

Warren Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

115 Dubbo Street
WARREN NSW 2824

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.warren.nsw.gov.au

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

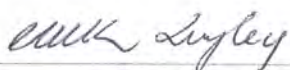
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

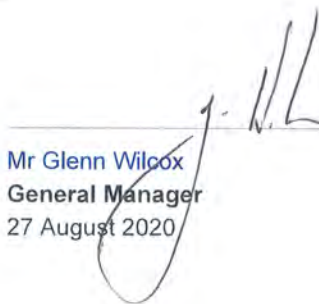
Signed in accordance with a resolution of Council made on 27 August 2020.



Dr Milton Quigley
Mayor
27 August 2020



Mr Brett Williamson
Councillor
27 August 2020



Mr Glenn Wilcox
General Manager
27 August 2020



Mr Darren Arthur
Responsible Accounting Officer
27 August 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
Income from continuing operations				
5,937	Rates and annual charges	3a	5,983	5,792
1,318	User charges and fees	3b	1,117	1,599
196	Other revenues	3c	262	457
5,276	Grants and contributions provided for operating purposes	3d,3e	9,065	8,745
2,000	Grants and contributions provided for capital purposes	3d,3e	390	99
307	Interest and investment income	4	209	305
190	Rental income		135	–
–	Net share of interests in joint ventures and associates using the equity method	17	9	–
15,224	Total income from continuing operations		17,170	16,997
Expenses from continuing operations				
5,702	Employee benefits and on-costs	5a	5,534	5,650
9	Borrowing costs	5b	15	23
3,701	Materials and contracts	5c	2,587	3,757
3,995	Depreciation and amortisation	5d	3,507	3,397
1,222	Other expenses	5e	1,362	1,315
–	Net losses from the disposal of assets	6	937	145
–	Net share of interests in joint ventures and associates using the equity method	17	–	2
14,629	Total expenses from continuing operations		13,942	14,289
595	Operating result from continuing operations		3,228	2,708
595	Net operating result for the year		3,228	2,708
288	Net operating result attributable to council		3,228	2,708
(1,712)	Net operating result for the year before grants and contributions provided for capital purposes		2,838	2,609

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
Net operating result for the year (as per Income Statement)		3,228	2,708
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	(7,680)	251
Total items which will not be reclassified subsequently to the operating result		(7,680)	251
Total other comprehensive income for the year		(7,680)	251
Total comprehensive income for the year		(4,452)	2,959
Total comprehensive income attributable to Council		(4,452)	2,959

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

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	13,829	11,849
Receivables	8	1,286	1,804
Inventories	9a	1,061	991
Other	9b	12	11
Total current assets		16,188	14,655
Non-current assets			
Receivables	8	164	83
Infrastructure, property, plant and equipment	10(a)	179,835	183,111
Intangible Assets	11	73	97
Investments accounted for using the equity method	17	61	52
Total non-current assets		180,133	183,343
Total assets		196,321	197,998
LIABILITIES			
Current liabilities			
Payables	13	1,441	858
Income received in advance	13	–	167
Contract liabilities	12	3,020	–
Borrowings	13	93	92
Provisions	14	1,657	1,567
Total current liabilities		6,211	2,684
Non-current liabilities			
Borrowings	13	–	87
Provisions	14	73	63
Total non-current liabilities		73	150
Total liabilities		6,284	2,834
Net assets		190,037	195,164
EQUITY			
Accumulated surplus	15	103,895	101,342
Revaluation reserves	15	86,142	93,822
Council equity interest		190,037	195,164
Total equity		190,037	195,164

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		101,342	93,822	195,164	97,766	94,439	192,205
Changes due to AASB 1058 and AASB 15 adoption	15	(675)	–	(675)	–	–	–
Restated opening balance		100,667	93,822	194,489	97,766	94,439	192,205
Net operating result for the year		3,228	–	3,228	2,708	–	2,708
Restated net operating result for the period		3,228	–	3,228	2,708	–	2,708
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	(7,680)	(7,680)	–	251	251
Other comprehensive income		–	(7,680)	(7,680)	–	251	251
Total comprehensive income		3,228	(7,680)	(4,452)	2,708	251	2,959
Transfers between equity items		–	–	–	868	(868)	–
Equity – balance at end of the reporting period		103,895	86,142	190,037	101,342	93,822	195,164

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
5,885	Rates and annual charges		5,826	5,785
1,490	User charges and fees		1,301	2,479
307	Investment and interest revenue received		212	298
8,276	Grants and contributions		12,492	7,782
–	Bonds, deposits and retention amounts received		140	–
809	Other		1,596	1,436
<i>Payments:</i>				
(5,700)	Employee benefits and on-costs		(5,452)	(5,857)
(3,701)	Materials and contracts		(2,843)	(4,093)
(9)	Borrowing costs		(9)	(14)
1,425	Other		(1,922)	(2,130)
8,782	Net cash provided (or used in) operating activities	16b	11,341	5,686
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of real estate assets		64	–
363	Sale of infrastructure, property, plant and equipment		63	733
–	Deferred debtors receipts		–	1
<i>Payments:</i>				
(9,054)	Purchase of infrastructure, property, plant and equipment		(9,377)	(7,189)
–	Deferred debtors and advances made		(19)	–
(8,691)	Net cash provided (or used in) investing activities		(9,269)	(6,455)
Cash flows from financing activities				
<i>Payments:</i>				
(91)	Repayment of borrowings and advances		(92)	(86)
(91)	Net cash flow provided (used in) financing activities		(92)	(86)
–	Net increase/(decrease) in cash and cash equivalents		1,980	(855)
11,849	Plus: cash and cash equivalents – beginning of year	16a	11,849	12,704
11,849	Cash and cash equivalents – end of the year	16a	13,829	11,849

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 27 August 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council's Information Centre is manned by residents of Warren on an adhoc volunteer basis, the cost cannot be reliably measured so they have not been included in the Income Statement.

New accounting standards and interpretations issued not yet effective

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

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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 15.

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

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Social	286	288	894	817	(608)	(529)	119	863	2,854	2,350
Economic	1,189	463	346	613	843	(150)	1,095	366	3,092	2,984
Infrastructure	5,213	5,909	7,066	8,200	(1,853)	(2,291)	2,351	1,940	144,543	149,263
Environmental	2,295	2,088	2,170	2,079	125	9	684	519	29,131	28,487
Governance	252	328	3,466	2,580	(3,214)	(2,252)	8	74	16,701	14,914
General Purpose Revenues	7,935	7,921	–	–	7,935	7,921	2,965	2,990	–	–
Total functions and activities	17,170	16,997	13,942	14,289	3,228	2,708	7,222	6,752	196,321	197,998

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:

Social

Includes income and expenses relating to Fire Protection, Animal Control, Health, Youth Services, Community Services, Public Cemeteries and Council Housing etc.

Economic

Includes income & expenses relating to Tourism, Economic Development, and other Business Undertakings.

Infrastructure

Includes Income and Expenditure for Roads, Bridges, Footpaths, Recreation, Aerodrome, State Highway 11, Parking Areas and CBD.

Environmental

Includes income and expenses for both Domestic and Industry Waste, Stormwater, Levee Protection, Water and Sewerage Services

Governance

Includes income and expenses for Governance and Administration.

General Purpose Revenues

Includes income from General Rates, General Fund Interest on Investments and Overdue Rates, Financial Assistance Grants and General Fund Pensioner Subsidy Rebates.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

	AASB	2020 \$ '000	2019 \$ '000
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	626	616
Farmland	1058 (1)	4,016	3,906
Business	1058 (1)	202	194
Less: pensioner rebates (mandatory)	1058 (1)	(37)	(35)
Rates levied to ratepayers		4,807	4,681
Pensioner rate subsidies received		20	19
Total ordinary rates		4,827	4,700
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	269	254
Water supply services	1058 (1)	419	383
Sewerage services	1058 (1)	489	477
Less: pensioner rebates (mandatory) – Domestic waste	1058 (1)	(16)	(15)
Less: pensioner rebates (mandatory) – Water supply services	1058 (1)	(17)	(17)
Less: pensioner rebates (mandatory) – Sewerage services	1058 (1)	(16)	(15)
Annual charges levied		1,128	1,067
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	9	8
– Water	1058 (1)	10	9
– Sewerage	1058 (1)	9	8
Total annual charges		1,156	1,092
TOTAL RATES AND ANNUAL CHARGES		5,983	5,792

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	2020 \$ '000	2019 \$ '000
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (2)	9	10
Water supply services	15 (2)	267	330
Sewerage services	15 (2)	34	43
Total specific user charges		310	383
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	1	–
Planning and building regulation	15 (1)	6	23
Private works – section 67	15 (1)	45	47
Regulatory/ statutory fees	15 (1)	–	2
Registration fees	15 (1)	4	–
Section 10.7 certificates (EP&A Act)	15 (1)	10	6
Section 603 certificates	15 (1)	4	5
Total fees and charges – statutory/regulatory		70	83
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (2)	6	36
Cemeteries	15 (1)	20	63
Child care	15 (2)	2	–
Leaseback fees – Council vehicles	15 (2)	24	–
Multipurpose centre	15 (2)	17	–
Quarry revenues	15 (2)	–	6
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	574	981
Swimming centres	15 (2)	20	24
Waste disposal tipping fees	15 (2)	63	2
Water connection fees	15 (2)	7	3
Other	15 (2)	4	18
Total fees and charges – other		737	1,133
TOTAL USER CHARGES AND FEES		1,117	1,599

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”.

Accounting policy for user charges and fees

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

2019 accounting policy

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

	AASB	2020 \$ '000	2019 \$ '000
(c) Other revenues			
Rental income – other council properties (2019 only)	15 (2)	–	190
Fines	15 (1)	5	–
Commissions and agency fees	15 (2)	82	81
Diesel rebate	15 (2)	53	76
Insurance claims recoveries	15 (1)	17	23
Sales – general	15 (2)	3	–
Swimming pool canteen sales	15 (1)	19	25
WHS incentive payment	15 (1)	37	18
NSW OLG - ESL reimbursement	15 (1)	23	–
Risk management incentive	15 (1)	–	11
NSW RFS maintenance & repair reimbursement	15 (2)	–	1
Sale of Scrap Metal	15 (1)	10	7
Procurement Rebates	15 (1)	6	7
Sale of Old Materials	15 (1)	1	7
Other	15 (2)	6	11
TOTAL OTHER REVENUE		262	457

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”.

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (2)	1,439	1,468	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (2)	1,526	1,522	–	–
Total general purpose		2,965	2,990	–	–
Specific purpose					
Water supplies	1058 (2)	415	420	232	–
Sewerage services	1058 (2)	–	–	37	99
Employment and training programs	1058 (2)	–	4	–	–
Library	1058 (1)	6	–	–	–
Library – per capita	1058 (1)	14	14	–	–
Library – special projects	1058 (1)	54	9	–	–
Recreation and culture	1058 (2)	1,039	480	–	–
Street lighting	1058 (2)	30	29	–	–
Transport (roads to recovery)	1058 (2)	983	363	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	40	–
Youth services	1058 (2)	84	55	–	–
Parental leave scheme	1058 (2)	1	–	–	–
CBD Upgrade	1058 (2)	–	300	–	–
Macquarie Park Upgrade	1058 (2)	–	160	–	–
Crown Lands Management Plans	1058 (2)	–	75	–	–
Transport - Other	1058 (2)	–	307	–	–
Pathways Upgrade	1058 (2)	123	258	–	–
Warren Airport Upgrade	1058 (2)	86	–	–	–
Village Enhancement Plans	1058 (2)	–	743	–	–
Federal Government Drought Projects	1058 (2)	141	366	–	–
MDBA Regional Infrastructure Improvements	1058 (2)	944	–	–	–
Other	1058 (2)	28	80	–	–
Total specific purpose		3,948	3,663	309	99
Total grants		6,913	6,653	309	99
Grant revenue is attributable to:					
– Commonwealth funding		5,448	4,139	–	–
– State funding		1,465	2,514	309	99
		6,913	6,653	309	99

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

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)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(e) Contributions					
Other contributions:					
Cash contributions					
Bushfire services	1058 (2)	56	63	–	–
Recreation and culture	1058 (2)	–	13	–	–
RMS contributions (regional roads, block grant)	1058 (2)	2,023	1,920	81	–
Other	1058 (2)	1	–	–	–
Library	1058 (2)	72	96	–	–
Total other contributions – cash		2,152	2,092	81	–
Total other contributions		2,152	2,092	81	–
Total contributions		2,152	2,092	81	–
TOTAL GRANTS AND CONTRIBUTIONS		9,065	8,745	390	99

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

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

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

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

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

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

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

Grant income

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

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

Capital grants

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

	2020	2019
	\$ '000	\$ '000

(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	685	845
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	3,120	675
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(675)	(835)
Unexpended and held as externally restricted assets (operating grants)	3,130	685

Contributions

Unexpended at the close of the previous reporting period	368	649
Add: contributions recognised as income in the current period but not yet spent	3	368
Less: contributions recognised in a previous reporting period now spent	(368)	(649)
Unexpended and held as externally restricted assets (contributions)	3	368

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

	2020 \$ '000	2019 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	18	12
– Cash and investments	191	293
Total Interest and investment income	209	305
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	10	7
General Council cash and investments	137	225
Restricted investments/funds – external:		
Water fund operations	14	9
Sewerage fund operations	46	63
Domestic waste management operations	2	1
Total interest and investment revenue	209	305

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

	2020 \$ '000	2019 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	4,698	4,779
Employee leave entitlements (ELE)	531	571
Superannuation	474	558
Workers' compensation insurance	225	233
Fringe benefit tax (FBT)	19	22
Total employee costs	5,947	6,163
Less: capitalised costs	(413)	(513)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>5,534</u>	<u>5,650</u>
Number of 'full-time equivalent' employees (FTE) at year end	69	70

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	9	14
Total interest bearing liability costs	9	14
Total interest bearing liability costs expensed	9	14
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
Interest applicable on interest free (and favourable) loans to Council	6	9
Total other borrowing costs	6	9
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>15</u>	<u>23</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(c) Materials and contracts		
Raw materials and consumables	2,519	3,689
Contractor and consultancy costs	5	3
Auditors remuneration ²	59	65
Legal expenses:		
Expenses from leases of low value assets (2020 only)	4	–
Total materials and contracts	<u>2,587</u>	<u>3,757</u>
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>2,587</u>	<u>3,757</u>

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

Operating leases (2019 only)

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

2. Auditor remuneration

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

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

Audit and review of financial statements	52	47
Remuneration for audit and other assurance services	<u>52</u>	<u>47</u>
Total Auditor-General remuneration	<u>52</u>	<u>47</u>

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

Internal Audit	7	18
Remuneration for audit and other assurance services	<u>7</u>	<u>18</u>
Total remuneration of non NSW Auditor-General audit firms	<u>7</u>	<u>18</u>
Total Auditor remuneration	<u>59</u>	<u>65</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	Notes	2020 \$ '000	2019 \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		760	840
Office equipment		65	43
Furniture and fittings		22	20
Infrastructure:	10(a)		
– Buildings – non-specialised		101	102
– Buildings – specialised		170	170
– Other structures		149	144
– Roads		1,595	1,551
– Bridges		176	176
– Footpaths		51	47
– Stormwater drainage		40	40
– Swimming pools		31	37
– Water supply network		228	198
– Sewerage network		202	164
– Other open space/recreational assets		89	60
Intangible assets	11	24	24
Total gross depreciation and amortisation costs		3,703	3,616
Less: capitalised costs		(196)	(219)
Total depreciation and amortisation costs		3,507	3,397
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		3,507	3,397

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

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

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

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(e) Other expenses		
Advertising	43	40
Training costs (other than salaries and wages)	56	56
Bank charges	10	11
Contributions/levies to other levels of government		
– Emergency services levy (SES)	4	4
– NSW fire and rescue levy	23	21
– NSW rural fire service levy	127	101
– Contribution to Castlereagh Macquarie County Council	108	105
– Other contributions/levies	10	10
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	107	112
Councillors' expenses (incl. mayor) – other (excluding fees above)	27	19
Donations, contributions and assistance to other organisations (Section 356)	5	8
Electricity and heating	220	225
Insurance	224	220
Postage	9	9
Printing and stationery	22	22
Street lighting	111	127
Subscriptions and publications	51	39
Telephone and communications	78	66
Valuation fees	15	19
Water purchases	27	18
Contribution to north western library co-operative	58	56
Other	–	1
Total other expenses	1,362	1,315
TOTAL OTHER EXPENSES	1,362	1,315

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

	Notes	2020 \$ '000	2019 \$ '000
Property (excl. investment property)			
Proceeds from disposal – property		–	177
Less: carrying amount of property assets sold/written off		(287)	(152)
Net gain/(loss) on disposal		(287)	25
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		63	554
Less: carrying amount of plant and equipment assets sold/written off		(14)	(274)
Net gain/(loss) on disposal		49	280
Infrastructure			
	10(a)		
Proceeds from disposal – infrastructure		–	2
Less: carrying amount of infrastructure assets sold/written off		(703)	(452)
Net gain/(loss) on disposal		(703)	(450)
Real estate assets held for sale			
	9		
Proceeds from disposal – real estate assets		64	–
Less: carrying amount of real estate assets sold/written off		(60)	–
Net gain/(loss) on disposal		4	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(937)	(145)

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

	2020 \$ '000	2019 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	2,913	436
Cash-equivalent assets		
– Deposits at call	416	413
– Short-term deposits	10,500	11,000
Total cash and cash equivalents	13,829	11,849

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

Nil

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Total cash, cash equivalents and investments	13,829	–	11,849	–
attributable to:				
External restrictions	7,049	–	4,319	–
Internal restrictions	6,280	–	7,030	–
Unrestricted	500	–	500	–
	13,829	–	11,849	–

	2020 \$ '000	2019 \$ '000

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	2,997	–
Cwcma roadside mapping	7	7
Destination Macquarie Marshes Project - RNSW2215	649	–
Regional Cultural Fund - Nevertire Hall	10	–
External restrictions – included in liabilities	3,663	7

External restrictions – other

RMS contributions	1	365
Other Contributions - Library	2	3
Specific purpose unexpended grants (recognised as revenue) – general fund	133	685
Water supplies	395	556

Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020	2019
	\$ '000	\$ '000
Sewerage services	2,615	2,441
Domestic waste management	240	262
External restrictions – other	3,386	4,312
Total external restrictions	7,049	4,319
Internal restrictions		
Plant and vehicle replacement	547	1,103
Infrastructure replacement	1,029	768
Employees leave entitlement	400	400
Roadworks	242	204
Bridgeworks	385	310
Risk management, whs and insurance	101	137
Specific maintenance and repair	32	42
Specific programs	528	532
CBD improvements	94	100
Prepaid financial assistance grant	1,526	1,522
Construction of Council Chambers and 2 Dwellings	1,266	1,759
Depot upgrade	–	43
Other	130	110
Total internal restrictions	6,280	7,030
TOTAL RESTRICTIONS	13,329	11,349

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Purpose				
Rates and annual charges	216	108	124	57
Interest and extra charges	17	10	11	6
User charges and fees	249	33	355	20
Accrued revenues				
– Interest on investments	12	–	25	–
– Other income accruals	13	–	–	–
Other Debtors	–	–	38	–
Deferred debtors	7	13	1	–
Government grants and subsidies	694	–	1,250	–
Net GST receivable	78	–	–	–
Total	1,286	164	1,804	83
TOTAL NET RECEIVABLES	1,286	164	1,804	83

Externally restricted receivables

Water supply

– Specific purpose grants	132	–	136	–
– Rates and availability charges	26	19	18	10
– Other	75	34	98	21

Sewerage services

– Specific purpose grants	–	–	43	–
– Rates and availability charges	31	25	22	13
– Other	15	3	16	1

Domestic waste management

	29	13	23	7
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Total external restrictions

	308	94	356	52
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Unrestricted receivables

	978	70	1,448	31
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TOTAL NET RECEIVABLES

	1,286	164	1,804	83
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Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

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

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

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

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

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

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

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

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	162	–	145	–
Stores and materials	241	–	152	–
Trading stock	516	–	567	–
Loose tools	142	–	127	–
Total inventories at cost	1,061	–	991	–
TOTAL INVENTORIES	1,061	–	991	–

(b) Other assets

Prepayments	12	–	11	–
TOTAL OTHER ASSETS	12	–	11	–

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Total unrestricted assets	1,073	–	1,002	–
TOTAL INVENTORIES AND OTHER ASSETS	1,073	–	1,002	–

(i) Other disclosures

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Details for real estate development				
Industrial/commercial	101	–	72	–
Other properties	61	–	73	–
Total real estate for resale	162	–	145	–

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

Represented by:

Acquisition costs	162	–	145	–
Total costs	162	–	145	–
Total real estate for resale	162	–	145	–

Movements:

Real estate assets at beginning of the year	145	–	153	–
– Transfers in from (out to) Note 10	77	–	(8)	–
– WDV of sales (expense)	(60)	–	–	–
Total real estate for resale	162	–	145	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

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

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

	2020	2019
	\$ '000	\$ '000
Real estate for resale	145	95
Trading Stock	400	350
	<u>545</u>	<u>445</u>

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Tfrs from/(to) real estate assets (Note 9) \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	3,450	–	3,450	2,407	1,142	–	–	(1,827)	(77)	–	–	5,095	–	5,095
Plant and equipment	9,848	(6,259)	3,589	1,311	–	(14)	(760)	–	–	–	–	11,032	(6,906)	4,126
Office equipment	364	(183)	181	9	–	–	(65)	–	–	–	–	313	(188)	125
Furniture and fittings	254	(96)	158	12	–	–	(22)	–	–	–	–	266	(118)	148
Land:														
– Operational land	1,691	–	1,691	20	–	–	–	88	–	–	60	1,859	–	1,859
– Community land	203	–	203	–	–	–	–	–	–	(23)	–	180	–	180
– Crown land	960	–	960	–	–	–	–	–	–	–	215	1,175	–	1,175
Infrastructure:														
– Buildings – non-specialised	7,995	(2,891)	5,104	–	–	(83)	(101)	–	–	–	–	7,809	(2,889)	4,920
– Buildings – specialised	13,394	(4,665)	8,729	3	65	(203)	(170)	7	–	–	–	12,867	(4,436)	8,431
– Other structures	12,363	(6,013)	6,350	78	20	–	(149)	87	–	–	–	12,531	(6,145)	6,386
– Roads	137,271	(18,282)	118,989	2,246	177	(674)	(1,595)	1,148	–	(10,442)	–	159,062	(49,213)	109,849
– Bridges	18,496	(6,806)	11,690	–	–	–	(176)	–	–	–	2,744	20,140	(5,882)	14,258
– Footpaths	4,609	(1,890)	2,719	–	–	–	(51)	–	–	(280)	–	3,866	(1,478)	2,388
– Stormwater drainage	3,993	(1,836)	2,157	–	489	–	(40)	–	–	(108)	–	4,552	(2,054)	2,498
– Water supply network	17,255	(8,735)	8,520	101	359	–	(228)	201	–	–	85	18,086	(9,048)	9,038
– Sewerage network	14,141	(6,720)	7,421	32	–	–	(202)	–	–	–	69	14,308	(6,988)	7,320
– Swimming pools	1,654	(1,601)	53	–	–	(22)	(31)	–	–	–	–	1,569	(1,569)	–
– Other open space/recreational assets	2,533	(1,386)	1,147	3	690	(8)	(89)	296	–	–	–	3,493	(1,454)	2,039
Total Infrastructure, property, plant and equipment	250,474	(67,363)	183,111	6,222	2,942	(1,004)	(3,679)	–	(77)	(10,853)	3,173	278,203	(98,368)	179,835

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Tfrs from/(to) real estate assets (Note 9) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	1,660	–	1,660	2,040	800	–	–	(1,050)	–	–	3,450	–	3,450
Plant and equipment	10,766	(7,011)	3,755	949	–	(275)	(840)	–	–	–	9,848	(6,259)	3,589
Office equipment	228	(140)	88	99	37	–	(43)	–	–	–	364	(183)	181
Furniture and fittings	201	(76)	125	53	–	–	(20)	–	–	–	254	(96)	158
Land:													
– Operational land	1,706	–	1,706	–	–	(23)	–	–	8	–	1,691	–	1,691
– Community land	203	–	203	–	–	–	–	–	–	–	203	–	203
– Crown land	960	–	960	–	–	–	–	–	–	–	960	–	960
Infrastructure:													
– Buildings – non-specialised	8,225	(2,890)	5,335	–	–	(129)	(102)	–	–	–	7,995	(2,891)	5,104
– Buildings – specialised	13,394	(4,495)	8,899	–	–	–	(170)	–	–	–	13,394	(4,665)	8,729
– Other structures	11,864	(5,872)	5,992	5	19	(2)	(144)	480	–	–	12,363	(6,013)	6,350
– Roads	134,867	(16,963)	117,904	2,121	394	(449)	(1,551)	570	–	–	137,271	(18,282)	118,989
– Bridges	18,496	(6,630)	11,866	–	–	–	(176)	–	–	–	18,496	(6,806)	11,690
– Footpaths	4,186	(1,843)	2,343	197	226	–	(47)	–	–	–	4,609	(1,890)	2,719
– Stormwater drainage	3,993	(1,796)	2,197	–	–	–	(40)	–	–	–	3,993	(1,836)	2,157
– Water supply network	16,983	(8,399)	8,584	–	–	–	(198)	–	–	134	17,255	(8,735)	8,520
– Sewerage network	13,918	(6,450)	7,468	–	–	–	(164)	–	–	117	14,141	(6,720)	7,421
– Swimming pools	1,631	(1,564)	67	–	23	–	(37)	–	–	–	1,654	(1,601)	53
– Other open space/recreational assets	2,087	(1,325)	762	411	34	–	(60)	–	–	–	2,533	(1,386)	1,147
Total Infrastructure, property, plant and equipment	245,368	(65,454)	179,914	5,875	1,533	(878)	(3,592)	–	8	251	250,474	(67,363)	183,111

(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	3 to 5		
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 100
Water and sewer assets		Stormwater assets	
Reservoirs	100	Drains	80 to 100
Bores	50	Culverts	50 to 80
Reticulation pipes: PVC	80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	25	Swimming pools	50
Sealed roads: pavement	60	Other open space/recreation assets	20 to 50
Unsealed roads: pavement	30		
Road: formation	100		
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Kerb, gutter and footpaths	80		

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.

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant & vehicle assets. All rural fire service buildings on Council land have been recognised as assets.

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

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	255	–	255	212	–	212
Plant and equipment	240	159	81	275	167	108
Land						
– Operational land	125	–	125	98	–	98
– Community land	10	–	10	9	–	9
Other structures	93	36	57	73	34	39
Infrastructure	18,086	9,048	9,038	17,255	8,735	8,520
Total water supply	18,809	9,243	9,566	17,922	8,936	8,986
Sewerage services						
WIP	604	–	604	534	–	534
Plant and equipment	337	243	94	359	229	130
Land						
– Operational land	190	–	190	281	–	281
– Community land	75	–	75	111	–	111
Other structures	20	5	15	20	5	15
Infrastructure	14,308	6,988	7,320	14,141	6,720	7,421
Total sewerage services	15,534	7,236	8,298	15,446	6,954	8,492
Domestic waste management						
Land						
– Operational land	105	–	105	110	–	110
Total DWM	105	–	105	110	–	110
TOTAL RESTRICTED IPP&E	34,448	16,479	17,969	33,478	15,890	17,588

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

	2020 \$ '000	2019 \$ '000
Software		
Opening values at 1 July		
Gross book value	121	121
Accumulated amortisation	(24)	–
Net book value – opening balance	97	121
Movements for the year		
– Amortisation charges	(24)	(24)
Closing values at 30 June		
Gross book value	121	121
Accumulated amortisation	(48)	(24)
Total software – net book value	73	97
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>73</u>	<u>97</u>

Accounting policy for intangible assets**IT development and software**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

	Notes	2020 Current \$ '000	2020 Non-current \$ '000
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,997	–
Total grants received in advance		2,997	–
User fees and charges received in advance:			
Other	(ii)	23	–
Total user fees and charges received in advance		23	–
Total contract liabilities		3,020	–

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

	2020 Current \$ '000	2020 Non-current \$ '000
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,997	–
Contract liabilities relating to externally restricted assets	2,997	–
Total contract liabilities relating to restricted assets	2,997	–
Total contract liabilities relating to unrestricted assets	23	–
Total contract liabilities	3,020	–

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

Grants and contributions received in advance:

Operating grants (received prior to performance obligation being satisfied)	594
Operating contributions (received prior to performance obligation being satisfied)	81
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	675

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Payables				
Goods and services – operating expenditure	215	–	178	–
Goods and services – capital expenditure	148	–	557	–
Accrued expenses:				
– Salaries and wages	43	–	39	–
– Other expenditure accruals	29	–	28	–
Security bonds, deposits and retentions	140	–	–	–
ATO – net GST payable	–	–	11	–
Sundry deposits	24	–	45	–
Other	13	–	–	–
Government departments and agencies	676	–	–	–
Prepaid rates	153	–	–	–
Total payables	1,441	–	858	–
Income received in advance (2019 only)				
Payments received in advance	–	–	167	–
Total income received in advance	–	–	167	–
Borrowings				
Loans – secured ¹	68	–	64	69
Government advances	25	–	28	18
Total borrowings	93	–	92	87
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,534</u>	<u>–</u>	<u>1,117</u>	<u>87</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 20.

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	13	–	11	–
Other	–	–	7	–
Payables and borrowings relating to externally restricted assets	13	–	18	–
Total payables and borrowings relating to restricted assets	13	–	18	–
Total payables and borrowings relating to unrestricted assets	1,521	–	1,099	87
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,534</u>	<u>–</u>	<u>1,117</u>	<u>87</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

(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.

(c) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	133	(65)	–	–	–	–	68
Government advances	46	(28)	–	7	–	–	25
TOTAL	179	(93)	–	7	–	–	93

	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	191	(58)	–	–	–	133
Government advances	65	(28)	–	9	–	46
TOTAL	256	(86)	–	9	–	179

	2020 \$ '000	2019 \$ '000

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

Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	25	25
Total financing arrangements	525	525

Drawn facilities as at balance date:

– Credit cards/purchase cards	5	5
Total drawn financing arrangements	5	5

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	474	–	453	–
Long service leave	1,183	73	1,114	63
Sub-total – aggregate employee benefits	1,657	73	1,567	63
TOTAL PROVISIONS	1,657	73	1,567	63

(a) Provisions relating to restricted assets**Externally restricted assets**

Water	1	13	2	10
Sewer	37	–	26	7
Provisions relating to externally restricted assets	38	13	28	17
Total provisions relating to restricted assets	38	13	28	17
Total provisions relating to unrestricted assets	1,619	60	1,539	46
TOTAL PROVISIONS	1,657	73	1,567	63

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

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

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

Provisions – employees benefits	1,083	1,022
	1,083	1,022

(c) Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
2020			
At beginning of year	453	1,177	1,630
Additional provisions	362	169	531
Amounts used (payments)	(322)	(116)	(438)
Remeasurement effects	1	6	7
Other	(20)	20	–
Total ELE provisions at end of year	474	1,256	1,730
2019			
At beginning of year	463	1,244	1,707

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

	ELE provisions		Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	
Additional provisions	351	129	480
Amounts used (payments)	(372)	(278)	(650)
Remeasurement effects	10	82	92
Other	1	–	1
Total ELE provisions at end of year	453	1,177	1,630

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Council made no correction of errors during the reporting period.

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

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

Upfront fees – Council leisure centre

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

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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 1058	675
Total Contract liabilities	<u>675</u>

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	13,829	–	–	13,829	
Receivables	1,286	–	–	1,286	
Inventories	1,061	–	–	1,061	
Other	12	–	–	12	
Total current assets	16,188	–	–	16,188	
Current liabilities					
Payables	1,441	(153)	–	1,288	
Income received in advance	–	176	–	176	
Contract liabilities	3,020	(23)	(2,997)	–	
Borrowings	93	–	–	93	
Provisions	1,657	–	–	1,657	
Total current liabilities	6,211	–	(2,997)	3,214	
Non-current assets					
Receivables	164	–	–	164	
Infrastructure, property, plant and equipment	179,835	–	–	179,835	
Intangible assets	73	–	–	73	
Investments accounted for using equity method	61	–	–	61	
Total non-current assets	180,133	–	–	180,133	
Non-current liabilities					
Provisions	73	–	–	73	
Total Non-current liabilities	73	–	–	73	
Net assets	190,037	–	2,997	193,034	
Equity					
Accumulated surplus	103,895	–	2,997	106,892	
Revaluation reserves	86,142	–	–	86,142	
Council equity interest	190,037	–	2,997	193,034	
Total equity	190,037	–	2,997	193,034	

Prior to the adoption of AASB 15 and AASB 1058 all revenues were brought to account when the income was received.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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	5,983	–	–	5,983	
User charges and fees	1,117	–	–	1,117	
Other revenues	262	–	–	262	
Grants and contributions provided for operating purposes	9,065	–	2,322	11,387	
Grants and contributions provided for capital purposes	390	–	–	390	
Interest and investment income	209	–	–	209	
Rental income	135	–	–	135	
Net share of interests in joint ventures and associates using the equity method	9	–	–	9	
Total Income from continuing operations	17,170	–	2,322	19,492	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	5,534	–	–	5,534	
Borrowing costs	15	–	–	15	
Materials and contracts	2,587	–	–	2,587	
Depreciation and amortisation	3,507	–	–	3,507	
Other expenses	1,362	–	–	1,362	
Net losses from the disposal of assets	937	–	–	937	
Total Expenses from continuing operations	13,942	–	–	13,942	
Total Operating result from continuing operations	3,228	–	2,322	5,550	
Net operating result for the year	3,228	–	2,322	5,550	
Total comprehensive income	(4,452)	–	2,322	(2,130)	

Prior to the adoption of AASB 15 and AASB 1058 all revenues were brought to account when the income was received.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract liabilities	–	675	675
Total liabilities	2,834	675	3,509

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Accumulated surplus	101,342	(675)	100,667
Total equity	195,164	(675)	194,489

(c) Voluntary changes in accounting policies

Council made no voluntary changes in accounting policies during the year.

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

	Notes	2020 \$ '000	2019 \$ '000
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	13,829	11,849
Balance as per the Statement of Cash Flows		13,829	11,849

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

Net operating result from Income Statement		3,228	2,708
Adjust for non-cash items:			
Depreciation and amortisation		3,507	3,397
Net losses/(gains) on disposal of assets		937	145
Adoption of AASB 15/1058		(675)	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		6	9
Share of net (profits)/losses of associates/joint ventures using the equity method		(9)	2
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		456	(433)
Decrease/(increase) in inventories		(53)	(339)
Decrease/(increase) in other current assets		(1)	23
Increase/(decrease) in payables		37	313
Increase/(decrease) in other accrued expenses payable		5	(7)
Increase/(decrease) in other liabilities		783	(55)
Increase/(decrease) in contract liabilities		3,020	–
Increase/(decrease) in provision for employee benefits		100	(77)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		11,341	5,686

(c) Non-cash investing and financing activities

Nil

(d) Net cash flows attributable to discontinued operations

Nil

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2020 \$ '000	2019 \$ '000	2020 \$ '000	2019 \$ '000
Joint ventures	9	(2)	61	52
Total	9	(2)	61	52

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2020	2019
			\$ '000	\$ '000
North Western Library Co-operative	Joint Venture	At cost	61	52
Total carrying amounts			61	52

(b) Details

	Principal activity	Place of business
North Western Library Co-operative	Joint purchasing of books and e-resources	Warren

(c) Relevant interests and fair values

	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
North Western Library Co-operative	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

(d) Summarised financial information for joint ventures

	North Western Library Co-operative	
	2020 \$ '000	2019 \$ '000

Statement of financial position

Current assets

Cash and cash equivalents	9	1
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

	North Western Library Co-operative	
	2020 \$ '000	2019 \$ '000
Other current assets	3	–
Non-current assets	233	51
Net assets	245	52
Reconciliation of the carrying amount		
Opening net assets (1 July)	207	214
Profit/(loss) for the period	37	(2)
Closing net assets	244	212
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	61	52
Statement of comprehensive income		
Income	259	227
Interest income	–	1
Depreciation and amortisation	(85)	(73)
Other expenses	(137)	(161)
Profit/(loss) from continuing operations	37	(6)
Profit/(loss) for the period	37	(6)
Total comprehensive income	37	(6)
Share of income – Council (%)	25.0%	25.0%
Profit/(loss) – Council (\$)	9	(2)
Total comprehensive income – Council (\$)	9	(2)
Summarised Statement of cash flows		
Cash flows from operating activities	122	67
Cash flows from investing activities	(113)	(89)
Net increase (decrease) in cash and cash equivalents	9	(22)

(i) County Councils

Council is a member of the Castlereagh Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control noxious weeds. Council is one of five constituent council members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

(c) Associates

Council has no interest in any associates.

(d) Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Interests in other entities (continued)

(e) Subsidiaries, joint arrangements and associates not recognised

Orana Joint Organisation

Warren Shire Council is a member of the Orana Joint Organisation along with Bogan, Gilgandra, Narromine, Mid-Western and Warrumbungle Shire Councils.

The principal functions of the Orana Joint Organisation is to:

- establish strategic regional priorities for the Joint Organisation area and develop strategies and plans for delivering these priorities.
- provide regional leadership for the Joint Organisation area and to be an advocate for strategic regional priorities.
- identify and take up opportunities for intergovernmental cooperation on matters relating to the Joint Organisation area.

Other services, functions or types of functions the Orana Joint Organisation will undertake are:

- to provide support for the operations of its Member Councils aimed at strengthening local government in its Joint Organisation area.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

	2020 \$ '000	2019 \$ '000
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	223	649
Bridge Infrastructure	632	–
Equestrian Arena - Showground	354	–
Carter Oval Redevelopment	205	–
Total commitments	1,414	649
These expenditures are payable as follows:		
Within the next year	1,414	649
Total payable	1,414	649
Sources for funding of capital commitments:		
Future grants and contributions	1,191	–
Internally restricted reserves	52	478
Other funding - Sale of 56 Garden Ave Warren NSW 2824	171	171
Total sources of funding	1,414	649
Details of capital commitments		
Construction of 2 new Council houses		
Construction of Council Chambers		
Construction of Wonbobbie Bridge		
Construction of Equestrian Arena - Warren Showground/Racecourse		
Carter Oval Redevelopment		

(b) Finance lease commitments (2019 only)

Nil

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

Nil

(d) Investment in joint operations – commitments

Nil

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

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

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay 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 for non-180 Point Members; Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 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 fundin 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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 \$97,909.07. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$59,600.00. Council's expected contribution to the plan for the next annual reporting period is \$67,880.96

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.15% as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

(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) Garbage Depot Reinstatement

Garbage is disposed of in pits at the Ewenmar Depot. When a new pit is required the old pit is reinstated at the same time as the digging of the new pit. As a result reinstatement costs are expensed each year. Should current practices change, it will be necessary to consider the need to establish a Garbage Depot Remediation provision.

(iii) Mount Foster Quarry Remediation

Mt Foster is an above ground crushing operation of material that Council utilises from the hill for the supply of road making materials, there will be no remediation costs involved with this operation. The quarry has not been in operation for the last 17 years.

(iv) Gravel Pits Reinstatement

Council's practice with regard to the remediation of road reserve and private property gravel pits is to construct water storage for future road maintenance or a farm dam in return for the use of material where feasible. If this is not feasible for whatever reason then the pit is scarified and seeded upon completion of works undertaken and expensed accordingly, therefore future remediation costs are zero.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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.

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	13,829	11,849	13,829	11,849
Receivables	1,450	1,887	1,450	1,887
Total financial assets	15,279	13,736	15,279	13,736
Financial liabilities				
Payables	1,441	858	1,441	858
Loans/advances	93	179	93	179
Total financial liabilities	1,534	1,037	1,534	1,037

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

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2020				
Possible impact of a 1% movement in interest rates	138	138	138	138
2019				
Possible impact of a 1% movement in interest rates	118	118	118	118

(b) Credit risk

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	–	233	56	31	4	324
2019						
Gross carrying amount	–	134	23	23	1	181

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

Receivables - non-rates and annual charges

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	786	150	105	55	30	1,126
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—
2019						
Gross carrying amount	203	1,320	20	—	163	1,706
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in:		Total cash outflows \$ '000	Actual carrying values \$ '000
				1 - 5 Years \$ '000	> 5 Years \$ '000		
2020							
Trade/other payables	0.00%	140	1,148	—	—	1,288	1,288
Loans and advances	6.80%	—	96	—	—	96	93
Total financial liabilities		140	1,244	—	—	1,384	1,381
2019							
Trade/other payables	0.00%	—	858	—	—	858	858
Loans and advances	6.80%	—	100	64	—	164	179
Total financial liabilities		—	958	64	—	1,022	1,037

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 27/06/2019 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	5,937	5,983	46	1% F
User charges and fees	1,318	1,117	(201)	(15)% U
With the continuing drought conditions Council introduced water restrictions which in turn reduced water user charges, also the impact of COVID-19 reduced usage in various areas of Council's facilities.				
Other revenues	196	262	66	34% F
Council received additional WHS Incentive payments from it's insurer that was not budgeted for.				
Operating grants and contributions	5,276	9,065	3,789	72% F
Council received both Federal & State Government grants that were not anticipated when the 2019/2020 Estimates were prepared.				
Capital grants and contributions	2,000	390	(1,610)	(81)% U
Council budgeted for the renewal of the Warren Sewerage Treatment Works - \$4M (50% grant funded) this was not undertaken in 2019/2020.				
Interest and investment revenue	307	209	(98)	(32)% U
The impact of COVID-19 on the finance market saw interest rates reduce dramatically thus reducing Council's estimated income.				
Rental income	190	135	(55)	(29)% U
The reduced rental income is a direct result of COVID-19 restrictions.				
Joint ventures and associates – net profits	–	9	9	∞ F
EXPENSES				
Employee benefits and on-costs	5,702	5,534	168	3% F
Borrowing costs	9	15	(6)	(67)% U
Council does not budget for the fair value expense on it's interest free loan.				
Materials and contracts	3,701	2,587	1,114	30% F
Due to the increased grants received, Council redirected efforts to undertake capital works to complete the projects on time.				
Depreciation and amortisation	3,995	3,507	488	12% F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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Council over estimated the depreciation expense in the 2019/2020 Estimates.

Other expenses	1,222	1,362	(140)	(11)%	U
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Council Insurances increased more than originally anticipated in 2019/2020 Estimates, also additional advertising for new employees was undertaken through the reporting period.

Net losses from disposal of assets	-	937	(937)	∞	U
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Council does not budget for gains or losses on disposal of assets.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	8,782	11,341	2,559	29%	F
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The additional Federal and State Government grants received increase Council's cash flow.

Cash flows from investing activities	(8,691)	(9,269)	(578)	7%	U
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Cash flows from financing activities	(91)	(92)	(1)	1%	U
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment		–	–	4,126	4,126
Office Equipment		–	–	125	125
Furniture & Fittings		–	–	148	148
Operational Land	30/06/20	–	–	1,859	1,859
Community/Crown Land	30/06/20	–	–	1,355	1,355
Buildings – Non-Specialised	30/06/18	–	–	4,920	4,920
Buildings– Specialised	30/06/18	–	–	8,431	8,431
Other Structures		–	–	6,386	6,386
Roads	30/06/20	–	–	109,849	109,849
Bridges	30/06/20	–	–	14,258	14,258
Footpaths	30/06/20	–	–	2,388	2,388
Stormwater Drainage	30/06/20	–	–	2,498	2,498
Water Supply Network	30/06/20	–	–	9,038	9,038
Sewerage Network	30/06/20	–	–	7,320	7,320
Other Open Space/Recreational Assets		–	–	2,039	2,039
Total infrastructure, property, plant and equipment		–	–	174,740	174,740

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment		–	–	3,589	3,589
Office Equipment		–	–	181	181
Furniture & Fittings		–	–	158	158
Operational Land	30/06/17	–	–	1,691	1,691
Community/Crown Land		–	–	1,163	1,163
Buildings – Non-Specialised	30/06/18	–	–	5,104	5,104

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Buildings– Specialised	30/06/18	–	–	8,729	8,729
Other Structures		–	–	6,350	6,350
Roads		–	–	118,989	118,989
Bridges		–	–	11,690	11,690
Footpaths		–	–	2,719	2,719
Stormwater Drainage	30/06/19	–	–	2,157	2,157
Water Supply Network	30/06/19	–	–	8,520	8,520
Sewerage Network	30/06/19	–	–	7,421	7,421
Swimming Pools		–	–	53	53
Other Open Space/Recreational Assets		–	–	1,147	1,147
Total infrastructure, property, plant and equipment		–	–	179,661	179,661

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

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

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

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

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

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

Infrastructure, property, plant and equipment (IPP&E)**Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

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

Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the actual market values in the Warren Shire LGA. As these rates were not considered to be observable market evidence they have been classified a Level 3.

Council revalued all land in 2019/20 using the Valuer General's land values base dated 1st July 2019.

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings were valued externally in 2017/18 using the Rawlinson's Construction Guide in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Construction Guide no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

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

Other Structures

Other Structures comprise of Aerodrome runway, lighting, irrigation systems and fencing etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported 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.

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house in June 2020 based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Council revalued roads during the reporting period.

Bridges

Bridges were valued in-house in June 2020 the unit rates were calculated using the contract value for the replacement of the Wonbobbie Bridge as adopted by Council at the March 2020 Council Meeting, the commencement date for construction is in August 2020. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

Council revalued bridges during the reporting period.

Footpaths

Footpaths were valued in-house by Council's Engineering Department in June 2020 and were based on actual cost per square metre of works carried out during the year. Footpaths are inspected annually and condition assessed

Council revalued footpaths during the reporting period.

Drainage Infrastructure

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other 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. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. The Drainage Assets were revalued in June 2020 the unit costs were calculated based on the actual cost to lay 48 metres of 375mm RCP pipe and 48 metres of 250mm PVC pipe at the Victoria Park Warren during 2019/20 by external contractor B & D Brouff Excavations P/L and also the NSW Reference Rates Manual 2014 as published by the Office of Water indexed by the March CPI figure each year.

Council revalued drainage during the reporting period.

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other 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. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets were indexed by 0.95% in 2019/20 as required by the Department of Industry - Water each year according to their published reference rates.

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

Sewerage Network

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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other 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. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets were indexed by 0.95% in 2019/20 as required by the Department of Industry - Water each year according to their published reference rates.

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

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued in-house by experienced staff in Council's Health & Development Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other 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. There has been no change to the valuation process during the reporting period.

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

Other Open Space/Recreational Assets

Assets within this class comprise synthetic & turf surfaces, lighting, playground equipment etc. All assets in Other Structures were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other 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.

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 22. Fair Value Measurement (continued)

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

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

	Plant & equipment \$ '000	Office equipment \$ '000	Furniture and fittings \$ '000	Operational Land \$ '000	Community / Crown Land \$ '000
2019					
Opening balance	3,755	88	125	1,706	1,163
Purchases (GBV)	949	136	53	–	–
Disposals (WDV)	(275)	–	–	(23)	–
Depreciation and impairment	(840)	(43)	(20)	–	–
Transfers from Note 9 - Real Estate	–	–	–	8	–
Closing balance	3,589	181	158	1,691	1,163
2020					
Opening balance	3,589	181	158	1,691	1,163
Purchases (GBV)	1,311	9	12	20	–
Disposals (WDV)	(14)	–	–	–	–
Depreciation and impairment	(760)	(65)	(22)	–	–
Transfers from Works in Progress	–	–	–	88	–
Revaluation Increment / (Decrement) to Equity	–	–	–	60	192
Closing balance	4,126	125	148	1,859	1,355

	Buildings non-specialised \$ '000	Building specialised \$ '000	Other structures \$ '000	Roads \$ '000	Bridges \$ '000
2019					
Opening balance	5,335	8,899	5,992	117,904	11,866
Purchases (GBV)	–	–	24	2,515	–
Disposals (WDV)	(129)	–	(2)	(449)	–
Depreciation and impairment	(102)	(170)	(144)	(1,551)	(176)
Transfers from Works in Progress	–	–	480	570	–
Closing balance	5,104	8,729	6,350	118,989	11,690
2020					
Opening balance	5,104	8,729	6,350	118,989	11,690
Purchases (GBV)	–	68	98	2,423	–
Disposals (WDV)	(83)	(203)	–	(674)	–
Depreciation and impairment	(101)	(170)	(149)	(1,595)	(176)
Transfers from Works in Progress	–	7	87	1,148	–
Revaluation Increment / (Decrement) to Equity	–	–	–	(10,442)	2,744
Closing balance	4,920	8,431	6,386	109,849	14,258

	Footpaths \$ '000	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000	Swimming pools \$ '000
2019					
Opening balance	2,343	2,197	8,584	7,468	67

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

	Footpaths \$ '000	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000	Swimming pools \$ '000
Purchases (GBV)	423	–	–	–	23
Depreciation and impairment	(47)	(40)	(198)	(164)	(37)
Revaluation Increment /(Decrement) to Equity	–	–	134	117	–
Closing balance	2,719	2,157	8,520	7,421	53
2020					
Opening balance	2,719	2,157	8,520	7,421	53
Purchases (GBV)	–	489	460	32	–
Disposals (WDV)	–	–	–	–	(22)
Depreciation and impairment	(51)	(40)	(228)	(202)	(31)
Transfers from Works in Progress	–	–	201	–	–
Revaluation Increment /(Decrement) to Equity	(280)	(108)	85	69	–
Closing balance	2,388	2,498	9,038	7,320	–
				Open space / recreational \$ '000	Total \$ '000
2019					
Opening balance				762	178,254
Purchases (GBV)				445	4,568
Disposals (WDV)				–	(878)
Depreciation and impairment				(60)	(3,592)
Transfers from Works in Progress				–	1,050
Transfers from Note 9 - Real Estate				–	8
Revaluation Increment /(Decrement) to Equity				–	251
Closing balance				1,147	179,661
2020					
Opening balance				1,147	179,661
Purchases (GBV)				693	5,615
Disposals (WDV)				(8)	(1,004)
Depreciation and impairment				(89)	(3,679)
Transfers from Works in Progress				296	1,827
Revaluation Increment /(Decrement) to Equity				–	(7,680)
Closing balance				2,039	174,740

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

Operational Land

\$88K was transferred from Works in Progress for the completion of stage 1 of the airport redevelopment.

Buildings - Specialised

\$7K was transferred from Works in Progress for the completion of the external storage room at the Warren Sporting & Cultural Complex.

Other Structures

\$87K was transferred from Works in Progress for the completion of the animal proof fence around the Warren Airport.

Roads

\$1,148K was transferred out of Works in Progress for the completion of Collie Town streets construction (\$569K) and Carinda Road Reconstruction on Segments 58, 60 & part 62 (\$579K).

Water Supplies

\$201K was transferred from Works in Progress for the completion of the new water mains, tanks & pumps to the Warren Airport and 2 new storage tanks at Collie.

Other Recreation

\$296K was transferred from Works in Progress for the completion of the new netball courts at Victoria Park (\$258K), new solar lighting with CCTV on Oxley Park to Victoria Park shared pathway (\$22K) and skatepark at Carter Oval (\$16K).

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

	2020 \$ '000	2019 \$ '000
Compensation:		
Short-term benefits	849	783
Post-employment benefits	54	76
Other long-term benefits	23	21
Total	926	880

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2020						
Supply of general household goods	1	8	-		-	-
Motor vehicle servicing & parts	2	22	-		-	-
Motor vehicle purchases & trades – nett	3	209	-		-	-
Building renovations & repair	4	1	-		-	-
2019						
Supply of general household goods	1	8	-		-	-
Motor vehicle servicing & parts	2	13	-		-	-

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
Motor vehicle purchases & trades – nett	3	252	–		–	–
Building renovations & repair	4	1	–		–	–
1				Council purchases general household goods such as cleaning material, drinks, batteries etc. from the local supermarket of which a KMP is the owner, all goods purchased are at normal retail prices that the general public are offered.		
2				Council has it's small plant fleet serviced as per the manufacturer's handbook at the local dealership of which a KMP is a Director, the services are undertaken locally as the other nearest other service centre is 120 kms away, the services are carried out on a normal cost basis as would be charged to the general public.		
3				Council advertises and seeks expressions and quotations for the supply and of sale of all motor vehicles, all responses are then evaluated my management and the Plant Committee, a KMP is a Director of a motor vehicle dealership that was successful in the supply and trade of three vehicles, the KMP is not a member of the Plant Committee.		
4				Council required urgent repairs to one of it's building after a severe wind storm blew in a front window, this was compensated through insurance, the local building contractor undertaking the repairs is the spouse of a KMP of Council.		

(c) Other related party transactions

	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2020						
Joint Venture	1	58	–		–	–
Orana Joint Organisation	2	11	–		–	–
2019						
Joint Venture	1	56	–		–	–
Orana Joint Organisation	2	10	–		–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

- 1 Council is a member of a Joint Venture being the North Western Library Co-operative with three other councils, each council contributes an equal amount to the joint venture each year for the operation of the service which is to purchase books and e-resources for the benefit of the residents and ratepayers in the four local government areas.
- 2 Council is a member of the Orana Joint Organisation with five other councils, each council contributes an amount based on population to the joint organisation each year for the operation of the organisation for the benefit of the residents and ratepayers in each local government areas.

Note 24. 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 25. Result by fund

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	5,008	466	509
User charges and fees	799	280	38
Interest and investment revenue	151	13	45
Other revenues	262	–	–
Grants and contributions provided for operating purposes	8,631	425	9
Grants and contributions provided for capital purposes	121	232	37
Net gains from disposal of assets	(18)	14	4
Rental income	135	–	–
Share of interests in joint ventures and associates using the equity method	9	–	–
Total income from continuing operations	15,098	1,430	642
Expenses from continuing operations			
Employee benefits and on-costs	5,068	272	194
Borrowing costs	15	–	–
Materials and contracts	2,063	330	194
Depreciation and amortisation	3,013	258	236
Other expenses	1,326	31	5
Net losses from the disposal of assets	937	–	–
Total expenses from continuing operations	12,422	891	629
Operating result from continuing operations	2,676	539	13
Net operating result for the year	2,676	539	13
Net operating result attributable to each council fund	2,676	539	13
Net operating result for the year before grants and contributions provided for capital purposes	2,555	307	(24)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	10,819	395	2,615
Receivables	1,007	233	46
Inventories	1,061	–	–
Other	12	–	–
Total current assets	12,899	628	2,661
Non-current assets			
Receivables	83	53	28
Infrastructure, property, plant and equipment	161,971	9,566	8,298
Investments accounted for using the equity method	61	–	–
Intangible assets	73	–	–
Total non-current assets	162,188	9,619	8,326
TOTAL ASSETS	175,087	10,247	10,987
LIABILITIES			
Current liabilities			
Payables	1,428	13	–
Contract liabilities	3,020	–	–
Borrowings	93	–	–
Provisions	1,619	1	37
Total current liabilities	6,160	14	37
Non-current liabilities			
Provisions	60	13	–
Total non-current liabilities	60	13	–
TOTAL LIABILITIES	6,220	27	37
Net assets	168,867	10,220	10,950
EQUITY			
Accumulated surplus	93,239	6,075	4,581
Revaluation reserves	75,628	4,145	6,369
Council equity interest	168,867	10,220	10,950
Total equity	168,867	10,220	10,950

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,766	22.46%	16.31%	10.91%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	16,771				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	7,706	44.90%	47.97%	52.95%	>60.00%
Total continuing operating revenue ¹	17,161				
3. Unrestricted current ratio					
Current assets less all external restrictions	8,286	3.98x	5.90x	6.76x	>1.50x
Current liabilities less specific purpose liabilities	2,080				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,288	68.11x	56.66x	44.46x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	107				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	351	5.66%	3.31%	3.23%	<10.00%
Rates, annual and extra charges collectible	6,199				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	13,829	16.08 mths	11.67 mths	13.65 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	860				

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators 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}	23.27%	14.94%	25.63%	31.81%	(3.97)%	18.91%	>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	42.00%	44.85%	54.06%	65.01%	92.83%	84.87%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.98x	5.90x	44.86x	286.50x	71.92x	97.00x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	60.85x	48.08x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.66%	2.61%	10.02%	6.37%	11.09%	7.14%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.98	9.53	6.05	10.76	128.08	70.75	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Warren Shire Council

To the Councillors of Warren Shire Council

Opinion

I have audited the accompanying financial statements of Warren 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. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

5 November 2020
SYDNEY



Cr Milton Quigley
 Mayor
 Warren Shire Council
 PO Box 6
 WARREN NSW 2824

Contact: Manuel Moncada
 Phone no: 02 9275 7333
 Our ref: D2025872/1802

5 November 2020

Dear Mayor

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





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

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

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

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	5.98	5.79	 3.3
Grants and contributions revenue	9.45	8.84	 6.9
Operating result from continuing operations	3.23	2.71	 19.2
Net operating result before capital grants and contributions	2.84	2.61	 8.8

Council's operating result (\$3.23 million including the effect of depreciation and amortisation expense of \$3.51 million) was \$520,000 higher than the 2018–19 result. This was mainly due to increased revenue from grants and contributions.

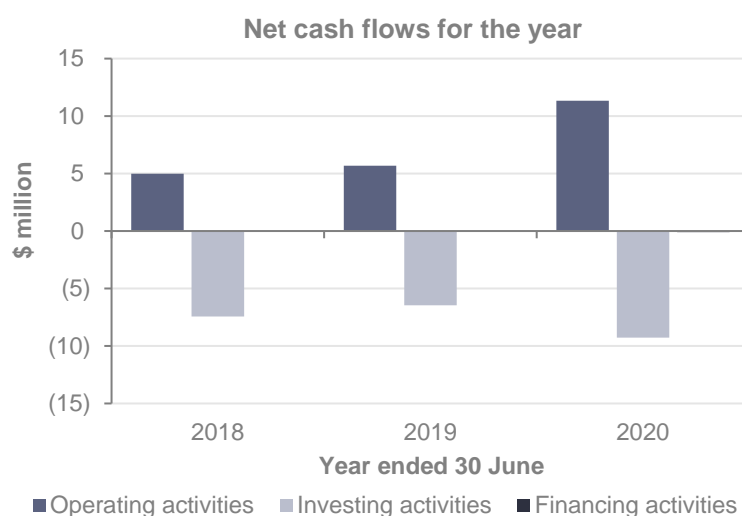
The net operating result before capital grants and contributions (\$2.84 million) was \$229,000 higher than the 2018–19 result.

Rates and annual charges revenue (\$5.98 million) increased by \$191,000 (3.3 per cent) in 2019–2020.

Grants and contributions revenue (\$9.45 million) increased by \$611,000 (6.9 per cent) in 2019–2020. This was mainly due to additional funding received for recreation and culture projects.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$1.9 million to \$13.8 million at the close of the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	7.0	4.3	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.
Internal restrictions	6.3	7.0	
Unrestricted	0.5	0.5	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	13.8	11.8	

PERFORMANCE

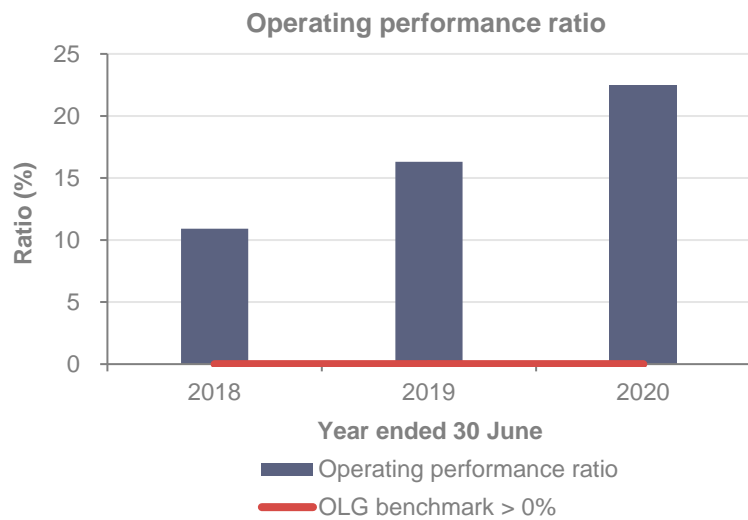
Performance measures

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

Operating performance ratio

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

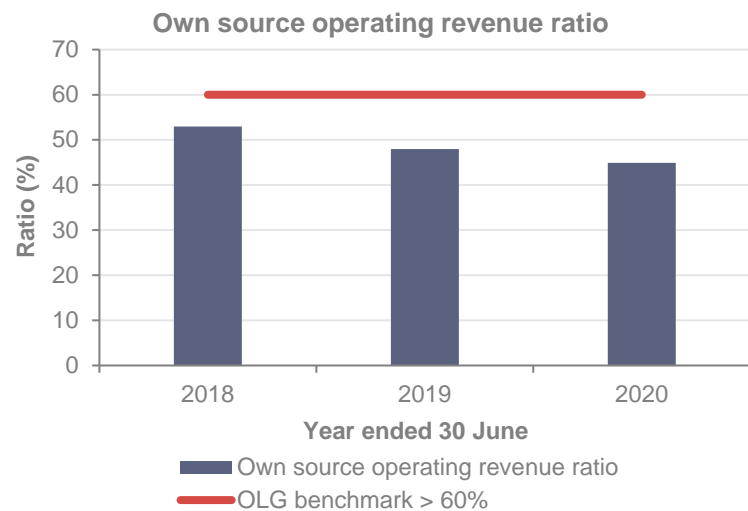
The Council exceeded the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

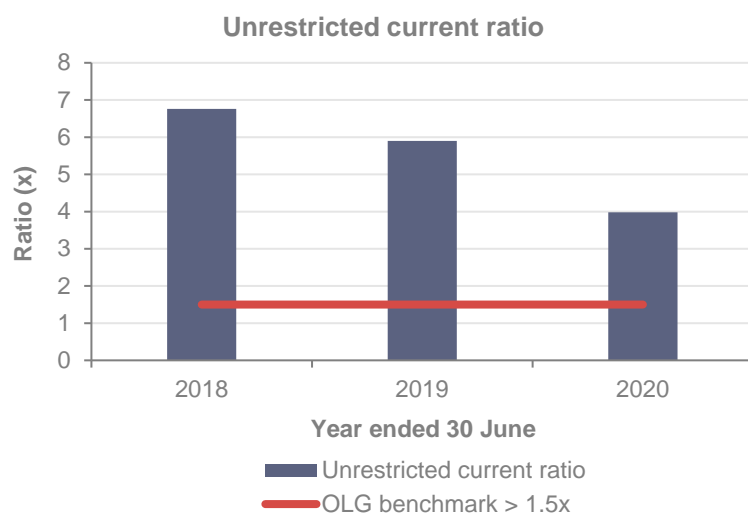
The Council did not meet the OLG benchmark for the current reporting period.



Unrestricted current ratio

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

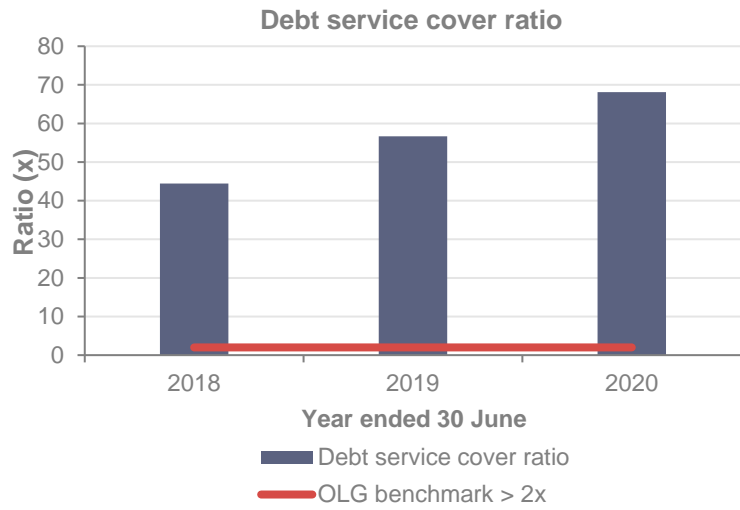
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

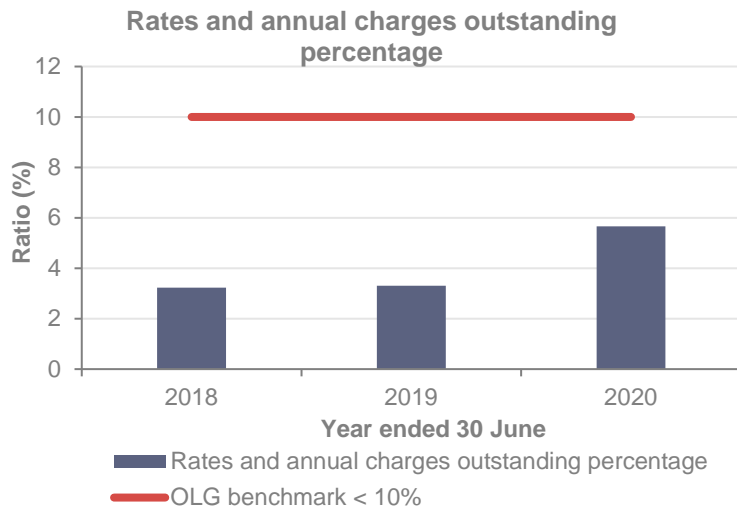
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

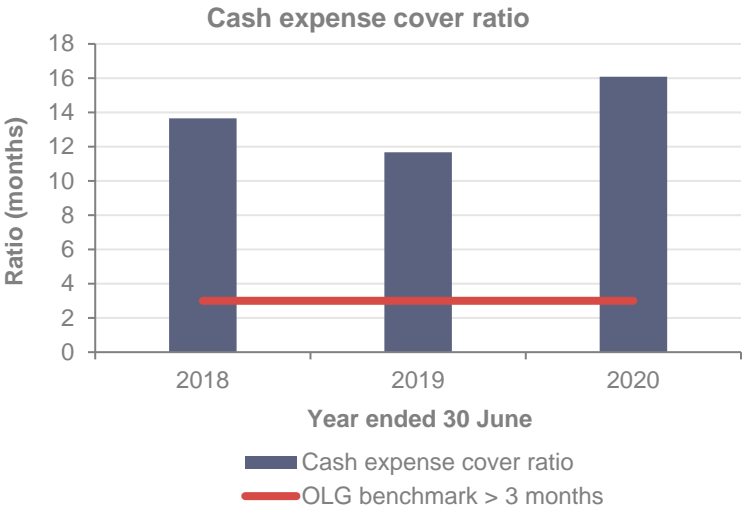
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.

The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months. The Council exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

- Council’s asset renewal additions for the year were \$6.2 million compared \$5.9 million for the prior year
- Renewals primarily consisted of infrastructure assets and plant and equipment
- The level of asset renewals during the year represented 169 percent of the total depreciation expense (\$3.7 million) for the 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 \$675,000 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.

There was no impact on Council's financial statements on adoption of AASB 16.

Legislative compliance

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

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

The Council's:

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



Manuel Moncada
Delegate of the Auditor-General for New South Wales

cc: Stephen Glen, Interim General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment