—
Depreciation and impairment	(1,106)	(235)	(117)	—	—
Closing balance	5,819	879	621	9,277	9,994

\$ '000	Depreciable land improvements	Buildings non-specialised	Building specialised	Other structures	Roads
2019					
Opening balance	4,596	2,128	40,031	7,421	279,645
Purchases (GBV)	65	—	2,844	496	6,259
Disposals (WDV)	—	—	—	—	(301)
Depreciation and impairment	(125)	(3)	(1,882)	(406)	(3,753)
Revaluation Increments	—	(2,025)	2,025	—	—
Work in progress transfers	26	—	108	86	—
Closing balance	4,562	100	43,126	7,597	281,850
2020					
Opening balance	4,562	100	43,126	7,597	281,850
Purchases (GBV)	779	—	1,989	2,025	5,935
Disposals (WDV)	—	—	(180)	(100)	—
Depreciation and impairment	(127)	—	(1,925)	(424)	(3,898)
Revaluation Increments	—	(3)	2,072	(1)	16,290
Work in progress transfers	47	—	266	577	—
Closing balance	5,261	97	45,348	9,674	300,177

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Stormwater drainage	Water supply network	Sewerage network
2019					
Opening balance	42,327	12,454	37,411	53,594	48,657
Purchases (GBV)	623	242	395	1,669	366
Disposals (WDV)	(40)	(80)	—	—	—
Depreciation and impairment	(608)	(377)	(601)	(1,695)	(1,378)
Revaluation Increments	—	—	—	877	1,283
Closing balance	42,302	12,239	37,205	54,445	48,928
2020					
Opening balance	42,302	12,239	37,205	54,445	48,928
Purchases (GBV)	5	422	388	2,745	3,810
Disposals (WDV)	(615)	—	—	—	(1,595)
Depreciation and impairment	—	(402)	(610)	(1,731)	(1,390)
Revaluation Increments	14,257	(3,271)	11,335	550	781
Work in progress transfers	—	—	—	1,240	32,540
Closing balance	55,949	8,988	48,318	57,249	83,074

\$ '000	Other minor classes	Total
2019		
Opening balance	4,849	558,110
Purchases (GBV)	217	16,582
Disposals (WDV)	—	(513)
Depreciation and impairment	(144)	(12,359)
Revaluation Increments	—	2,160
Work in progress transfers	—	357
Closing balance	4,922	564,337
2020		
Opening balance	4,922	564,337
Purchases (GBV)	122	19,283
Disposals (WDV)	(30)	(2,596)
Depreciation and impairment	(158)	(12,123)
Revaluation Increments	—	42,010
Work in progress transfers	—	34,670
Closing balance	4,856	645,581

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and Equipment	5,819	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Office Equipment	879	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Furniture and fittings	621	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Operational Land	9,277	Market Approach	Land Value, Land area.
Community Land	9,994	NSW Valuer General Land Valuation.	Land Value, Land area.
Depreciable land improvements	5,261	Cost Approach	Current Replacement Cost. Asset Condition. Remaining Useful Life.
Buildings non-specialised	97	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Building specialised	45,348	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Other structures	9,674	Cost Approach	Gross Replacement Cost. Remaining Useful Life. Asset Condition.
Roads	300,176	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Bridges	55,949	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Footpaths	8,989	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Stormwater drainage	48,318	Cost Approach	Asset Condition. Remaining Life.
Water supply network	57,249	Cost Approach	Asset Condition. Remaining Useful Life.
Sewerage network	83,074	Cost Approach	Asset Condition. Remaining Useful Life.
Other minor classes	4,856	Cost or External Valuation	Current Replacement Cost. Useful Life. Asset Condition.

(4) 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 24. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	720	649
Post-employment benefits	89	76
Other long-term benefits	14	15
Total	823	740

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2020					
Upper Hunter Weeds Authority – Contribution	100	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	15	–	Annually	–	–
Local Government Training Institute – Training Services	5	–	7 days	–	–
2019					
Upper Hunter Weeds Authority – Contribution	98	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	35	–	Annually	–	–
Local Government Training Institute – Training Services	24	–	7 days	–	–
Hunter Council Inc. – Training Services	43	–	7 days	–	–
Bush Regeneration Works	143	–	21 days	–	–

Note 25. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	201	–	–	3	–	–	204	–
Roads	304	11	–	6	(32)	–	289	–
Parking	2	–	–	–	–	–	2	–
Open space	378	–	–	7	(98)	–	287	–
Community facilities	76	–	–	1	(74)	–	3	–
Tourism	37	–	–	–	–	–	37	–
Bushfire	108	–	–	2	–	–	110	–
Social Infrastructure	21	–	–	1	(5)	–	17	–
S7.11 contributions – under a plan	1,127	11	–	20	(209)	–	949	–
S7.12 levies – under a plan	–	81	–	1	(82)	–	–	–
Total S7.11 and S7.12 revenue under plans	1,127	92	–	21	(291)	–	949	–
S7.11 not under plans	8,077	2,024	–	–	(2,811)	–	7,290	–
S64 contributions	13,418	176	–	262	(2,916)	–	10,940	–
Total contributions	22,622	2,292	–	283	(6,018)	–	19,179	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance							Held as restricted asset	Cumulative internal borrowings due/(payable)
			Cash	Non-cash					
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN									
Drainage	201	–	–		3	–	–	204	–
Roads	304	11	–		6	(32)	–	289	–
Parking	2	–	–		–	–	–	2	–
Open space	378	–	–		7	(98)	–	287	–
Community facilities	76	–	–		1	(74)	–	3	–
Tourism	37	–	–		–	–	–	37	–
Bushfire	108	–	–		2	–	–	110	–
Social Infrastructure	21	–	–		1	(5)	–	17	–
Total	1,127	11	–		20	(209)	–	949	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN									
S94A Levies	–	81	–	–	1	(82)	–	–	–
Total	–	81	–	–	1	(82)	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – not under a plan								
VOLUNTARY PLANNING AGREEMENTS								
Community facilities	6,845	1,437	–	–	(1,669)	–	6,613	–
Recreation	1,071	587	–	–	(1,142)	–	516	–
Education	161	–	–	–	–	–	161	–
Environment	–	–	–	–	–	–	–	–
Total	8,077	2,024	–	–	(2,811)	–	7,290	–

S64 contributions

S64 contributions

Water	7,145		67	–	139	–	–	7,351	–
Sewer	6,273		109	–	123	(2,916)	–	3,589	–
Total	13,418		176	–	262	(2,916)	–	10,940	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	21,968	1,600	3,929
User charges and fees	8,659	4,086	722
Interest and investment revenue	826	446	105
Other revenues	563	372	286
Grants and contributions provided for operating purposes	7,052	36	36
Grants and contributions provided for capital purposes	9,478	345	108
Rental income	5,755	–	–
Total income from continuing operations	54,301	6,885	5,186
Expenses from continuing operations			
Employee benefits and on-costs	14,208	1,441	626
Borrowing costs	1,397	102	765
Materials and contracts	8,697	2,307	1,503
Depreciation and amortisation	9,583	1,763	1,415
Other expenses	3,431	331	1,884
Net losses from the disposal of assets	1,470	–	–
Share of interests in joint ventures and associates using the equity method	16	–	–
Total expenses from continuing operations	38,802	5,944	6,193
Operating result from continuing operations	15,499	941	(1,007)
Net operating result for the year	15,499	941	(1,007)
Net operating result attributable to each council fund	15,499	941	(1,007)
Net operating result for the year before grants and contributions provided for capital purposes	6,021	596	(1,115)

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 27. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	5,066	–	–
Investments	21,768	3,919	1,313
Receivables	4,587	2,192	986
Inventories	1,700	–	–
Other	220	–	–
Total current assets	33,341	6,111	2,299
Non-current assets			
Investments	14,007	10,536	3,254
Receivables	(389)	1,235	–
Infrastructure, property, plant and equipment	511,881	59,089	84,706
Investments accounted for using the equity method	197	–	–
Investment property	55,323	–	–
Total non-current assets	581,019	70,860	87,960
TOTAL ASSETS	614,360	76,971	90,259
LIABILITIES			
Current liabilities			
Payables	7,554	351	125
Contract liabilities	1,265	–	–
Borrowings	18,223	330	678
Provisions	2,960	611	163
Total current liabilities	30,002	1,292	966
Non-current liabilities			
Borrowings	29,348	1,007	15,620
Provisions	9,410	–	–
Total non-current liabilities	38,758	1,007	15,620
TOTAL LIABILITIES	68,760	2,299	16,586
Net assets	545,600	74,672	73,673
EQUITY			
Accumulated surplus	274,336	40,482	54,708
Revaluation reserves	271,264	34,190	18,965
Council equity interest	545,600	74,672	73,673
Total equity	545,600	74,672	73,673

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 27. Result by fund (continued)

Details of individual internal loans for the year ended 30 June 2020

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	General Fund
Lender (by purpose)	Water Fund
Date of minister's approval	17/06/2010
Date raised	30/06/2010
Term (years)	25 Years
Dates of maturity	30/06/2035
Rate of interest	6%
Amount originally raised	1,750,000
Total repaid during year (principal and interest)	67,440
Principal outstanding at end of year	1,306,617

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6,988	12.38%	6.98%	13.03%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	56,441				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	49,317	74.30%	68.40%	65.83%	>60.00%
Total continuing operating revenue ¹	66,372				
3. Unrestricted current ratio					
Current assets less all external restrictions	24,906	0.98x	0.73x	2.02x	>1.50x
Current liabilities less specific purpose liabilities	25,407				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	22,013	2.56x	2.80x	2.30x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,593				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,959	10.13%	5.87%	7.70%	<10.00%
Rates, annual and extra charges collectible	29,223				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	19,566	5.56 mths	8.39 mths	7.70 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	3,516				

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators 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}	16.75%	5.08%	9.11%	12.66%	(21.96)%	14.24%	>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	69.56%	61.73%	94.47%	97.00%	97.22%	99.21%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	0.98x	0.73x	4.73x	6.30x	2.38x	2.11x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.39x	2.27x	24.13x	22.45x	1.39x	3.78x	>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	(0.04)%	7.44%	0.03%	0.00%	0.01%	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	5.56	8.39	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 28a above.

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Muswellbrook Shire Council

To the Councillors of Muswellbrook Shire Council

Opinion

I have audited the accompanying financial statements of Muswellbrook 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 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY



Cr Martin Rush
Mayor
Muswellbrook Shire Council
PO Box 122
MUSWELLBROOK NSW 2333

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D2027807/1765

27 November 2020

Dear Cr Rush

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

I have audited the general purpose financial statements (GPFS) of Muswellbrook 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	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	27.5	22.8	↑ 20.6
Grants and contributions revenue	17.1	20.6	↓ 17.0
Operating result from continuing operations	15.4	17.2	↓ 10.5
Net operating result before capital grants and contributions	5.5	3.4	↑ 61.8

Rates and annual charges revenue increased by \$4.7million (20.6 per cent) to \$27.5 million in 2019–20. This increase is largely attributable to:

- a special rate variation of 15.13 per cent for the 2019-20 rate year, and
- an increase in mining rates revenue by \$4.05 million due to increase in land valuation by the NSW Valuer General.

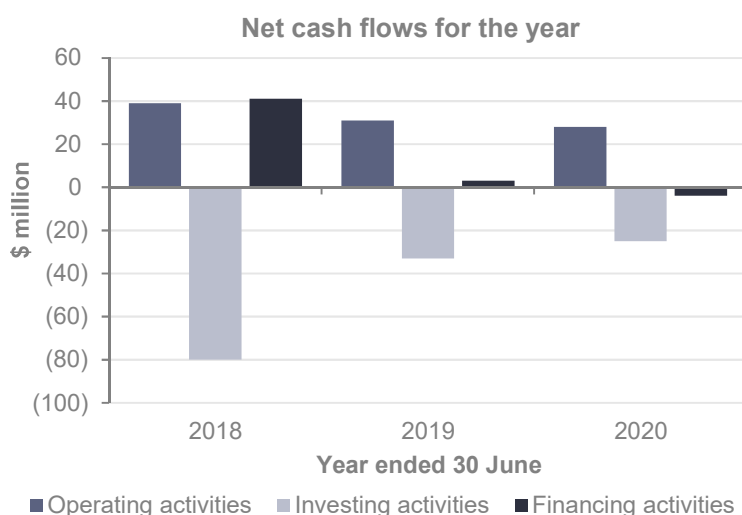
Grants and contributions revenue decreased by \$3.5 million (17.0 per cent) to \$17.1 million in 2019–20. The decrease was largely attributable to decreases in cash developer contributions by \$2.6 million and other cash contributions for roads and bridges by \$3.6 million. The overall decrease was offset by an increase in capital grant funding for Transport by \$2.2 million.

Council's operating result for the year is a surplus of \$15.4 million, which is \$1.8 million lower than the 2018-19 operating result. The reduction is mainly attributable to the increase in operating expenses by \$3.0 million (employee benefits and on-costs increased by \$1.9 million and loss from the disposal of assets increased by \$1.3 million), partially offset by the increase in total revenue by \$1.3 million (as explained above).

Council's net operating result before capital grants and contributions is a surplus of \$5.5 million, which is \$2.1 million greater than the 2018–19 net operating result before capital grants and contributions. This is mainly attributable to the decrease in capital grants and contributions by \$3.9 million, partially offset by the decrease in net operating result for the year.

STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents was \$5.0 million at 30 June 2020 (2018-19: \$6.2 million).
- Net cash inflows from operating activities decreased by \$3.0 million mainly due to the decrease in grants and contributions received during the year.
- Net cashflows used in investing activities decreased by \$8.4 million mainly due to the decrease in purchase of investment securities and infrastructure property plant and equipment.
- Net cash inflows from financing activities decreased by \$7.5 million mainly due to net repayment of borrowings of \$4.3 million during the year, compared with the net proceeds from borrowings of \$3.2 in the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	34.2	36.9	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have decreased by \$2.7 million primarily due to a decrease in cash relating to sewer fund developer contributions. 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 in internal restrictions of \$2.2 million is mainly due to increases in restricted cash for waste management centre and carry over capital works 19/20. Unrestricted cash balance of \$2.1 million at 30 June 2020 is available to provide liquidity for day-to-day operations of the Council.
Internal restrictions	23.6	21.4	
Unrestricted	2.1	0.7	
Cash and investments	59.9	59.0	

Debt

The Council has \$65.2 million of borrowings as at 30 June 2020 (2019: \$69.4 million).

The Council had an accumulated financing facility limit of \$0.8 million as at 30 June 2020 (2019: \$0.8 million) which remained unutilised at year-end.

PERFORMANCE

Performance measures

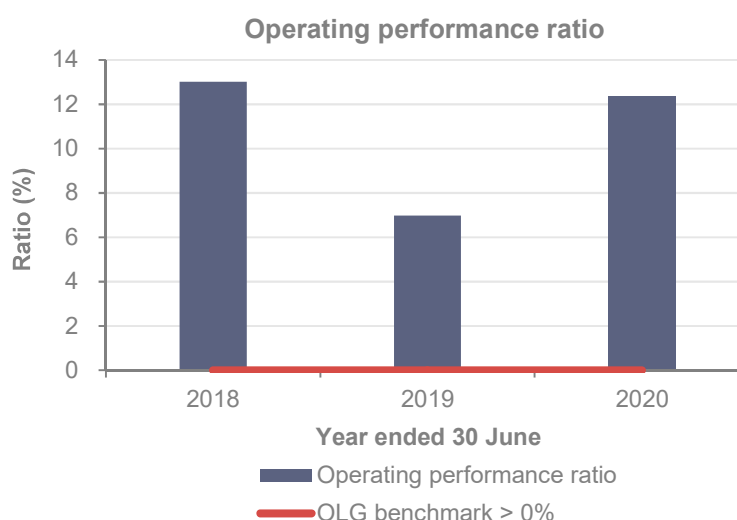
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.

The Council's operating performance ratio of 12.38 per cent is above the industry benchmark of zero per cent.

The 2019-20 ratio improved as a result of Council's improved operating result for the year.



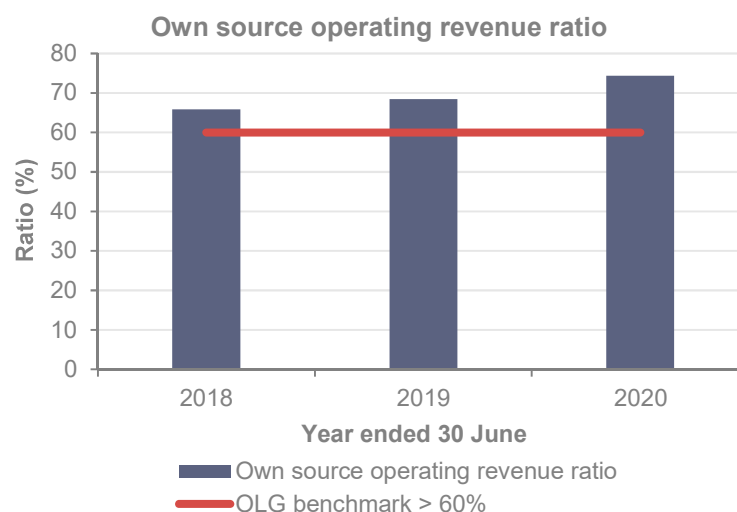
Own source operating revenue ratio

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

The Council's own source operating revenue ratio of 74.3 per cent is above the industry benchmark of 60 per cent. This indicates that the Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.

The Council's 2019-20 own source operating revenue ratio improved mainly due to the increase in revenue from rates and annual charges.

The 2018-19 ratio was restated from 68.12 per cent to 68.4 per cent, based on the revised OGL guidelines.

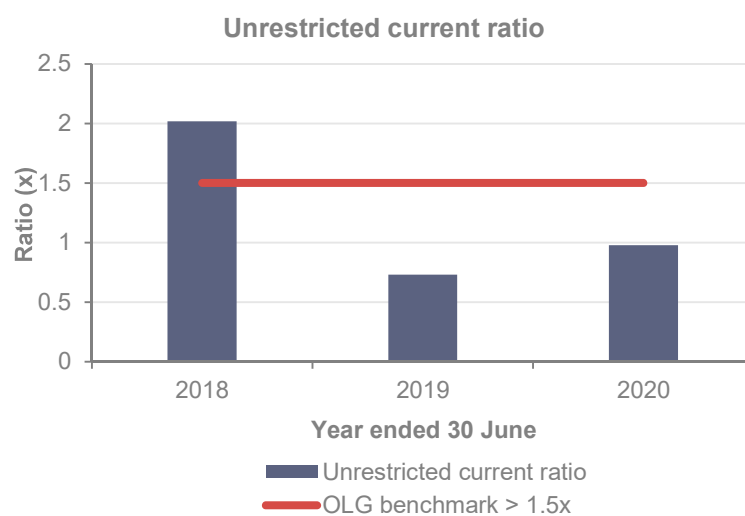


Unrestricted current ratio

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 0.98 is below the industry benchmark minimum of greater than 1.5 times. This indicates that the Council may not have sufficient liquidity to meet its current liabilities as they fall due.

The Council's unrestricted current ratio has improved from prior year mainly due to a reduction in current portion of the externally restricted assets.

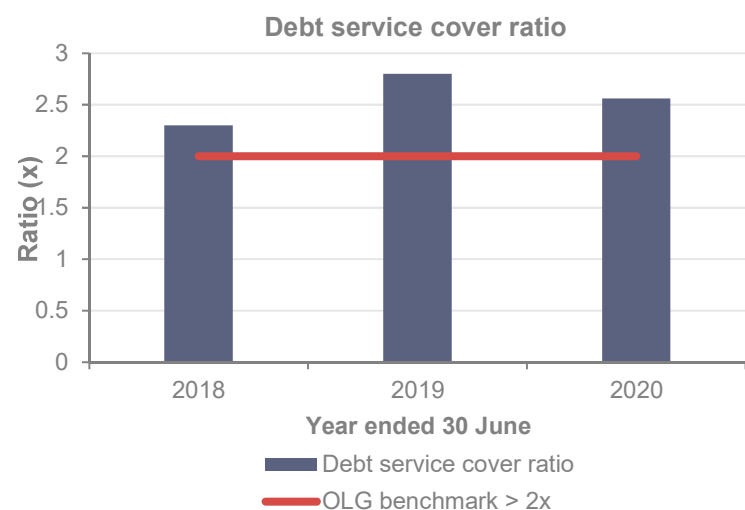


Debt service cover ratio

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 2.56 times is above the industry benchmark of greater than 2 times.

The Council's debt service cover ratio has decreased from prior mainly due to increased repayment of borrowings in 2019-20.



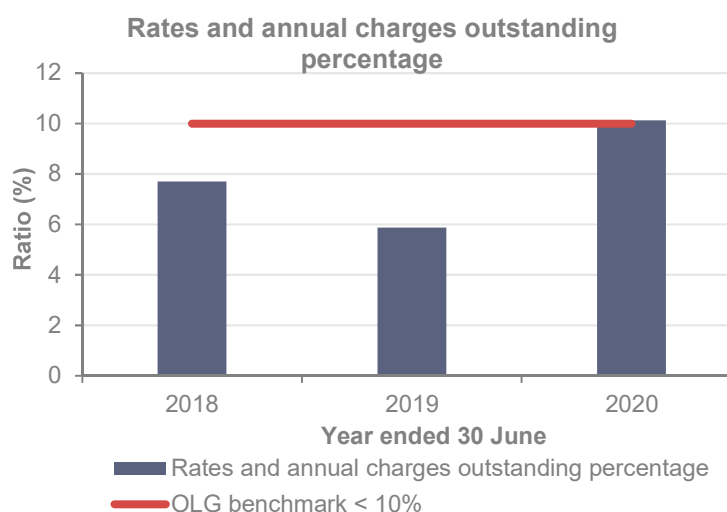
Rates and annual charges outstanding percentage

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

The Council's rates and annual charges outstanding percentage of 10.13 per cent exceeded the threshold benchmark of less than 10 per cent for regional and rural councils.

The increase in 2019-20 ratio compared with the prior year was mainly due to the increase in rates and annual charges debt at 30 June 2020. The debt increase is primarily related to a mining ratepayer with the remaining balance of above \$1.2 million repayable in instalments over the next two financial years.

The 2018-19 ratio was restated from 5.91 per cent to 5.87 per cent, based on the revised OLG guidelines.

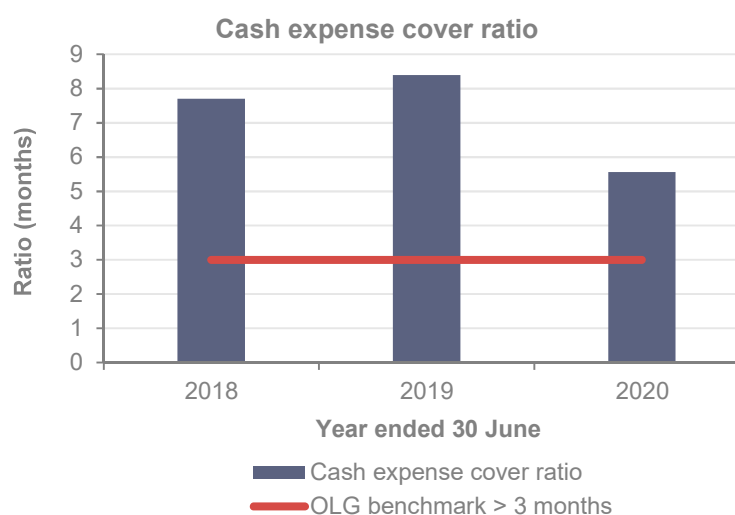


Cash expense cover ratio

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 5.56 months, which is above the industry benchmark of greater than 3 months. This indicates that the Council had the capacity to cover 5.56 months of operating cash expenditure without additional cash inflows at 30 June 2020.

The cash expense cover ratio has decreased due to increase in repayment of borrowings during the year.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$12.3 million of assets in 2019-20 financial year, compared to \$10.0 million in the prior year.

OTHER MATTERS

Impact of new accounting standards

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

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in 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 \$1.4 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 15.

AASB 16 'Leases'

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

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

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

The Council determined that no material right-of-use assets and lease liabilities existed at 1 July 2019 on adoption of AASB 16 and none were entered into during the 2019-20 financial year.

Legislative compliance

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

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

The Council's:

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



Furqan Yousuf
Delegate of the Auditor-General for New South Wales

cc: Ms Fiona Plesman, General Manager
Mr Mitchell Morley, Chair of Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Muswellbrook Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Commercial Buildings	6
Statement of Financial Position – Water Supply Business Activity	7
Statement of Financial Position – Sewerage Business Activity	8
Statement of Financial Position – Commercial Buildings	9
Note 1 – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	13

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).

Muswellbrook Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

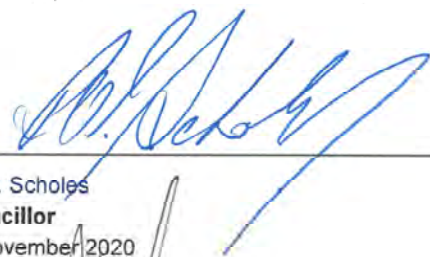
To the best of our knowledge and belief, these statements:

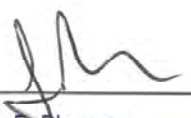
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records,
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 28 July 2020.



Cr. M. Rush
Mayor
26 November 2020

Cr. R. Scholes
Councillor
26 November 2020

Ms. F. Plesman
General Manager
26 November 2020

Mr. D. Hagger
Acting Responsible Accounting Officer
26 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,600	1,563
User charges	4,086	4,288
Interest	446	554
Grants and contributions provided for non-capital purposes	36	36
Profit from the sale of assets	–	14
Other income	372	202
Total income from continuing operations	6,540	6,657
Expenses from continuing operations		
Employee benefits and on-costs	1,441	1,306
Borrowing costs	102	121
Materials and contracts	2,307	2,288
Depreciation, amortisation and impairment	1,763	1,753
Other expenses	331	346
Total expenses from continuing operations	5,944	5,814
Surplus (deficit) from continuing operations before capital amounts	596	843
Grants and contributions provided for capital purposes	345	169
Surplus (deficit) from continuing operations after capital amounts	941	1,012
Surplus (deficit) from all operations before tax	941	1,012
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(164)	(232)
SURPLUS (DEFICIT) AFTER TAX	777	780
Plus accumulated surplus	39,685	38,673
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	164	232
Closing accumulated surplus	40,626	39,685
Return on capital %	1.2%	1.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	777	780
Less: capital grants and contributions (excluding developer contributions)	(345)	(169)
Surplus for dividend calculation purposes	432	611
Potential dividend calculated from surplus	216	306

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	3,929	3,755
User charges	673	685
Liquid trade waste charges	49	66
Interest	105	268
Grants and contributions provided for non-capital purposes	36	36
Other income	286	360
Total income from continuing operations	5,078	5,170
Expenses from continuing operations		
Employee benefits and on-costs	626	740
Borrowing costs	765	765
Materials and contracts	1,503	1,276
Depreciation, amortisation and impairment	1,415	1,394
Other expenses	1,884	259
Total expenses from continuing operations	6,193	4,434
Surplus (deficit) from continuing operations before capital amounts	(1,115)	736
Grants and contributions provided for capital purposes	108	5
Surplus (deficit) from continuing operations after capital amounts	(1,007)	741
Surplus (deficit) from all operations before tax	(1,007)	741
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(202)
SURPLUS (DEFICIT) AFTER TAX	(1,007)	539
Plus accumulated surplus	55,722	54,974
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	7	7
– Corporate taxation equivalent	–	202
Closing accumulated surplus	54,722	55,722
Return on capital %	(0.4)%	1.8%
Subsidy from Council	1,095	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,007)	539
Less: capital grants and contributions (excluding developer contributions)	(108)	(5)
Surplus for dividend calculation purposes	–	534
Potential dividend calculated from surplus	–	267

Income Statement – Commercial Buildings

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	6,187	6,048
Total income from continuing operations	6,187	6,048
Expenses from continuing operations		
Employee benefits and on-costs	220	176
Borrowing costs	989	1,571
Materials and contracts	1,522	1,274
Depreciation, amortisation and impairment	614	821
Other expenses	1,052	1,306
Total expenses from continuing operations	4,397	5,148
Surplus (deficit) from continuing operations before capital amounts	1,790	900
Surplus (deficit) from continuing operations after capital amounts	1,790	900
Surplus (deficit) from all operations before tax	1,790	900
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(492)	(248)
SURPLUS (DEFICIT) AFTER TAX	1,298	652
Plus accumulated surplus	34,122	30,508
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	492	248
Add:		
– Subsidy paid/contribution to operations	(3,420)	2,714
Closing accumulated surplus	32,492	34,122
Return on capital %	15.6%	9.9%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	3,919	3,448
Receivables	2,192	2,043
Total current assets	6,111	5,491
Non-current assets		
Investments	10,536	12,063
Receivables	1,235	1,307
Infrastructure, property, plant and equipment	59,089	56,676
Total non-current assets	70,860	70,046
TOTAL ASSETS	76,971	75,537
LIABILITIES		
Current liabilities		
Payables	351	265
Borrowings	330	310
Provisions	611	297
Total current liabilities	1,292	872
Non-current liabilities		
Borrowings	1,007	1,337
Total non-current liabilities	1,007	1,337
TOTAL LIABILITIES	2,299	2,209
NET ASSETS	74,672	73,328
EQUITY		
Accumulated surplus	40,482	39,685
Revaluation reserves	34,190	33,643
TOTAL EQUITY	74,672	73,328

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	1,313	1,374
Receivables	986	1,164
Total current assets	2,299	2,538
Non-current assets		
Investments	3,254	6,065
Infrastructure, property, plant and equipment	84,706	82,797
Total non-current assets	87,960	88,862
TOTAL ASSETS	90,259	91,400
LIABILITIES		
Current liabilities		
Payables	125	268
Borrowings	678	642
Provisions	163	294
Total current liabilities	966	1,204
Non-current liabilities		
Borrowings	15,620	16,298
Total non-current liabilities	15,620	16,298
TOTAL LIABILITIES	16,586	17,502
NET ASSETS	73,673	73,898
EQUITY		
Accumulated surplus	54,708	55,715
Revaluation reserves	18,965	18,183
TOTAL EQUITY	73,673	73,898

Statement of Financial Position – Commercial Buildings

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	107	–
Receivables	348	–
Total current assets	455	–
Non-current assets		
Investments	288	290
Inventories	1,506	1,506
Infrastructure, property, plant and equipment	17,837	25,005
Investment property	55,323	55,988
Total non-current assets	74,954	82,789
TOTAL ASSETS	75,409	82,789
LIABILITIES		
Current liabilities		
Borrowings	17,631	–
Total current liabilities	17,631	–
Non-current liabilities		
Borrowings	25,286	48,667
Total non-current liabilities	25,286	48,667
TOTAL LIABILITIES	42,917	48,667
NET ASSETS	32,492	34,122
EQUITY		
Accumulated surplus	32,492	34,122
TOTAL EQUITY	32,492	34,122

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

Provision of portable water for the communities of Muswellbrook, Denman and Sandy Hollow.

b. Sewerage Services

Provision of sewerage treatment of the communities of Muswellbrook and Denman

c. Commercial Buildings

The provision of residential and commercial properties for the lease and the sale of both development ready and surplus vacant land.

Monetary amounts

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

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

Note 1. Significant Accounting Policies (continued)

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.00

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 NSW Office of 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 NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Muswellbrook Shire Council

To the Councillors of Muswellbrook Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Muswellbrook 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
- Commercial Buildings.

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 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.

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.

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.

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.



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

27 November 2020
SYDNEY

Muswellbrook Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Special Schedules
for the year ended 30 June 2020

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	7

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	17,722	16,126
Plus or minus adjustments ²	b	939	672
Notional general income	$c = a + b$	18,661	16,798
Permissible income calculation			
Special variation percentage ³	d	0.00%	15.13%
Less expiring special variation amount	g	485	(1,747)
Plus special variation amount	$h = d \times (c + g)$	—	2,280
Sub-total	$k = (c + g + h + i + j)$	19,146	17,331
Plus (or minus) last year's carry forward total	l	282	5
Less valuation objections claimed in the previous year	m	(669)	—
Sub-total	$n = (l + m)$	(387)	5
Total permissible income	$o = k + n$	18,759	17,336
Less notional general income yield	p	19,518	17,722
Catch-up or (excess) result	$q = o - p$	(759)	(390)
Plus income lost due to valuation objections claimed ⁴	r	—	669
Carry forward to next year ⁶	$t = q + r + s$	(759)	279

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.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Muswellbrook Shire Council

To the Councillors of Muswellbrook Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Muswellbrook 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.



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

27 November 2020

SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	Estimated cost	2019/20	2019/20	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	Required maintenance ^a	Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Other	4,610	14,635	610	997	45,445	76,859	37.0%	24.0%	19.0%	13.0%	7.0%
	Sub-total	4,610	14,635	610	997	45,445	76,859	37.0%	24.0%	19.0%	13.0%	7.0%
Other structures	Other structures	20	113	530	747	9,674	12,892	42.0%	53.0%	4.0%	1.0%	0.0%
	Sub-total	20	113	530	747	9,674	12,892	42.0%	53.0%	4.0%	1.0%	0.0%
Roads	Sealed roads	3,200	10,338	1,780	2,018	160,121	212,360	35.0%	36.0%	24.0%	3.0%	2.0%
	Unsealed	—	—	70	336	6,333	8,778	0.0%	100.0%	0.0%	0.0%	0.0%
	Bridges	269	1,437	150	60	55,949	65,476	56.0%	38.0%	3.0%	3.0%	0.0%
	Footpaths	282	1,531	140	81	8,843	16,080	41.0%	17.0%	32.0%	10.0%	0.0%
	Other road assets	663	2,406	540	—	133,868	156,376	64.0%	17.0%	18.0%	1.0%	0.0%
	Sub-total	4,414	15,712	2,680	2,495	365,114	459,070	47.4%	30.4%	18.8%	2.5%	0.9%
Water supply network	Other	5,327	14,575	1,030	1,360	57,249	107,970	5.0%	33.0%	48.0%	7.0%	7.0%
	Sub-total	5,327	14,575	1,030	1,360	57,249	107,970	5.0%	33.0%	48.0%	7.0%	7.0%
Sewerage network	Other	3,330	13,228	1,180	985	83,074	120,657	47.0%	21.0%	22.0%	9.0%	1.0%
	Sub-total	3,330	13,228	1,180	985	83,074	120,657	47.0%	21.0%	22.0%	9.0%	1.0%
Stormwater drainage	Other	135	655	210	56	48,318	73,075	20.0%	34.0%	45.0%	1.0%	0.0%
	Sub-total	135	655	210	56	48,318	73,075	20.0%	34.0%	45.0%	1.0%	0.0%
TOTAL - ALL ASSETS		17,836	58,918	6,240	6,640	608,874	850,523	38.6%	29.5%	25.0%	4.8%	2.2%

^(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

continued on next page ...

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	11,314	102.90%	78.27%	97.11%	>=100.00%
Depreciation, amortisation and impairment	10,995				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	17,836	2.93%	6.28%	5.54%	<2.00%
Net carrying amount of infrastructure assets	608,874				
Asset maintenance ratio					
Actual asset maintenance	6,640	106.41%	98.28%	75.13%	>100.00%
Required asset maintenance	6,240				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	58,918	6.93%	10.78%	2.91%	
Gross replacement cost	850,523				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	71.76%	88.15%	136.22%	77.52%	237.84%	24.46%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	1.96%	2.60%	9.30%	12.95%	4.01%	30.80%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	106.58%	80.84%	132.04%	169.13%	83.47%	105.66%	>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	5.00%	5.83%	13.50%	17.63%	10.96%	35.27%	
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.