



# Gunnedah Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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“To be a focused community valuing  
Gunnedah’s identity and quality lifestyle”.





# Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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“To be a focused community valuing  
Gunnedah’s identity and quality lifestyle”.



## General Purpose Financial Statements

for the year ended 30 June 2020

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### Overview

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

63 Elgin Street  
GUNNEDAH. NSW 2380

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.gunnedah.nsw.gov.au](http://www.gunnedah.nsw.gov.au)

# Gunnedah Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

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

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

# Gunnedah Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2020

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### 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:

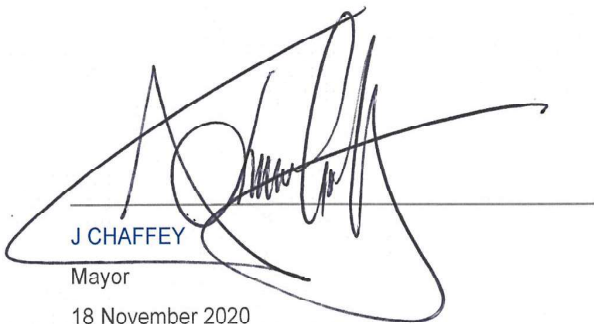
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 26 August 2020.



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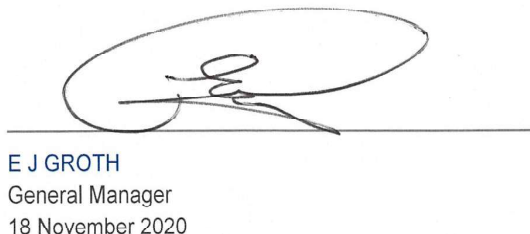
J CHAFFEY  
Mayor  
18 November 2020

Cr Rob  
Hooke

Digitally signed by Cr Rob Hooke  
DN: cn=Cr Rob Hooke,  
o=Gunnedah Shire Council, ou,  
email=robhooke@infoGUNNEDAH.  
com.au, c=AU  
Date: 2020.11.18 16:39:04 +1100

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R HOOKE  
Councillor  
18 November 2020



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E J GROTH  
General Manager  
18 November 2020



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D J CONNOR  
CFO - Responsible Accounting Officer  
18 November 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
18,432	Rates and annual charges	3a	18,770	18,178
14,563	User charges and fees	3b	15,697	12,369
548	Other revenues	3c	868	3,182
11,145	Grants and contributions provided for operating purposes	3d,3e	12,668	11,549
25,128	Grants and contributions provided for capital purposes	3d,3e	11,506	5,197
1,407	Interest and investment income	4	1,363	1,713
–	Rental income	12e	118	–
71,223	<b>Total income from continuing operations</b>		60,990	52,188
<b>Expenses from continuing operations</b>				
15,827	Employee benefits and on-costs	5a	16,436	14,711
1,119	Borrowing costs	5b	719	813
13,838	Materials and contracts	5c	12,876	8,813
10,039	Depreciation and amortisation	5d	10,434	10,039
2,669	Other expenses	5e	3,778	3,728
–	Net losses from the disposal of assets	6	3,310	1,114
–	Revaluation decrement / impairment of IPP&E	5d	5	30
43,492	<b>Total expenses from continuing operations</b>		47,558	39,248
27,731	<b>Operating result from continuing operations</b>		13,432	12,940
27,731	<b>Net operating result for the year</b>		13,432	12,940
27,731	Net operating result attributable to council		13,432	12,940
2,603	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		1,926	7,743

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>13,432</b>	<b>12,940</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	4,832	1,610
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>4,832</b>	<b>1,610</b>
<b>Total other comprehensive income for the year</b>		<b>4,832</b>	<b>1,610</b>
<b>Total comprehensive income for the year</b>		<b>18,264</b>	<b>14,550</b>
Total comprehensive income attributable to Council		18,264	14,550

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	5,422	5,464
Investments	7(b)	31,265	31,636
Receivables	8	8,874	3,918
Inventories	9a	563	543
Contract assets	11a	1,821	–
Other	9b	150	194
<b>Total current assets</b>		<u>48,095</u>	<u>41,755</u>
<b>Non-current assets</b>			
Investments	7(b)	25,000	20,000
Receivables	8	20	26
Infrastructure, property, plant and equipment	10(a)	447,038	437,131
Right of use assets	12a	738	–
<b>Total non-current assets</b>		<u>472,796</u>	<u>457,157</u>
<b>Total assets</b>		<u>520,891</u>	<u>498,912</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	5,701	3,755
Income received in advance	13	–	87
Contract liabilities	11b	3,191	–
Lease liabilities	12b	678	–
Borrowings	13	570	542
Provisions	14	5,461	4,982
<b>Total current liabilities</b>		<u>15,601</u>	<u>9,366</u>
<b>Non-current liabilities</b>			
Borrowings	13	11,461	12,032
Provisions	14	4,970	4,844
<b>Total non-current liabilities</b>		<u>16,431</u>	<u>16,876</u>
<b>Total liabilities</b>		<u>32,032</u>	<u>26,242</u>
<b>Net assets</b>		<u>488,859</u>	<u>472,670</u>
<b>EQUITY</b>			
Accumulated surplus	15	239,615	228,258
Revaluation reserves	15	249,244	244,412
<b>Council equity interest</b>		<u>488,859</u>	<u>472,670</u>
<b>Total equity</b>		<u>488,859</u>	<u>472,670</u>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		228,258	244,412	472,670	215,052	243,068	458,120
Changes due to AASB 1058 and AASB 15 adoption	15	(2,075)	–	(2,075)	–	–	–
<b>Net operating result for the year</b>		13,432	–	13,432	12,940	–	12,940
<b>Restated net operating result for the period</b>		<b>13,432</b>	<b>–</b>	<b>13,432</b>	<b>12,940</b>	<b>–</b>	<b>12,940</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	–	4,832	4,832	–	1,610	1,610
Transfers between Equity		–	–	–	266	(266)	–
<b>Other comprehensive income</b>		<b>–</b>	<b>4,832</b>	<b>4,832</b>	<b>266</b>	<b>1,344</b>	<b>1,610</b>
<b>Total comprehensive income</b>		<b>13,432</b>	<b>4,832</b>	<b>18,264</b>	<b>13,206</b>	<b>1,344</b>	<b>14,550</b>
<b>Equity – balance at end of the reporting period</b>		<b>239,615</b>	<b>249,244</b>	<b>488,859</b>	<b>228,258</b>	<b>244,412</b>	<b>472,670</b>

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

## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
18,576	Rates and annual charges		18,702	18,080
14,712	User charges and fees		13,508	13,621
1,493	Investment and interest revenue received		1,408	1,723
39,910	Grants and contributions		21,314	17,351
379	Other		2,851	4,805
<b>Payments:</b>				
(12,177)	Employee benefits and on-costs		(15,667)	(15,133)
(18,051)	Materials and contracts		(14,189)	(11,189)
(672)	Borrowing costs		(719)	(656)
(4,547)	Other		(4,033)	(5,837)
<b>39,623</b>	<b>Net cash provided (or used in) operating activities</b>	16b	<b>23,175</b>	<b>22,765</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
6,735	Sale of investment securities		31,000	32,000
947	Sale of infrastructure, property, plant and equipment		1,350	990
3	Deferred debtors receipts		6	–
<b>Payments:</b>				
(1,575)	Purchase of investment securities		(35,629)	(24,576)
(51,622)	Purchase of infrastructure, property, plant and equipment		(19,269)	(29,485)
–	Deferred debtors and advances made		–	(2)
<b>(45,512)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(22,542)</b>	<b>(21,073)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
2,000	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(575)	Repayment of borrowings and advances		(543)	(516)
–	Lease liabilities (principal repayments)		(132)	–
<b>1,425</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(675)</b>	<b>(516)</b>
<b>(4,464)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(42)</b>	<b>1,176</b>
5,464	Plus: cash and cash equivalents – beginning of year	16a	5,464	4,288
<b>1,000</b>	<b>Cash and cash equivalents – end of the year</b>	16a	<b>5,422</b>	<b>5,464</b>
46,477	plus: Investments on hand – end of year	7(b)	56,265	51,636
<b>47,477</b>	<b>Total cash, cash equivalents and investments</b>		<b>61,687</b>	<b>57,100</b>

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

The above Statement of 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

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These financial statements were authorised for issue by Council on 18 November 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.

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

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations
- 

and are clearly marked.

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

#### COVID19

Gunnedah Shire Council has undertaken an assessment of the impact of COVID19 in relation to the financial statements. Whilst there has been an impact we consider this to be minor and immaterial to councils overall result.

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

- (i) Impairment of receivables

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### 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 fund;
- Water supply fund;
- Sewerage service fund.

##### (b) The Trust Fund

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

Trust monies and properties that are held by Council but not considered to be under the control of Council and therefore excluded from these financial statements are recorded in a separate statement of monies register that is available for inspection from the Council's main office by any person upon request and free of charge.

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council has minor reliance on volunteer services within the GoCo community services section. The volunteers are involved in community transportation services and this dependency is diminishing over time. Council considers these volunteer services as not-material.

#### 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.

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

#### AASB 1059 Service Concession Arrangements: Grantors

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators. Based on a review of Gunnedah Shire Councils operations there will be no impact of AASB 1059 as there are no Service Concession Arrangements entered into.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **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 18.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Building Our Shire's Economy	1,029	1,117	790	1,697	239	(580)	136	–	10,460	9,490
Engaging and Supporting the Community	48,743	38,534	29,421	22,375	19,322	16,159	16,194	8,861	423,276	405,412
Protecting and Enjoying Our Beautiful Surrounds	5,424	7,318	7,506	6,974	(2,082)	344	1,199	994	33,654	29,875
Retaining Our Quality of Life	5,794	5,219	9,841	8,202	(4,047)	(2,983)	4,992	4,414	53,501	54,135
<b>Total functions and activities</b>	<b>60,990</b>	<b>52,188</b>	<b>47,558</b>	<b>39,248</b>	<b>13,432</b>	<b>12,940</b>	<b>22,521</b>	<b>14,269</b>	<b>520,891</b>	<b>498,912</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Engaging and Supporting the Community**

Community leadership is strengthened and volunteers are engaged;  
Council is a sustainable, ethical and efficient organisation;  
Increased local investment from other sources including the State and Commonwealth Governments as well as developers;  
An engaged community that is involved in the decision making process;  
Strategically managed infrastructure.

#### **Building Our Shire's Economy**

A growing population and diversified economy;  
Access to our goods, services and markets;  
Increased tourism and promotion of the Gunnedah Shire;  
The Gunnedah Shire is an attractive place to invest;  
Skilled workforce and quality local educational opportunities.

#### **Retaining Our Quality of Life**

Quality lifestyles and support for our older residents;  
Improved housing affordability;  
Villages are vibrant and sustainable;  
Reduced crime and anti-social behaviour;  
Our younger people are attracted, retained and developed;  
A healthy and active community participating in a diverse range of recreational and cultural activities;  
Improved access to essential services.

#### **Protecting and Enjoying Our Beautiful Surrounds**

Balance between development and environmental protection;  
Native fauna is secured, biodiversity protected and native vegetation thrives;  
A secure and high quality water supply;  
Our heritage is valued and protected;  
Managed exposure and reduced contribution to climate change;  
Our waste is sustainably managed and reduced;  
Enhanced streetscapes and open spaces in Gunnedah and villages.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	4,360	4,252
Farmland	1058 (1)	5,203	5,055
Mining	1058 (1)	1,258	1,225
Business	1058 (1)	2,390	2,294
Less: pensioner rebates (mandatory)	1058 (1)	(151)	(157)
<b>Rates levied to ratepayers</b>		<b>13,060</b>	<b>12,669</b>
Pensioner rate subsidies received	1058 (1)	83	87
<b>Total ordinary rates</b>		<b>13,143</b>	<b>12,756</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	2,354	2,276
Stormwater management services	1058 (1)	94	94
Water supply services	1058 (1)	945	909
Sewerage services	1058 (1)	2,130	2,035
<b>Annual charges levied</b>		<b>5,523</b>	<b>5,314</b>
Pensioner subsidies received:			
– Water	1058 (1)	37	39
– Sewerage	1058 (1)	34	35
– Domestic waste management	1058 (1)	33	34
<b>Total annual charges</b>		<b>5,627</b>	<b>5,422</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>18,770</b>	<b>18,178</b>

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

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

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

#### Accounting policy for rates and charges

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

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

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

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

#### 2019 accounting policy

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	860	789
Water supply services	15 (1)	3,463	3,634
Sewerage services	15 (1)	824	831
Waste management services (non-domestic)	15 (1)	52	58
<b>Total specific user charges</b>		<b>5,199</b>	<b>5,312</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	15 (1)	164	183
Private works – section 67	15 (1)	250	62
Regulatory/ statutory fees	15 (1)	43	32
Registration fees	15 (1)	19	31
Section 10.7 certificates (EP&A Act)	15 (1)	30	28
Section 603 certificates	15 (1)	39	35
<b>Total fees and charges – statutory/regulatory</b>		<b>545</b>	<b>371</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	46	47
Aged care	15 (1)	185	171
Caravan park	15 (1)	5	5
Cemeteries	15 (1)	148	122
Library and art gallery	15 (1)	7	10
Park rents	15 (1)	72	79
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	8,461	4,744
Saleyards	15 (1)	662	984
Swimming centres	15 (1)	159	222
Tourism	15 (1)	11	14
Events	15 (1)	46	59
Noxious weeds	15 (1)	–	13
Theatre	15 (1)	140	203
Other	15 (1)	11	13
<b>Total fees and charges – other</b>		<b>9,953</b>	<b>6,686</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>15,697</b>	<b>12,369</b>

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

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

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

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

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

**Accounting policy for user charges and fees**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

**2019 accounting policy**

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

\$ '000	Notes	AASB	2020	2019
<b>(c) Other revenues</b>				
Rental income – other council properties (2019 only)		15 (1)	–	126
Fines		1058 (1)	15	16
Fines – parking		1058 (1)	8	6
Legal fees recovery – rates and charges (extra charges)		15 (1)	35	74
Commissions and agency fees		1058 (1)	1	10
Diesel rebate		15 (1)	194	187
Insurance claims recoveries		15 (1)	31	47
Government paid parental leave		15 (1)	38	26
Reimbursements		15 (1)	235	62
Sales – domestic waste		15 (1)	83	178
Sales – swimming pools		15 (1)	13	25
Sales – theatre		15 (1)	63	81
Landfill provision adjustment	11 (c)		–	2,288
Bad Debts - Recovered		15 (1)	88	–
Other		15 (1)	64	56
<b><u>TOTAL OTHER REVENUE</u></b>			<b><u>868</u></b>	<b><u>3,182</u></b>

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

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

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

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## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,489	1,493	–	–
Financial assistance – local roads component	1058 (1)	813	795	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,576	1,547	–	–
Financial assistance – local roads component	1058 (1)	863	826	–	–
<b>Total general purpose</b>		<b>4,741</b>	<b>4,661</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Sewerage services		–	–	–	237
Water	1058 (2)	–	–	955	1,919
Community care	15 (2)	4,441	3,969	–	–
Economic development	1058 (1)	–	–	79	–
Heritage and cultural	1058 (2)	–	–	149	–
Library	1058 (1)	93	47	–	–
Environmental programs		–	–	–	4
Noxious weeds	1058 (1)	98	97	–	–
Recreation and culture	1058 (2)	75	193	1,209	1,028
Transport (roads to recovery)	1058 (1)	1,511	967	–	–
Street lighting	1058 (1)	21	21	–	–
Drought Relief	1058 (1)	750	–	–	–
Other	1058 (1)	57	–	–	–
Public Health	1058 (1)	4	5	–	–
Transport (other roads and bridges funding)	1058 (2)	609	900	7,729	221
<b>Total specific purpose</b>		<b>7,659</b>	<b>6,199</b>	<b>10,121</b>	<b>3,409</b>
<b>Total grants</b>		<b>12,400</b>	<b>10,860</b>	<b>10,121</b>	<b>3,409</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		10,824	9,181	3,044	2,020
– State funding		1,547	1,587	7,077	1,289
– Other funding		29	92	–	100
		<b>12,400</b>	<b>10,860</b>	<b>10,121</b>	<b>3,409</b>

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

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## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	107	69
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	169	174
S 64 – water supply contributions		1058 (1)	–	–	101	329
S 64 – sewerage service contributions		1058 (1)	–	–	57	200
S 64 – stormwater contributions		1058 (1)	–	–	34	49
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>468</b>	<b>821</b>
<b>Total developer contributions</b>	25		<b>–</b>	<b>–</b>	<b>468</b>	<b>821</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Roads and bridges		1058 (1)	34	400	300	681
Water supplies (excl. section 64 contributions)		1058 (1)	36	25	–	–
Emergency services		1058 (1)	96	101	–	–
ELE contributions – other councils		1058 (1)	13	58	–	–
Weeds			–	3	–	–
Arts & Culture			–	5	–	–
Saleyards		1058 (1)	89	91	–	–
Economic Development			–	5	–	–
Environment			–	1	–	–
<b>Total other contributions – cash</b>			<b>268</b>	<b>689</b>	<b>300</b>	<b>681</b>
<b>Non-cash contributions</b>						
Drainage		1058 (1)	–	–	–	78
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	–	68
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	–	140
Culverts		1058 (1)	–	–	617	–
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>617</b>	<b>286</b>
<b>Total other contributions</b>			<b>268</b>	<b>689</b>	<b>917</b>	<b>967</b>
<b>Total contributions</b>			<b>268</b>	<b>689</b>	<b>1,385</b>	<b>1,788</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>12,668</b>	<b>11,549</b>	<b>11,506</b>	<b>5,197</b>

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

##### Grant income

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

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

##### Capital grants

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

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

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

##### Contributions

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

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

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

##### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	4,968	4,568
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	3,936
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(3,536)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(3,472)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>1,496</b>	<b>4,968</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	858	281
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	642
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(65)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(858)	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>–</b>	<b>858</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	8,482	7,880
<b>Add:</b> contributions recognised as income in the current period but not yet spent	182	192
<b>Add:</b> contributions received for the provision of goods and services in a future period	361	758
<b>Less:</b> contributions recognised in a previous reporting period now spent	(186)	(348)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>8,839</b>	<b>8,482</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	25	23
– Cash and investments	622	1,613
– Managed Funds - Distributions	716	77
<b>Total Interest and investment income</b>	<b>1,363</b>	<b>1,713</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	25	23
General Council cash and investments	622	793
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	62	68
– Section 64	133	162
Water fund operations	168	314
Sewerage fund operations	162	172
Domestic waste management operations	191	181
<b>Total interest and investment revenue</b>	<b>1,363</b>	<b>1,713</b>

**Accounting policy for interest and investment revenue**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	13,558	11,936
Employee leave entitlements (ELE)	2,295	2,005
Superannuation	1,632	1,483
Workers' compensation insurance	406	513
Fringe benefit tax (FBT)	40	32
Payroll tax	43	54
Protective clothing	63	53
Other	51	59
<b>Total employee costs</b>	<b>18,088</b>	<b>16,135</b>
Less: capitalised costs	(1,652)	(1,424)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>16,436</b>	<b>14,711</b>
Number of 'full-time equivalent' employees (FTE) at year end	196	181
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	202	195

**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.

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		10	–
Interest on loans		631	655
<b>Total interest bearing liability costs</b>		<b>641</b>	<b>655</b>
<b>Total interest bearing liability costs expensed</b>		<b>641</b>	<b>655</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	78	158
<b>Total other borrowing costs</b>		<b>78</b>	<b>158</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>719</b>	<b>813</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	29,565	35,540
Contractor and consultancy costs		
– Domestic waste management	87	64
– Tourism/economic development	140	25
– Human resources	1	20
– Planning	73	20
– Governance	29	1
- Public Halls	106	–
- Water	158	–
- Sewer	63	–
– Contractor and consultancy costs	255	460
Auditors remuneration <sup>2</sup>	92	50
<b>Legal expenses:</b>		
– Legal expenses: planning and development	44	6
– Legal expenses: debt recovery	42	81
– Legal expenses: other	31	49
Expenses from leases of low value assets (2020 only)	7	–
Expenses from short-term leases (2020 only)	3	–
Variable lease expense relating to usage (2020 only)	4	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	33
<b>Total materials and contracts</b>	<u>30,700</u>	<u>36,349</u>
Less: capitalised costs	(17,824)	(27,536)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>12,876</u>	<u>8,813</u>
<b>Accounting policy for materials and contracts</b>		
Expenses are recorded on an accruals basis as the council receives the goods or services.		
<b>1. Operating lease payments are attributable to:</b>		
Office - Leases	55	33
	<u>55</u>	<u>33</u>
<b>2. Auditor remuneration</b>		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	50	46
<b>Remuneration for audit and other assurance services</b>	<u>50</u>	<u>46</u>
<b>Total Auditor-General remuneration</b>	<u>50</u>	<u>46</u>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	2	–
Internal Audit	40	4
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<u>42</u>	<u>4</u>
<b>Total Auditor remuneration</b>	<u>92</u>	<u>50</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,581	1,592
Office equipment		287	294
Furniture and fittings		86	82
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		294	294
– Buildings – specialised		500	436
– Other structures		131	127
– Roads		3,257	3,192
– Bridges		376	383
– Footpaths		96	94
– Other road assets		51	51
– Stormwater drainage		697	694
– Water supply network		895	933
– Sewerage network		845	910
– Swimming pools		181	117
– Other open space/recreational assets		209	181
– Other infrastructure		132	131
<b>Right of use assets</b>	12	72	–
<b>Other assets:</b>			
– Library books		30	29
– Other		263	160
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	14,10(a)	421	309
– Quarry assets	14,10(a)	30	30
<b>Total depreciation and amortisation costs</b>		<b>10,434</b>	<b>10,039</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Furniture and fittings		–	5
Office equipment		–	1
Plant and equipment		5	24
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>5</b>	<b>30</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b>10,439</b>	<b>10,069</b>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for right of use 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.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	120	143
Training costs (other than salaries and wages)	372	369
Travel expenses	141	119
Bad and doubtful debts	33	34
Bank charges	51	50
Computer software charges	284	319
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	22	17
– NSW rural fire service levy	229	187
Councillor expenses – mayoral fee	27	25
Councillor expenses – councillors' fees	114	104
Councillors' expenses (incl. mayor) – other (excluding fees above)	49	77
Donations, contributions and assistance to other organisations (Section 356)	67	49
– Donations, contributions and assistance	50	60
Electricity and heating	821	891
Gas	7	8
Insurance	569	526
Postage	52	48
Printing and stationery	115	94
Street lighting	209	237
Subscriptions and publications	231	191
Telephone and communications	223	194
Valuation fees	49	51
Other	41	43
<b>Total other expenses</b>	<b>3,876</b>	<b>3,836</b>
Less: capitalised costs	(98)	(108)
<b>TOTAL OTHER EXPENSES</b>	<b>3,778</b>	<b>3,728</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal - property		–	370
Less: carrying amount of property assets sold/written off		(147)	(363)
<b>Net gain/(loss) on disposal</b>		<b>(147)</b>	<b>7</b>
<b>Plant and equipment</b>			
	10(a)		
Proceeds from disposal – plant and equipment		564	608
Less: carrying amount of plant and equipment assets sold/written off		(506)	(608)
<b>Net gain/(loss) on disposal</b>		<b>58</b>	<b>–</b>
<b>Infrastructure</b>			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(4,007)	(1,121)
<b>Net gain/(loss) on disposal</b>		<b>(4,007)</b>	<b>(1,121)</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		31,000	32,000
Less: carrying amount of investments sold/redeemed/matured		(31,000)	(32,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Other</b>			
Proceeds from disposal – Other (Southern Phones)		786	–
<b>Net gain/(loss) on disposal</b>		<b>786</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(3,310)</b>	<b>(1,114)</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	858	784
Cash-equivalent assets		
– Deposits at call	4,564	4,680
<b>Total cash and cash equivalents</b>	<u>5,422</u>	<u>5,464</u>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
'Financial assets at amortised cost'	31,265	25,000	31,636	20,000
<b>Total Investments</b>	<u>31,265</u>	<u>25,000</u>	<u>31,636</u>	<u>20,000</u>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<u>36,687</u>	<u>25,000</u>	<u>37,100</u>	<u>20,000</u>
<b>Financial assets at amortised cost</b>				
Term deposits	31,181	25,000	27,779	20,000
Managed funds	84	–	3,857	–
<b>Total</b>	<u>31,265</u>	<u>25,000</u>	<u>31,636</u>	<u>20,000</u>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

#### **Financial assets through profit or loss**

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

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

Council currently has no financial assets measured at fair value through profit and loss.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	36,687	25,000	37,100	20,000
<b>attributable to:</b>				
External restrictions	18,631	23,000	23,013	14,587
Internal restrictions	16,884	2,000	10,630	3,515
Unrestricted	1,172	–	3,457	1,898
	<u>36,687</u>	<u>25,000</u>	<u>37,100</u>	<u>20,000</u>

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	3,191	–
<b>External restrictions – included in liabilities</b>	<u>3,191</u>	<u>–</u>

**External restrictions – other**

Developer contributions – general	2,266	2,200
Developer contributions – water fund	4,486	4,293
Developer contributions – sewer fund	2,087	1,989
Specific purpose unexpended grants (recognised as revenue) – general fund	1,496	5,826
Water supplies	8,578	6,240
Sewerage services	8,824	7,459
Other	144	184
Domestic waste management	10,559	9,409
<b>External restrictions – other</b>	<u>38,440</u>	<u>37,600</u>
<b>Total external restrictions</b>	<u>41,631</u>	<u>37,600</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Internal restrictions</b>		
Plant and vehicle replacement	1,849	1,566
Employees leave entitlement	1,637	1,490
Business partnering program	79	92
Contract works	189	189
Cycleways	38	38
Depot refuelling upgrade	142	142
Future works	2,193	5,451
Gravel pit restoration	458	446
Land	45	45
Parking areas	483	483
Roads	318	318
Saleyards	1,385	1,462
Storm water – contingency	–	317
Strategic planning	385	385
Tourism	134	134
Showground	–	274
Reserve Management Trust	139	155
Arts & Culture	20	170
Disaster Recovery Fund	238	238
Water Sustainability	150	150
Building Works	1,060	255
Building Renovations/Additions	500	–
Drought Resilience Program	951	–
Financial Assistance Grant - Advance Payment	2,439	–
GoCo - Unexpended Funds (Excluding Grants)	3,625	–
Other	427	345
<b>Total internal restrictions</b>	<b>18,884</b>	<b>14,145</b>
<b>TOTAL RESTRICTIONS</b>	<b>60,515</b>	<b>51,745</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	919	–	745	–
Interest and extra charges	144	–	174	–
User charges and fees	3,895	–	1,313	–
Private works	501	–	832	–
Contributions to works	218	–	68	–
Accrued revenues				
– Interest on investments	656	–	723	–
– Other income accruals	16	–	15	–
Deferred debtors	4	20	4	26
Government grants and subsidies	2,418	–	3	–
Net GST receivable	181	–	179	–
<b>Total</b>	<b>8,952</b>	<b>20</b>	<b>4,056</b>	<b>26</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(39)	–	(21)	–
Interest and extra charges	(33)	–	(85)	–
Other debtors	(6)	–	(32)	–
<b>Total provision for impairment – receivables</b>	<b>(78)</b>	<b>–</b>	<b>(138)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>8,874</b>	<b>20</b>	<b>3,918</b>	<b>26</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	67	–	60	–
– Other	425	–	721	–
<b>Sewerage services</b>				
– Rates and availability charges	125	–	114	–
– Other	85	–	125	–
<b>Total external restrictions</b>	<b>702</b>	<b>–</b>	<b>1,020</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>8,172</b>	<b>20</b>	<b>2,898</b>	<b>26</b>
<b>TOTAL NET RECEIVABLES</b>	<b>8,874</b>	<b>20</b>	<b>3,918</b>	<b>26</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	138	104
+ new provisions recognised during the year	57	36
– amounts already provided for and written off this year	(29)	(2)
– amounts provided for but recovered during the year	(88)	–
<b>Balance at the end of the year</b>	<b>78</b>	<b>138</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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 determined non recoverable.

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	563	–	543	–
<b>Total inventories at cost</b>	<b>563</b>	<b>–</b>	<b>543</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>563</u></b>	<b><u>–</u></b>	<b><u>543</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	148	–	192	–
Other	2	–	2	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>150</u></b>	<b><u>–</u></b>	<b><u>194</u></b>	<b><u>–</u></b>

#### Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Water</b>				
Stores and materials	98	–	101	–
<b>Total water</b>	<b>98</b>	<b>–</b>	<b>101</b>	<b>–</b>
<b>Sewerage</b>				
Stores and materials	–	–	1	–
<b>Total sewerage</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>98</b>	<b>–</b>	<b>102</b>	<b>–</b>
<b>Total internally restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>615</b>	<b>–</b>	<b>635</b>	<b>–</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>713</u></b>	<b><u>–</u></b>	<b><u>737</u></b>	<b><u>–</u></b>

#### Accounting policy for inventories and other assets

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	11,936	–	11,936	7,520	1,874	–	–	–	(9,871)	–	11,459	–	11,459
Plant and equipment	20,039	(9,827)	10,212	1,873	80	(511)	(1,581)	(5)	5	–	20,696	(10,623)	10,073
Office equipment	2,436	(1,641)	795	5	102	–	(287)	–	128	–	2,617	(1,874)	743
Furniture and fittings	1,148	(743)	405	50	66	–	(86)	–	50	–	1,304	(819)	485
<b>Land:</b>													
– Crown land	4,059	–	4,059	–	–	(141)	–	–	–	–	3,918	–	3,918
– Operational land	8,511	–	8,511	–	156	(6)	–	–	6	–	8,667	–	8,667
– Community land	2,412	–	2,412	–	–	–	–	–	–	–	2,412	–	2,412
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	3,268	–	3,268
Land improvements – non-depreciable	2,238	–	2,238	–	–	–	–	–	–	–	2,238	–	2,238
<b>Infrastructure:</b>													
– Buildings – non-specialised	20,788	(8,639)	12,149	5	–	–	(294)	–	–	–	20,794	(8,934)	11,860
– Buildings – specialised	31,306	(10,452)	20,854	62	–	–	(500)	–	134	–	31,503	(10,953)	20,550
– Other structures	6,418	(2,525)	3,893	–	5	–	(131)	–	78	–	6,501	(2,656)	3,845
– Roads	218,981	(32,798)	186,183	4,022	880	(2,319)	(3,257)	–	1,965	–	222,808	(35,334)	187,474
– Bridges	37,331	(11,529)	25,802	–	617	–	(376)	–	–	1,277	42,341	(15,021)	27,320
– Footpaths	7,700	(1,683)	6,017	–	129	(20)	(96)	–	2	1,055	9,112	(2,025)	7,087
– Other road assets	3,452	(745)	2,707	–	–	–	(51)	–	14	838	4,451	(943)	3,508
– Stormwater drainage	63,213	(23,992)	39,221	169	–	(43)	(697)	–	46	–	63,362	(24,666)	38,696
– Water supply network	67,366	(26,924)	40,442	426	235	(1,611)	(895)	–	6,221	361	72,460	(27,281)	45,179
– Sewerage network	62,542	(27,545)	34,997	–	–	–	(845)	–	302	324	63,438	(28,660)	34,778
– Swimming pools	10,278	(934)	9,344	78	30	–	(181)	–	8	–	10,394	(1,115)	9,279
– Other open space/recreational assets	5,926	(2,877)	3,049	82	1,384	(13)	(209)	–	469	–	7,828	(3,066)	4,762
– Other infrastructure	6,066	(4,414)	1,652	29	–	–	(132)	–	57	977	8,320	(5,737)	2,583
<b>Other assets:</b>													
– Library books	259	(119)	140	37	–	–	(30)	–	2	–	297	(148)	149
– Other	3,083	(833)	2,250	–	190	–	(263)	–	384	–	3,658	(1,097)	2,561
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>													
– Tip assets	4,190	–	4,190	–	–	–	(421)	–	–	–	4,190	(421)	3,769
– Quarry assets	435	(30)	405	–	–	–	(30)	–	–	–	436	(61)	375
<b>Total Infrastructure, property, plant and equipment</b>	<b>605,381</b>	<b>(168,250)</b>	<b>437,131</b>	<b>14,358</b>	<b>5,748</b>	<b>(4,664)</b>	<b>(10,362)</b>	<b>(5)</b>	<b>–</b>	<b>4,832</b>	<b>628,472</b>	<b>(181,434)</b>	<b>447,038</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	8,370	–	8,370	3,722	7,710	–	–	–	(7,866)	–	–	11,936	–	11,936
Plant and equipment	19,479	(9,783)	9,696	2,418	322	(608)	(1,592)	(24)	–	–	–	20,039	(9,827)	10,212
Office equipment	2,450	(1,679)	771	181	8	–	(294)	(1)	130	–	–	2,436	(1,641)	795
Furniture and fittings	1,057	(681)	376	64	21	–	(82)	(5)	31	–	–	1,148	(743)	405
<b>Land:</b>														
– Operational land	8,484	–	8,484	377	–	(363)	–	–	–	–	13	8,511	–	8,511
– Community land	2,412	–	2,412	–	–	–	–	–	–	–	–	2,412	–	2,412
– Crown land	4,059	–	4,059	–	–	–	–	–	–	–	–	4,059	–	4,059
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	–	3,268	–	3,268
Land improvements – non-depreciable	2,238	–	2,238	–	–	–	–	–	–	–	–	2,238	–	2,238
<b>Infrastructure:</b>														
– Buildings – non-specialised	20,746	(8,637)	12,109	42	–	–	(294)	–	–	–	292	20,788	(8,639)	12,149
– Buildings – specialised	26,943	(10,370)	16,573	4,362	–	–	(436)	–	–	–	355	31,306	(10,452)	20,854
– Other structures	6,177	(2,399)	3,778	211	30	–	(127)	–	1	–	–	6,418	(2,525)	3,893
– Roads	216,248	(29,618)	186,630	2,762	–	(31)	(3,192)	–	14	–	–	218,981	(32,798)	186,183
– Bridges	38,035	(11,758)	26,277	–	–	(92)	(383)	–	–	–	–	37,331	(11,529)	25,802
– Footpaths	7,539	(1,588)	5,951	160	–	–	(94)	–	–	–	–	7,700	(1,683)	6,017
– Other road assets	3,430	(694)	2,736	–	6	–	(51)	–	16	–	–	3,452	(745)	2,707
– Stormwater drainage	62,655	(23,389)	39,266	434	78	(57)	(694)	–	194	–	–	63,213	(23,992)	39,221
– Water supply network	64,977	(26,848)	38,129	610	1,510	(937)	(933)	–	1,481	–	582	67,366	(26,924)	40,442
– Sewerage network	61,300	(26,202)	35,098	–	167	–	(910)	–	93	–	549	62,542	(27,545)	34,997
– Swimming pools	1,387	(601)	786	3,778	–	–	(117)	–	5,100	–	(203)	10,278	(934)	9,344
– Other open space/recreational assets	5,113	(2,725)	2,388	67	222	(4)	(181)	–	557	–	–	5,926	(2,877)	3,049
– Other infrastructure	6,065	(4,282)	1,783	–	–	–	(131)	–	–	–	–	6,066	(4,414)	1,652
<b>Other assets:</b>														
– Library books	237	(90)	147	22	–	–	(29)	–	–	–	–	259	(119)	140
– Other	2,748	(655)	2,093	7	39	–	(160)	–	249	–	22	3,083	(833)	2,250
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>														
– Tip assets	5,207	(1,288)	3,919	–	–	–	(309)	–	–	580	–	4,190	–	4,190
– Quarry assets	435	–	435	–	–	–	(30)	–	–	–	–	435	(30)	405
<b>Total Infrastructure, property, plant and equipment</b>	<b>581,059</b>	<b>(163,287)</b>	<b>417,772</b>	<b>19,217</b>	<b>10,113</b>	<b>(2,092)</b>	<b>(10,039)</b>	<b>(30)</b>	<b>–</b>	<b>580</b>	<b>1,610</b>	<b>605,381</b>	<b>(168,250)</b>	<b>437,131</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10(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. 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. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	3 to 10	Playground equipment	5 to 15
Office furniture	5 to 10	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 10	Buildings: other	20 to 80
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	100 to 120
Bores	20 to 40	Culverts	50 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	21-28	Bulk earthworks	Indefinite
Sealed roads: structure	60-75	Swimming pools	50
Unsealed roads	20	Other open space/recreational assets	30 to 60
Bridge: concrete	100	Other infrastructure	20 to 100
Bridge: other	100		
Road formation: urban	150		
Road formation: rural	Indefinite		
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)

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

#### **Crown reserves**

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

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

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

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

However in accordance with the Australian Accounting Standards and associated principles, only assets that are controlled by Council can be recognised in these Financial Statements. Following consideration of such, it has been determined that Council clearly does not meet the requirements of control for NSW Government Rural Fire Service assets and accordingly, Council will not recognise rural fire services assets including land, buildings, plant and vehicles.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	2,446	–	2,446	7,644	–	7,644
Plant and equipment	466	366	100	466	373	93
Office equipment	17	9	8	17	8	9
Land						
– Operational land	138	–	138	138	–	138
– Community land	10	–	10	10	–	10
Infrastructure	72,460	27,281	45,179	67,367	26,924	40,443
Other assets	36	22	14	36	15	21
<b>Total water supply</b>	<b>75,573</b>	<b>27,678</b>	<b>47,895</b>	<b>75,678</b>	<b>27,320</b>	<b>48,358</b>
<b>Sewerage services</b>						
WIP	672	–	672	506	–	506
Plant and equipment	130	93	37	119	85	34
Office equipment	1	1	–	1	1	–
Land						
– Operational land	176	–	176	99	–	99
– Community land	110	–	110	110	–	110
- Crown Land	390	–	390	531	–	531
Infrastructure	63,438	28,660	34,778	62,542	27,545	34,997
Other assets	158	32	126	–	–	–
<b>Total sewerage services</b>	<b>65,075</b>	<b>28,786</b>	<b>36,289</b>	<b>63,908</b>	<b>27,631</b>	<b>36,277</b>
<b>Domestic waste management</b>						
WIP	68	–	68	79	–	79
Plant and equipment	226	167	59	214	173	41
Furniture and fittings	25	18	7	25	16	9
Land						
– Operational land	715	–	715	715	–	715
– Community land	113	–	113	113	–	113
Buildings	1,115	202	913	1,115	186	929
Other structures	316	102	214	208	84	124
Other assets	1,158	217	941	1,153	174	979
<b>Total DWM</b>	<b>3,736</b>	<b>706</b>	<b>3,030</b>	<b>3,622</b>	<b>633</b>	<b>2,989</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>144,384</b>	<b>57,170</b>	<b>87,214</b>	<b>143,208</b>	<b>55,584</b>	<b>87,624</b>

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

\$ '000	Notes	2020	2019
<b>(i) Impairment losses recognised in the Income Statement:</b>			
Plant - Mower & Vibratory Rammer		(5)	–
Library - Return Shute - Disabled - not working		–	(3)
Minor Venue Items - Under Capitalisation Thresholds		–	(4)
Asset Register - AAS27 - Out of date		–	(23)
<b>Total impairment losses</b>		<b>(5)</b>	<b>(30)</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	5d	<b>(5)</b>	<b>(30)</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
<b>(a) Contract assets</b>		
Cycleway - View Street	127	–
Roads - Grain Valley Way	1,669	–
Roads - Clifton	10	–
Rainbow Serpent - Fountain	15	–
<b>Total Contract assets</b>	<b>1,821</b>	<b>–</b>

**(i) Externally restricted assets****Externally restricted assets**

Other (Grant Funded)	1,821	–
<b>Total externally restricted assets</b>	<b>1,821</b>	<b>–</b>
<b>Total restricted assets</b>	<b>1,821</b>	<b>–</b>
<b>Total contract assets</b>	<b>1,821</b>	<b>–</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,871	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	1,320	–
<b>Total grants received in advance</b>		<b>3,191</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>3,191</b>	<b>–</b>

**Notes**

(i) Council has received funding to construct assets including roads, management plans, showground facilities, bridges and tourism/economic development development (koala park). The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing. Grants relate to funds received by GoCo in advance under the Carer NSW & HCP Individual Client Contributions.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities (continued)

\$ '000	2020 Current	2020 Non-current
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Unspent grants held as contract liabilities (excl. Water & Sewer)	3,191	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>3,191</b>	<b>–</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>3,191</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>3,191</b>	<b>–</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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 12. Leases

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

## (i) Council as a lessee

Council has leases over buildings. Information relating to the leases in place and associated balances and transactions is provided below.

## Terms and conditions of leases

## Buildings

Council leases buildings for their Community Care Department (GoCo) offices in Narrabri, Kootingal, Barraba & Tamworth. The leases are generally between 2 and 5 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

The building leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

## Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

\$ '000	Buildings	Total
<b>(a) Right of use assets</b>		
Opening balance at 30 June 2019	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	86	86
Additions to right-of-use assets	761	761
Adjustments to right-of-use assets due to re-measurement of lease liability	(37)	(37)
Depreciation charge	(72)	(72)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>738</u></b>	<b><u>738</u></b>

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities - GoCo Offices	678	-
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>678</u></b>	<b><u>-</u></b>

## (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	57	178	517	752	678

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

\$ '000	2020 Current	2020 Non-current
<b>(ii) Lease liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Other - GoCo - Grant Funded	678	–
<b>Lease liabilities relating to externally restricted assets</b>	<b>678</b>	<b>–</b>
<b>Total lease liabilities relating to restricted assets</b>	<b>678</b>	<b>–</b>
<b>Total lease liabilities</b>	<b>678</b>	<b>–</b>

\$ '000	2020
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## (c) Income Statement

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

Interest on lease liabilities	10
Variable lease payments based on usage not included in the measurement of lease liabilities	4
Depreciation of right of use assets	72
Expenses relating to short-term leases	3
Expenses relating to low-value leases	7
	<b>96</b>

## (d) Statement of Cash Flows

Total cash outflow for leases	132
	<b>132</b>

**Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

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

**Exceptions to lease accounting**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**Leases at significantly below market value / concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

## (ii) Council as a lessor

## (e) Operating leases

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Room/Facility Hire	28
Housing/Community Housing	48
Sundry Land	42
<b>Total income relating to operating leases</b>	<b>118</b>

**Accounting policy**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	2,541	–	1,196	–
Goods and services – capital expenditure	1,925	–	1,709	–
Accrued expenses:				
– Borrowings	16	–	16	–
– Salaries and wages	602	–	305	–
Prepaid rates	617	–	529	–
<b>Total payables</b>	<b>5,701</b>	<b>–</b>	<b>3,755</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	87	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>87</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	568	11,458	539	12,024
Government advances	2	3	3	8
<b>Total borrowings</b>	<b>570</b>	<b>11,461</b>	<b>542</b>	<b>12,032</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>6,271</u></b>	<b><u>11,461</u></b>	<b><u>4,384</u></b>	<b><u>12,032</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 16.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	130	–	54	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>130</b>	<b>–</b>	<b>54</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>6,141</b>	<b>11,461</b>	<b>4,330</b>	<b>12,032</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>6,271</u></b>	<b><u>11,461</u></b>	<b><u>4,384</u></b>	<b><u>12,032</u></b>

\$ '000	2020	2019
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### (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.

Other liabilities	7	7
<b>Total payables and borrowings</b>	<b>7</b>	<b>7</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

## (c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes			as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	12,563	(537)	–	–	–	12,026
Government advances	11	(6)	–	–	–	5
Lease liabilities	–	(132)	684	–	126	678
<b>TOTAL</b>	<b>12,574</b>	<b>(675)</b>	<b>684</b>	<b>–</b>	<b>126</b>	<b>12,709</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	13,079	(516)	–	–	–	12,563
Government advances	11	–	–	–	–	11
<b>TOTAL</b>	<b>13,090</b>	<b>(516)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,574</b>

\$ '000	2020	2019
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## (d) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	50	50
<b>Total financing arrangements</b>	<b>550</b>	<b>550</b>

## Drawn facilities as at balance date:

– Credit cards/purchase cards	7	12
<b>Total drawn financing arrangements</b>	<b>7</b>	<b>12</b>

## Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	36	38
<b>Total undrawn financing arrangements</b>	<b>536</b>	<b>538</b>

## Additional financing arrangements information

## Breaches and defaults

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Payables and borrowings (continued)

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#### **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 and bank and other loans.

#### **Payables**

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

#### **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,694	–	1,482	–
Long service leave	3,545	254	3,315	206
Rostered days off	182	–	140	–
Wages – time in lieu	33	–	38	–
<b>Sub-total – aggregate employee benefits</b>	<u>5,454</u>	<u>254</u>	<u>4,975</u>	<u>206</u>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	4,716	–	4,638
<b>Sub-total – asset remediation/restoration</b>	<u>–</u>	<u>4,716</u>	<u>–</u>	<u>4,638</u>
<b>Other provisions</b>				
Other	7	–	7	–
<b>Sub-total – other provisions</b>	<u>7</u>	<u>–</u>	<u>7</u>	<u>–</u>
<b><u>TOTAL PROVISIONS</u></b>	<u>5,461</u>	<u>4,970</u>	<u>4,982</u>	<u>4,844</u>

#### (a) Provisions relating to restricted assets

<b>Externally restricted assets</b>				
Water	3	–	10	–
Sewer	–	–	2	–
Provisions relating to externally restricted assets	<u>3</u>	<u>–</u>	<u>12</u>	<u>–</u>
<b>Total provisions relating to restricted assets</b>	<u>3</u>	<u>–</u>	<u>12</u>	<u>–</u>
<b>Total provisions relating to unrestricted assets</b>	<u>5,458</u>	<u>4,970</u>	<u>4,970</u>	<u>4,844</u>
<b><u>TOTAL PROVISIONS</u></b>	<u>5,461</u>	<u>4,970</u>	<u>4,982</u>	<u>4,844</u>

\$ '000	2020	2019
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#### (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	<u>3,517</u>	<u>2,898</u>
	<u>3,517</u>	<u>2,898</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

#### (c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
<b>2020</b>				
At beginning of year	1,482	3,521	178	5,181
Additional provisions	1,133	607	572	2,312
Amounts used (payments)	(921)	(329)	(535)	(1,785)
Total ELE provisions at end of year	1,694	3,799	215	5,708
<b>2019</b>				
At beginning of year	1,530	3,378	178	5,086
Additional provisions	945	478	518	1,941
Amounts used (payments)	(993)	(335)	(518)	(1,846)
Total ELE provisions at end of year	1,482	3,521	178	5,181

\$ '000	Other provisions		Total
	Asset remediation	Other Community Transport Bus	
<b>2020</b>			
At beginning of year	4,638	7	4,645
Other	78	–	78
Total other provisions at end of year	4,716	7	4,723
<b>2019</b>			
At beginning of year	6,188	7	6,195
Remeasurement effects	(1,708)	–	(1,708)
Unwinding of discount	158	–	158
Total other provisions at end of year	4,638	7	4,645

#### Nature and purpose of non-employee benefit provisions

##### Asset remediation/restoration

Council has a legal/public obligation to make, restore, rehabilitate and reinstate council landfill sites and quarries in-line with relevant licencing agreements.

During the 2018/19 Financial year Council made a significant adjustment to the provision to restore, rehabilitate and restate the Council Tips.

A major review was completed by Council staff and Tonkin Consulting to revise the estimates to remediate the current tip at the end of the useful life. The current estimate using the NSW EPA capping method was \$8.3 million for the estimate 12 hectares to be remediated. Using the new Phytocap method the estimate is \$4.1 million. Council has re-calculated the cost of remediation on the Phytocap Costs. This has led to a write back of provisions by \$2.288 million. This is identified in Note 3 (d) of the Financial Statements.

Council notes that Phytocap is only in testing phase with 5 Councils and EPA have not yet given approval for Gunnedah Shire Council to use Phytocap technology therefore providing a risk, if not accepted by the EPA, that our provision is understated.

Any changes to this risk will be reflected in future Financial Statements.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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#### 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.

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

##### Restoration

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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#### Rehabilitation

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

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

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

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

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

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

During 2019/20 as per Note 5 (b) ii - Other Borrowing Costs Council - recognised borrowing costs of \$78,000 compared to \$158,000 in 2018/19. Whilst in Note 5 (d) - Depreciation, amortisation and impairment of intangible assets & IPP&E an amount was recognised for \$451,000 in 2019/20 & \$339,000 in 2018/19 for the future remediation and restoration of Council's Tips and Quarry assets.

## 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 current reporting period.

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

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

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

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

#### (i) AASB 15 and AASB 1058

##### **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 realised through profit and loss on the same basis as the revenue is recognised.

##### **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 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

## 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)**

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.

\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	2,075
<b>Total Contract liabilities</b>	<u>2,075</u>

**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	Remeasure- ment	Carrying amount under previous revenue standards
<b>Current assets</b>				
Cash and cash equivalents	5,422	–	–	5,422
Investments	31,265	–	–	31,265
Receivables	8,874	1,821	–	10,695
Inventories	563	–	–	563
Contract assets	1,821	(1,821)	–	–
Other	150	–	–	150
<b>Total current assets</b>	<u>48,095</u>	<u>–</u>	<u>–</u>	<u>48,095</u>
<b>Current liabilities</b>				
Payables	5,701	–	–	5,701
Contract liabilities	3,191	–	(3,191)	–
Lease liabilities	678	–	–	678
Borrowings	570	–	–	570
Provisions	5,461	–	–	5,461
<b>Total current liabilities</b>	<u>15,601</u>	<u>–</u>	<u>(3,191)</u>	<u>12,410</u>
<b>Non-current assets</b>				
Investments	25,000	–	–	25,000
Receivables	20	–	–	20
Infrastructure, property, plant and equipment	447,038	–	–	447,038

continued on next page ...

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## 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	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasure- ment	Carrying amount under previous revenue standards
Right of use assets	738	–	–	738
<b>Total non-current assets</b>	<b>472,796</b>	<b>–</b>	<b>–</b>	<b>472,796</b>
<b>Non-current liabilities</b>				
Borrowings	11,461	–	–	11,461
Provisions	4,970	–	–	4,970
<b>Total Non-current liabilities</b>	<b>16,431</b>	<b>–</b>	<b>–</b>	<b>16,431</b>
<b>Net assets</b>	<b>488,859</b>	<b>–</b>	<b>3,191</b>	<b>492,050</b>
<b>Equity</b>				
Accumulated surplus	239,615	–	–	239,615
Revaluation reserves	249,244	–	–	249,244
<b>Council equity interest</b>	<b>488,859</b>	<b>–</b>	<b>–</b>	<b>488,859</b>
<b>Total equity</b>	<b>488,859</b>	<b>–</b>	<b>–</b>	<b>488,859</b>

## Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	18,770	–	–	18,770
User charges and fees	15,697	–	–	15,697
Other revenues	868	–	–	868
Grants and contributions provided for operating purposes	12,668	–	1,320	13,988
Grants and contributions provided for capital purposes	11,506	–	1,871	13,377
Interest and investment income	1,363	–	–	1,363
Rental income	118	–	–	118
<b>Total Income from continuing operations</b>	<b>60,990</b>	<b>–</b>	<b>3,191</b>	<b>64,181</b>
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	16,436	–	–	16,436
Borrowing costs	719	–	–	719
Materials and contracts	12,876	–	–	12,876
Depreciation and amortisation	10,434	–	–	10,434
Other expenses	3,778	–	–	3,778
Net losses from the disposal of assets	3,310	–	–	3,310
Revaluation decrement / impairment of IPP&E	5	–	–	5
<b>Total Expenses from continuing operations</b>	<b>47,558</b>	<b>–</b>	<b>–</b>	<b>47,558</b>

## 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	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards
<b>Total Operating result from continuing operations</b>	13,432	–	3,191	16,623
Net operating result for the year	13,432	–	3,191	16,623
<b>Total comprehensive income</b>	18,264	–	–	18,264

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract Liabilities previously recognised as income <sup>(i)</sup>	–	(2,075)	(2,075)
<b>Total equity</b>	<b>–</b>	<b>(2,075)</b>	<b>(2,075)</b>

(i) Grant Income received in 2018/19 now recognised as Contract Liability

## (ii) AASB 16 Leases

## Council as a lessee

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

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

## Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

## Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$86,063 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

## 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)**

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.30%.

**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	86	86
<b>Total assets</b>	<b>–</b>	<b>86</b>	<b>86</b>
Payables – accrued interest on leases (30/6/2019)	–	86	86
<b>Total liabilities</b>	<b>–</b>	<b>86</b>	<b>86</b>
Accumulated surplus	–	–	–
<b>Total equity</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	5,422	5,464
<b>Balance as per the Statement of Cash Flows</b>		<b>5,422</b>	<b>5,464</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		13,432	12,940
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		10,434	10,039
Net losses/(gains) on disposal of assets		3,310	1,114
Non-cash capital grants and contributions		(617)	(286)
Adoption of AASB 15/1058		(2,075)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		5	30
- Landfill provision adjustment		–	(2,288)
Unwinding of discount rates on reinstatement provisions		–	158
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(4,896)	1,488
Increase/(decrease) in provision for impairment of receivables		(60)	34
Decrease/(increase) in inventories		(20)	(52)
Decrease/(increase) in other current assets		44	(34)
Decrease/(increase) in contract assets		(1,821)	–
Increase/(decrease) in payables		1,345	(673)
Increase/(decrease) in accrued interest payable		–	(1)
Increase/(decrease) in other accrued expenses payable		297	25
Increase/(decrease) in other liabilities		1	176
Increase/(decrease) in contract liabilities		3,191	–
Increase/(decrease) in provision for employee benefits		527	95
Increase/(decrease) in other provisions		78	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>23,175</b>	<b>22,765</b>
<b>(c) Non-cash investing and financing activities</b>			
Other non-cash items		–	78
Developer Contributions to the Gunnedah Sewerage Network		–	68
Developer Contributions to the Gunnedah Water Network		–	140
Culvert Assets		617	–
<b>Total non-cash investing and financing activities</b>		<b>617</b>	<b>286</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17. Interests in other entities

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#### Subsidiaries, joint arrangements and associates not recognised

Gunnedah Shire Council is a member of Namoi Unlimited - Joint Organisation of Councils. The interest in the Joint Organisation of Councils is to progress the strategic objectives of the region and lobby on there behalf.

There are 5 members of the Council and Gunnedah Shire pays an annual membership. There are no material assets of the Council other than unspent membership payments. There is no material liabilities or debt of the Council.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	1,414	–
Sewerage Network	141	82
Other Assets	18	124
Waste Management facility	–	10
Roads	168	257
Water	1,446	491
Office Equipment	4	9
Open Space/recreational assets	869	256
Other Structures	–	18
Other Road Assets	–	3
Stormwater/Kerb & Gutter	–	1
<b>Total commitments</b>	<b>4,060</b>	<b>1,251</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	4,060	1,251
<b>Total payable</b>	<b>4,060</b>	<b>1,251</b>
<b>Sources for funding of capital commitments:</b>		
Future grants and contributions	167	122
Externally restricted reserves	1,592	840
Internally restricted reserves	2,301	289
<b>Total sources of funding</b>	<b>4,060</b>	<b>1,251</b>

**(b) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	52
Later than one year and not later than 5 years	–	34
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>86</b>

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

Refer to Note 12 for information relating to leases for 2020.

- GoCo Office Rent - Kootingal - Lease from 1st April 2018 to 30th June 2020. Renewal option not exercised
- GoCo Office Rent - Barraba - Lease from 2nd April 2018 to 1st April 2020. No Option. Continuing on a month to month basis
- GoCo Office Rent - Tamworth - Lease 16th October 2017 to 11th October 2019. Vacated March 2020
- Council Office Rent - Gunnedah - Lease 13th May 2019 to 12th November 2019 + 6 month option. Vacated May 2020
- GoCo Office Rent - Narrabri - Lease 22nd February 2011 to 22nd February 2014 + 3 year option to 22nd February 2017. Allowed an additional 4 years to 22nd February 2021.
- GoCo Office Rent - Tamworth - Lease 1st February 2020 to 31st January 2025 + 5 year option. Allowed additional 10 years to 31st January 2035

**Conditions relating to finance and operating leases:**

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies

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

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

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

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

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

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

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

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$342,576.15. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$195,600. Council's expected contribution to the plan for the next annual reporting period is \$186,100.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies (continued)

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 0.47% 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.

**Civic Risk Mutual** - following a lengthy tender process, carried out by Local Government Procurement on behalf of 6 councils, including Gunnedah Shire Council, Council changed its insurance provider from Statewide Mutual Insurance to Civic Risk Mutual commencing 30 June 2020. Civic Risk Mutual provides group insurance and risk management services to 24 NSW based Councils.

**(iii) StateCover Limited**

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

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

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

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

**(iv) Other guarantees**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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#### 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.

#### 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.

## 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 market risk, credit risk, liquidity risk and interest rate risk.

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	5,422	5,464	5,422	5,464
Receivables	8,894	3,944	8,894	3,944
Investments				
– 'Financial assets - 'amortised cost'	56,265	51,636	56,265	51,636
<b>Total financial assets</b>	<b>70,581</b>	<b>61,044</b>	<b>70,581</b>	<b>61,044</b>
<b>Financial liabilities</b>				
Payables	5,701	3,755	5,701	3,226
Loans/advances - 'amortised cost'	12,031	12,574	12,031	12,574
Lease liabilities	678	–	678	–
<b>Total financial liabilities</b>	<b>18,410</b>	<b>16,329</b>	<b>18,410</b>	<b>15,800</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.

Council's objective is to maximise its return on cash and investments within Council's risk tolerances and policy settings, whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance department manages the Cash and Investments portfolio.

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 was updated during the current financial year. An investment report is also 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	585	585	(585)	(585)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	571	571	(571)	(571)

## (b) Credit risk

Council's major receivables comprise rates and annual charges, and user charges and fees.

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

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

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

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

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

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	694	118	63	44	919
<b>2019</b>						
Gross carrying amount	–	534	85	84	42	745

## 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.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	7,281	241	25	9	497	8,053
<b>2019</b>						
Gross carrying amount	1,019	1,688	9	6	615	3,337

**(c) Liquidity risk**

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	–	5,084	–	–	5,084	5,084
Loans and advances	5.06%	–	1,172	4,681	11,365	17,218	12,031
<b>Total financial liabilities</b>		–	<b>6,256</b>	<b>4,681</b>	<b>11,365</b>	<b>22,302</b>	<b>17,115</b>
<b>2019</b>							
Trade/other payables	0.00%	–	3,226	–	–	3,226	3,226
Loans and advances	5.06%	–	1,173	4,683	12,534	18,390	12,574
<b>Total financial liabilities</b>		–	<b>4,399</b>	<b>4,683</b>	<b>12,534</b>	<b>21,616</b>	<b>15,800</b>

**Loan agreement breaches**

There have been no breaches of loan agreements during the reporting period.

## 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 19/06/2019 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 -----	
<b>REVENUES</b>				
Rates and annual charges	18,432	18,770	338	2% <b>F</b>
User charges and fees	14,563	15,697	1,134	8% <b>F</b>
Other revenues	548	868	320	58% <b>F</b>
Other Revenue have increased due to reimbursement of operating costs relating to the Flouridation, additional Diesel Fuel Rebate allocations.				
Operating grants and contributions	11,145	12,668	1,523	14% <b>F</b>
Operating Grants & Contribution have increased from additional Grant funds received for Drought Funding, GoCo funding and road funding.				
Capital grants and contributions	25,128	11,506	(13,622)	(54)% <b>U</b>
Capital Grants and Contributions were budgeted to be received were not received during the 2019/20 year. These include Grants for the following projects.. Bloomfield St, Mystery Road, Grain Valley Road and the Koala Park. The Industrial Precinct project did not advance.				
Interest and investment revenue	1,407	1,363	(44)	(3)% <b>U</b>
Rental income	–	118	118	∞ <b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	15,827	16,436	(609)	(4)% <b>U</b>
<b>Borrowing costs</b>	1,119	719	400	36% <b>F</b>
Projected Loan funds for the Industrial Precinct did not eventuate. Interest was budgeted on the loan.				
<b>Materials and contracts</b>	13,838	12,876	962	7% <b>F</b>
<b>Depreciation and amortisation</b>	10,039	10,434	(395)	(4)% <b>U</b>
<b>Other expenses</b>	2,669	3,778	(1,109)	(42)% <b>U</b>
Training Costs & Travelling expenses have changed from Employee Costs to Other Expenses which would not have been reflected in the original budget. There has been a significant increase in the NSW Rural Fire Service Levy.				
<b>Net losses from disposal of assets</b>	-	3,310	(3,310)	∞ <b>U</b>
Council has made no budget for losses or gains on the disposal of assets due to the uncertainty of this activity, however losses have occurred when expenditure has occurred on infrastructure assets where the assets have a remaining useful life.				
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	5	(5)	∞ <b>U</b>
Council has made no budget for impairment of assets due to the uncertainty of this activity.				

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	39,623	23,175	(16,448)	(42)% <b>U</b>
Cash Flow from Operating Activities have been effected by the Grants & Contributions not yet forthcoming, amounting to Approx 19Mil. The initial budget included grant funding for both the processing precinct and the koala park. Employee costs and materials reflect increased operating works, especially for RMS works as a proportion of costs.				
<b>Cash flows from investing activities</b>	(45,512)	(22,542)	22,970	(50)% <b>F</b>
The Cash flows from investing activities have been effected due to the Purchase of Infrastructure, property, plant and equipment not being completed.				
<b>Cash flows from financing activities</b>	1,425	(675)	(2,100)	(147)% <b>U</b>
Cash flow from financing are as a result of the proposed loan of \$2,000,000 not being taken out as at 30th June 2020 with the Industrial Precinct not proceeding.				

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>\$ '000</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/6/2017	–	–	10,073	10,073
Office equipment	30/06/2017	–	–	743	743
Furniture and fittings	30/6/2017	–	–	485	485
Crown Land	30/6/2017	–	–	3,918	3,918
Operational land	30/6/2018	–	–	8,667	8,667
Community land	30/6/2017	–	–	2,412	2,412
Land Under Roads (post 30/6/2008)	30/6/2016	–	–	3,268	3,268
Land Improvements	30/6/2018	–	–	2,238	2,238
Buildings – non specialised	30/6/2018	–	–	11,860	11,860
Buildings – specialised	30/6/2018	–	–	20,550	20,550
Other structures	30/6/2016	–	–	3,845	3,845
Roads	30/6/2018	–	–	187,474	187,474
Bridges	30/6/2020	–	–	27,320	27,320
Footpaths	30/06/20	–	–	7,087	7,087
Other Road Assets	30/6/2020	–	–	3,508	3,508
Stormwater drainage	30/6/2015	–	–	38,696	38,696
Water supplies networks	30/6/2017	–	–	45,179	45,179
Sewerage networks	30/6/2017	–	–	34,778	34,778
Swimming pools	30/6/2019	–	–	9,279	9,279
Other open space/ recreational assets	30/6/2016	–	–	4,762	4,762
Other Infrastructure	30/6/2020	–	–	2,583	2,583
Library books	30/6/2019	–	–	149	149
Other assets	30/6/2019	–	–	2,561	2,561
Tip remediation assets	30/6/2019	–	–	3,769	3,769
Quarry remediation assets	30/6/2018	–	–	375	375
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>435,579</b>	<b>435,579</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>\$ '000</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	–	10,212	10,212
Office equipment	30/06/17	–	–	795	795
Furniture and fittings	30/06/17	–	–	405	405
Crown Land	30/06/17	–	–	4,059	4,059
Operational land	30/06/18	–	–	8,511	8,511
Community land	30/06/17	–	–	2,412	2,412
Land Under Roads (post 30/6/2008)	30/06/16	–	–	3,268	3,268
Land Improvements	30/06/18	–	–	2,238	2,238
Buildings – non specialised	30/06/18	–	–	12,149	12,149
Buildings – specialised	30/06/18	–	–	20,854	20,854
Other structures	30/06/16	–	–	3,893	3,893
Roads	30/06/18	–	–	186,183	186,183
Bridges	30/06/15	–	–	25,802	25,802
Footpaths	30/06/15	–	–	6,017	6,017
Other Road Assets	30/06/15	–	–	2,707	2,707
Stormwater drainage	30/06/15	–	–	39,221	39,221
Water supplies networks	30/06/17	–	–	40,442	40,442
Sewerage networks	30/06/17	–	–	34,997	34,997
Swimming pools	30/06/19	–	–	9,344	9,344
Other open space/ recreational assets	30/06/16	–	–	3,049	3,049
Other Infrastructure	30/06/15	–	–	1,652	1,652
Library books	30/06/19	–	–	140	140
Other assets	30/06/19	–	–	2,250	2,250
Tip remediation assets	30/06/19	–	–	4,190	4,190
Quarry remediation assets	30/06/18	–	–	405	405
<b>Total infrastructure, property, plant and equipment</b>		–	–	<b>425,195</b>	<b>425,195</b>

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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.

Example of assets in these classes are as follows:

- Plant & Equipment - Graders, trucks, Motor Vehicles
- Office Equipment - Computer Equipment
- Furniture & Fittings - Desks, Chairs.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

#### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuations is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Thomas Donoghue AAPI (CPV) from Donoghue Property Valuations and Consultancy. Registered Valuer API No: 71002.

All operational land has been valued at fair value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price including but not limited to the land description, area and dimensions, planning and other constraints on development and potential for alternate use. There has been no change to the valuation process during the reporting period.

Previously this class included Crown Land that was deemed operational. During the year \$565,636 was reallocated from Operational Land to a new Crown Land Asset Class.

#### Community Land

Valuations of all Council's Community Land were performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer, QLD #3258 B.App. Sc (Property Economics) AAPI as at 30th June 2017.

All Community Land has been valued at fair value (highest and best use). As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting year.

Previously this class included Crown Land that was deemed Community Land. During the year \$4,059,208 was reallocated from Community Land to a new Crown Land Asset Class.

#### Crown Land

This asset class was created as at 30th June 2020 to separate Council controlled Crown Land from within Councils Operational Land and Community Land asset classes.

The Council controlled Crown Land was valued using NSW Valuer General's valuations. Where there was no specific land values from the Valuer General, it was based on the pro rata valuation from adjoining properties.

Council will progressively review its Crown Land Asset Class against information from Crown Land listing for accuracy and completeness.

#### Land Under Roads (Post 1 July 2008)

The Roads have been valued in a comparison basis with reference to the Australian Accounting Standard AASB116 Property, Plant & Equipment.

Land under roads acquired after 1 July 2008 is to be recognised in accordance with AASB 116, but should be consistent with the valuation methodology for land under roads held up to 1 July 2008 where that land has been recognised.

Fair value is based on highest and best possible use. The highest and best use of a non-financial assets takes into account the use of the asset that is physically possible, legally permissible and financially feasible. Land under roads are valued by Donoghue Property Valuations, Thomas Donoghue AAPI (CPV) Registered Valuer NSW VAL024883.

#### Buildings - Non Specialised and Specialised

Valuations of all Council's Buildings Specialised & Non-Specialised were based on valuations performed by Donoghue Property Valuations and Consultancy, Thomas Donoghue AAPI (CPV), Registered Valuer API No: 71002 as at 30th June 2018.

The value of non-specialised buildings, which are predominately houses and units for which there is a secondary market, have been determined on the basis of fair value.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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Buildings that have been determined as specialised, meaning they are designed for a particular purpose for which there is generally little or no market based evidence available, they have been valued on the basis of depreciated replacement cost taking into consideration a reduction for physical wear and tear and functional obsolescence. The valuations take into account different components of buildings and different useful lives.

While all buildings were physically inspected, inputs such as estimates of residual values and pattern of consumption required extensive judgement and impacted on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

The valuation was completed as at 30th June 2018.

#### Other Structures

Other Structures class generally comprises memorials, weighbridges and saleyards and were revalued as at 30th June 2016.

Valuations of all Council's - Other Structures were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI.

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

#### Roads

This class of assets comprises Urban Roads, Sealed Rural Roads, Unsealed Rural Roads.

Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Road Infrastructure are componentised generally into surface, pavement & formation to reflect the different nature of the assets.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Roads have been completed as at 30th June 2018 by APV Valuers & Asset Management.

#### Other Road Assets

This asset class comprises Road Furniture, Islands & Pedestrian Refuges, Guard Rails and Bus Shelters. The asset class has been used to better group assets by their characteristics, nature and risks.

Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Road Infrastructure are componentised generally reflect the different nature of the assets.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Other Road Assets have been completed as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council.

#### Bridges, Causeways & Culverts

Bridges and Causeways were valued as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council using the cost approach.

- Culverts were valued as at 30th June 2020 Australis Asset Advisory Group and reviewed by the Chief Engineer using the cost approach. During the revaluation 41 additional Culverts were identified amounting to \$617,035.

The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure,

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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Bridge Abutments/Foundations and Bridge rails/handrails. The information is maintained in the BizeAssets Management System.

Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value.

#### Footpaths

Footpaths were valued as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a physical inspection by the Roads inspector. The information is maintained in the BizeAssets Management System.

Condition are updated as changes in the networks are observed through regular inspections.

#### Stormwater Drainage

Stormwater Assets comprise pits, pipes, open channels, headwalls and various types of water quality devices in the Urban Areas. Stormwater Drainage was valued by the Manager of Mapping, Assets, Design & Development and reviewed by the Director of Infrastructure and Services using the cost approach. As at 1st July 2017 Kerb & Gutter were added to the stormwater asset class from the road assets to better group assets by their characteristics, nature & risks. A full revaluation of Kerb & Gutter was completed as at 30th June 2015.

The 'Cost Approach' is the estimated replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with the Institute of Public Works Engineers Australia Infrastructure Management Manual (IMM). 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 long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been a valuation of Stormwater Assets as at 30th June 2015.

The Stormwater Asset Class will be revalued during 2020/21 year.

#### Water Supplies

The valuation of the Water Supplies was completed in June 2017 by AssetVal Pty Ltd. The Water supplies comprise the Gunnedah, Curlewis, Tambar Springs & Mullaley water schemes. The components of the Water Systems include the Mains, Bores, Reservoirs and Pumping Stations. The information is maintained on the BizeAsset Management System.

Due to the nature of much of the Water Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

#### Sewerage Systems

The valuation of the Sewerage Systems was completed in June 2017 by AssetVal Pty Ltd. The Sewerage Systems comprise the Gunnedah & Curlewis Sewerage Systems. The components include the pipelines, Treatment works and Pump Stations. The assets are maintained on the BizeAssets Management System.

Due to the nature of much of the Sewer Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

#### Swimming Pools

Swimming Pools class comprises the 3 pools, diving board & shade sails at the Gunnedah Swimming complex. During 2017/2018 and 2018/19 years the Pool complex is undergoing a major re-development including the 50 metre pool and buildings.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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Valuations of Council's Swimming Pools were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI as at 30th June 2016. The 50 metre Pool was completed in December 2018 and did not require revaluation. A revaluation was completed on the 25 meter Indoor pool as at 30th June 2019 by Thomas Donoghue AAPI (CPV), Registered Valuer NSW VAL024883.

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

#### Other Open Space/ Recreational Assets

Other Open Space/ Recreational Assets comprise tennis courts, showground structures such as lighting towers, Grandstands and Park structures such as play equipment, Rotundas, seating etc.

Valuations of Council's Other Open Space/Recreational Assets were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI. The valuation was performed as at 30th June 2016.

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

#### Library Book/Other Assets

Library Books & Other Assets are valued at cost but are disclosed at fair value in the Notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The Art Collections were revalued as at 30th June 2019 by Sandra McMahon, Director, WESWAL Gallery, Tamworth and Registered Art Valuer, Australian Cultural Gifts Program.

The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

#### Other Infrastructure

This asset class comprises the Aerodrome and Parking Areas. The asset class has been used to better group assets by their characteristics, nature and risks.

Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Other Infrastructure are componentised generally reflect the different nature of the assets.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Other Infrastructure Assets has been completed as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council.

#### Tip Remediation

Gunnedah Shire Council has 3 landfills being at Gunnedah, Curlewis & Carroll and 3 transfer stations at Mullaley, Breeza and Tambar Springs. The Waste management service includes a wide range of waste disposal services, resource recovery services, recycled and reclaimed products and waste management educational activities. It is recognised that there will be significant costs in the closure of the landfill sites.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill, site re-vegetation, installation of a final landfill gas management system, revision of the surface

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement (continued)

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water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removal of infrastructure and equipment.

The evaluation of costs for the landfill closure and post closure management was prepared by the Principal Building and Environmental Officer, Manager of Waste in conjunction with Melissa Salt, Principal Scientist, Environment & Waste with Tonkin Consulting Level 2, 170 Frome Street, Adelaide using a new Phytocap costings. The Phytocap Cost estimate is new to the industry and is still subject to EPA approval. There are a number of test sites trialling the Phytocap in NSW currently. The key unobservable inputs are the discount rate, cost excavation rate, actual timing of costs and future environmental requirements. This valuation was reviewed at 30 June 2019.

#### Quarries Remediation

Council currently uses 11 pits to provide gravel as part of road maintenance and construction activities. These will require remediation in future periods.

Closure of the Quarries will require remediation including earth works to restore the quarries and reseed and plant native trees. The Quarry remediation Valuation was completed in June 2018 by the Acting Director of Infrastructure & Services / Chief Engineer.

The key unobservable inputs are the discount rate, Cost escalation, timing of future costs and future environmental requirement. There has been no change to the valuation process during the year.

All quarries utilised by Council previously and not under Council ownership have been remediated / made good in accordance with the licensing agreement with owners.

## 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.

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
<b>2019</b>					
<b>Opening balance</b>	9,696	771	376	9,050	5,905
Purchases (GBV)	2,740	319	116	377	–
Disposals (WDV)	(632)	(1)	(5)	(363)	–
Depreciation and impairment	(1,592)	(294)	(82)	–	–
Revaluations to Equity	–	–	–	13	–
<b>Closing balance</b>	<b>10,212</b>	<b>795</b>	<b>405</b>	<b>9,077</b>	<b>5,905</b>
<b>2020</b>					
<b>Opening balance</b>	10,212	795	405	9,077	5,905
Purchases (GBV)	1,958	235	166	162	–
Disposals (WDV)	(511)	–	–	(6)	–
Depreciation and impairment	(1,586)	(287)	(86)	–	–
Adjustment between classes	–	–	–	(566)	(3,493)
<b>Closing balance</b>	<b>10,073</b>	<b>743</b>	<b>485</b>	<b>8,667</b>	<b>2,412</b>

\$ '000	Buildings non-specialised	Building specialised	Other structures	Roads	Bridges
<b>2019</b>					
<b>Opening balance</b>	12,109	16,573	3,778	186,630	26,277
Purchases (GBV)	42	4,362	242	2,776	–
Disposals (WDV)	–	–	–	(31)	(92)
Depreciation and impairment	(294)	(436)	(127)	(3,192)	(383)
Revaluations to Equity	292	355	–	–	–
<b>Closing balance</b>	<b>12,149</b>	<b>20,854</b>	<b>3,893</b>	<b>186,183</b>	<b>25,802</b>
<b>2020</b>					
<b>Opening balance</b>	12,149	20,854	3,893	186,183	25,802
Purchases (GBV)	5	196	83	6,867	617
Disposals (WDV)	–	–	–	(2,319)	–
Depreciation and impairment	(294)	(500)	(131)	(3,257)	(376)
Revaluations to Equity	–	–	–	–	1,277
<b>Closing balance</b>	<b>11,860</b>	<b>20,550</b>	<b>3,845</b>	<b>187,474</b>	<b>27,320</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Footpaths	Stormwater	Water supply network	Sewerage network	Swimming pools
<b>2019</b>					
<b>Opening balance</b>	5,951	39,266	38,129	35,098	786
Purchases (GBV)	160	706	3,601	260	8,878
Disposals (WDV)	–	(57)	(937)	–	–
Depreciation and impairment	(94)	(694)	(933)	(910)	(117)
Revaluations to Equity	–	–	582	549	(203)
<b>Closing balance</b>	<b>6,017</b>	<b>39,221</b>	<b>40,442</b>	<b>34,997</b>	<b>9,344</b>
<b>2020</b>					
<b>Opening balance</b>	6,017	39,221	40,442	34,997	9,344
Purchases (GBV)	131	215	6,882	302	116
Disposals (WDV)	(20)	(43)	(1,611)	–	–
Depreciation and impairment	(96)	(697)	(895)	(845)	(181)
Revaluations to Equity	1,055	–	361	324	–
<b>Closing balance</b>	<b>7,087</b>	<b>38,696</b>	<b>45,179</b>	<b>34,778</b>	<b>9,279</b>

\$ '000	Other infrastructure	Other road assets	Land under roads (post 1/7/2008)	Open space recreational assets	Library books
<b>2019</b>					
<b>Opening balance</b>	1,783	2,736	3,268	2,388	147
Purchases (GBV)	–	22	–	846	22
Disposals (WDV)	–	–	–	(4)	–
Depreciation and impairment	(131)	(51)	–	(181)	(29)
<b>Closing balance</b>	<b>1,652</b>	<b>2,707</b>	<b>3,268</b>	<b>3,049</b>	<b>140</b>
<b>2020</b>					
<b>Opening balance</b>	1,652	2,707	3,268	3,049	140
Purchases (GBV)	86	14	–	1,935	39
Disposals (WDV)	–	–	–	(13)	–
Depreciation and impairment	(132)	(51)	–	(209)	(30)
Revaluations to Equity	977	838	–	–	–
<b>Closing balance</b>	<b>2,583</b>	<b>3,508</b>	<b>3,268</b>	<b>4,762</b>	<b>149</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Other Assets	Tip remediation assets	Quarry remediation assets
<b>2019</b>			
<b>Opening balance</b>	2,093	3,919	435
Purchases (GBV)	295	–	–
Depreciation and impairment	(160)	(309)	(30)
Adjustment in Remediation Provision	–	580	–
Revaluations to Equity	22	–	–
<b>Closing balance</b>	<b>2,250</b>	<b>4,190</b>	<b>405</b>
<b>2020</b>			
<b>Opening balance</b>	2,250	4,190	405
Purchases (GBV)	574	–	–
Depreciation and impairment	(263)	(421)	(30)
<b>Closing balance</b>	<b>2,561</b>	<b>3,769</b>	<b>375</b>

\$ '000	Land improvement	Crown Land	Total
<b>2019</b>			
<b>Opening balance</b>	2,238	–	<b>409,402</b>
Purchases (GBV)	–	–	<b>25,764</b>
Disposals (WDV)	–	–	<b>(2,122)</b>
Depreciation and impairment	–	–	<b>(10,039)</b>
Adjustment in Remediation Provision	–	–	<b>580</b>
Revaluations to Equity	–	–	<b>1,610</b>
<b>Closing balance</b>	<b>2,238</b>	<b>–</b>	<b>425,195</b>
<b>2020</b>			
<b>Opening balance</b>	2,238	–	<b>425,195</b>
Purchases (GBV)	–	–	<b>20,583</b>
Disposals (WDV)	–	(141)	<b>(4,664)</b>
Depreciation and impairment	–	–	<b>(10,367)</b>
Adjustment between classes	–	4,059	<b>–</b>
Revaluations to Equity	–	–	<b>4,832</b>
<b>Closing balance</b>	<b>2,238</b>	<b>3,918</b>	<b>435,579</b>

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	10,073	Approximate Fair Value	Remaining Life, Long life component - non depreciable.
Office equipment	743	Approximate Fair Value	Remaining Life, Long life component - non depreciable.
Furniture and fittings	485	Approximate Fair Value	Remaining Life, Long life component - non depreciable.



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Crown Land	3,918	Fair Value (highest & best use)	Not considered to have observable market evidence.
Land - Operational	8,667	Fair Value (highest & best use)	Price per square metre.
Land - Community	2,412	Fair Value (highest & best use)	Not considered to have observable market evidence.
Land under roads (post 30/6/2008)	3,268	Highest and best possible use.	Based on physically possible, legally permissible and financially feasible use.
Buildings - non specialised	11,860	Depreciated replacement costs taking into account physical wear and tear.	Estimates of Long life component - non depreciable and pattern of consumption require extensive judgement.
Buildings - Specialised	20,550	Depreciated replacement costs taking into account physical wear and tear.	Estimates of Long life component - non depreciable and pattern of consumption require extensive judgement.
Other Structures	3,845	Replacement cost taking into a range of factors.	Pattern of consumption, Long life component - non depreciable, asset condition and useful life.
Roads	187,474	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.
Bridges	27,320	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.
Footpaths	7,087	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.
Stormwater Drainage	38,696	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.
Water Supply Network	45,179	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement. The nature of water assets is they are unassessable being subsurface.
Sewerage Network	34,778	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement. The nature of sewer assets is they are unassessable being subsurface.
Swimming Pools	9,279	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement
Library Books	149	Approximate Fair Value	Remaining Life, Long Life component - non depreciable
Other Open Space	4,762	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Other Assets	2,561	Approximate Fair Value	Remaining Life, Long Life component - non depreciable
Tip Assets	3,769	Evaluation of costs for the landfill closure as per closure plan	Discount Rates, excavation rates, timing and future environmental requirements.
Quarry Assets	375	Evaluation of costs for the quarry closure.	Discount Rates, excavation rates, timing and future environmental requirements.
Other Road Assets	3,508	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement
Other Infrastructure	2,583	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement
Land Improvements	2,238	Cost Approach	Non Depreciable.

**c. The valuation process for level 3 fair value measurements**

During 2019/20 Gunnedah Shire Council have undertaken valuations of Bridges, Causeways and Culverts, Footpaths, Other Road Assets including Road Furniture, Islands & Pedestrian Refuges, Guard Rails and Bus Shelters and Other Infrastructure including Aerodrome and Parking Areas.

Gunnedah Shire Council has valued these asset classes on a fair value basis in accordance with Australian Accounting Standards - AASB13 "Fair Value Measurement" and AASB116 "Property, Plant and Equipment" and in conjunction with NSW Local Government Code of Accounting Practice and NSW Treasury Policy TPP 07-01 "Valuation of Physical Non-Current Assets at Fair Value". Due to the nature of Local Government Assets the cost approach has been taken and is deemed a Level 3 Input.

As there is no market for these assets, the net current value is calculated as the current replacement value less accumulated depreciation that reflects the consumed or expired service potential of the asset.

The estimate has been determined by independent valuers based on the depreciated replacement cost with depreciation taking into consideration reduction for physical wear and tear and functional obsolescence.

The valuation for these asset classes except Causeways was completed by Janaka Weerasinghe and John Deac from APV Valuers and Asset Management.

The valuation for Causeways was completed by Andrew Suddards BEng Mech MIPWEA from Australis Asset Advisory Group.

Valuations are recorded in Gunnedah Shire Council's Asset Management System (Biz E Assets).

**(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:

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	1,452	1,196
Post-employment benefits	136	114
Other long-term benefits	38	32
Termination benefits	20	–
<b>Total</b>	<b>1,646</b>	<b>1,342</b>

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

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

There are no other material disclosures to be made by KMP.

## 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. Statement of developer contributions

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

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

#### Summary of contributions and levies

\$ '000	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	605	34	–	13	–	–	652	–
Parking	115	–	–	2	–	–	117	–
Open space	22	–	–	1	(22)	–	1	–
Community facilities	31	–	–	1	(32)	–	–	–
<b>S7.11 contributions – under a plan</b>	<b>773</b>	<b>34</b>	<b>–</b>	<b>17</b>	<b>(54)</b>	<b>–</b>	<b>770</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>1,426</b>	<b>169</b>	<b>–</b>	<b>33</b>	<b>(133)</b>	<b>–</b>	<b>1,495</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>2,199</b>	<b>203</b>	<b>–</b>	<b>50</b>	<b>(187)</b>	<b>–</b>	<b>2,265</b>	<b>–</b>
S7.4 planning agreements	–	107	–	1	(108)	–	–	–
S64 contributions	6,283	158	–	133	–	–	6,574	–
<b>Total contributions</b>	<b>8,482</b>	<b>468</b>	<b>–</b>	<b>184</b>	<b>(295)</b>	<b>–</b>	<b>8,839</b>	<b>–</b>

#### S7.11 Contributions – under a plan

##### CONTRIBUTION PLAN NUMBER 1

Drainage	605	34	–	13	–	–	652	–
Parking	115	–	–	2	–	–	117	–
Open space	22	–	–	1	(22)	–	1	–
Community facilities	31	–	–	1	(32)	–	–	–
<b>Total</b>	<b>773</b>	<b>34</b>	<b>–</b>	<b>17</b>	<b>(54)</b>	<b>–</b>	<b>770</b>	<b>–</b>

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

Note 25. Statement of developer contributions (continued)

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year	Cumulative internal borrowings due/(payable)				Held as restricted asset	
\$ '000		Cash	Non-cash					
<b>S7.12 Levies – under a plan</b>								
<b>CONTRIBUTION PLAN NUMBER 01</b>								
Community facilities	1,426	169	–	33	(133)	–	1,495	–
<b>Total</b>	<b>1,426</b>	<b>169</b>	<b>–</b>	<b>33</b>	<b>(133)</b>	<b>–</b>	<b>1,495</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	15,647	978	2,145
User charges and fees	10,918	3,914	865
Interest and investment revenue	900	259	204
Other revenues	700	157	11
Grants and contributions provided for operating purposes	12,565	69	34
Grants and contributions provided for capital purposes	10,389	1,060	57
Rental income	118	–	–
<b>Total income from continuing operations</b>	<b>51,237</b>	<b>6,437</b>	<b>3,316</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	15,260	809	367
Borrowing costs	719	–	–
Materials and contracts	11,797	788	291
Depreciation and amortisation	8,632	917	885
Other expenses	2,304	968	506
Net losses from the disposal of assets	1,552	1,611	147
Revaluation decrement /impairment of IPPE	5	–	–
<b>Total expenses from continuing operations</b>	<b>40,269</b>	<b>5,093</b>	<b>2,196</b>
<b>Operating result from continuing operations</b>	<b>10,968</b>	<b>1,344</b>	<b>1,120</b>
<b>Net operating result for the year</b>	<b>10,968</b>	<b>1,344</b>	<b>1,120</b>
<b>Net operating result attributable to each council fund</b>	10,968	1,344	1,120
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>579</b>	<b>284</b>	<b>1,063</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,894	456	72
Investments	7,818	12,608	10,839
Receivables	8,172	492	210
Inventories	465	98	–
Contract assets	1,821	–	–
Other	150	–	–
<b>Total current assets</b>	<b>23,320</b>	<b>13,654</b>	<b>11,121</b>
<b>Non-current assets</b>			
Investments	25,000	–	–
Receivables	20	–	–
Infrastructure, property, plant and equipment	362,854	47,895	36,289
Right of use assets	738	–	–
<b>Total non-current assets</b>	<b>388,612</b>	<b>47,895</b>	<b>36,289</b>
<b>TOTAL ASSETS</b>	<b>411,932</b>	<b>61,549</b>	<b>47,410</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5,571	130	–
Contract liabilities	3,191	–	–
Lease liabilities	678	–	–
Borrowings	570	–	–
Provisions	5,458	3	–
<b>Total current liabilities</b>	<b>15,468</b>	<b>133</b>	<b>–</b>
<b>Non-current liabilities</b>			
Borrowings	11,461	–	–
Provisions	4,970	–	–
<b>Total non-current liabilities</b>	<b>16,431</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>31,899</b>	<b>133</b>	<b>–</b>
<b>Net assets</b>	<b>380,033</b>	<b>61,416</b>	<b>47,410</b>
<b>EQUITY</b>			
Accumulated surplus	177,815	40,420	21,380
Revaluation reserves	202,218	20,996	26,030
<b>Council equity interest</b>	<b>380,033</b>	<b>61,416</b>	<b>47,410</b>
<b>Total equity</b>	<b>380,033</b>	<b>61,416</b>	<b>47,410</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>5,241</b>	<b>10.59%</b>	18.91%	14.98%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>49,484</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>36,816</b>	<b>60.36%</b>	67.91%	60.99%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>60,990</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>26,843</b>	<b>3.32x</b>	2.76x	4.66x	>1.50x
Current liabilities less specific purpose liabilities	<b>8,075</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>16,394</b>	<b>11.76x</b>	14.85x	12.69x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,394</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>991</b>	<b>5.05%</b>	4.28%	3.84%	<10.00%
Rates, annual and extra charges collectible	<b>19,643</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>61,603</b>	<b>20.95</b>	19.17	23.53	>3.00
Monthly payments from cash flow of operating and financing activities	<b>2,940</b>	<b>mths</b>	mths	mths	mths

(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 27(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>9.53%</b>	18.07%	<b>5.28%</b>	19.10%	<b>32.62%</b>	28.66%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>55.20%</b>	66.09%	<b>82.46%</b>	69.09%	<b>97.26%</b>	85.39%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>3.32x</b>	2.76x	<b>102.66x</b>	178.36x	∞	9,688.00x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>9.50x</b>	11.92x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>6.00%</b>	4.00%	<b>0.00%</b>	6.38%	<b>0.00%</b>	5.57%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>20.77</b>	19.07	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths					mths

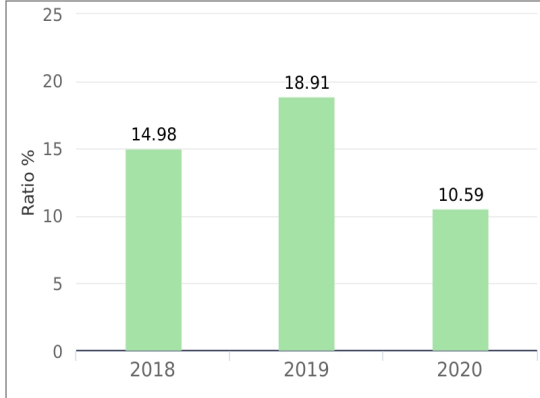
(1) - (2) Refer to Notes at Note 24a above.

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

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

Note 27(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio	10.59%
---------------	--------

Council continues to maintain operating expenditures within operating revenues. Whilst the graph shows a decrease from last financial years it is well above the industry benchmark.

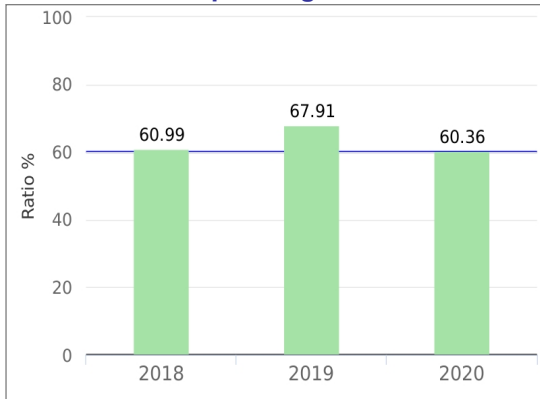
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio	60.36%
---------------	--------

This ratio reflects council's reliance on rating income. Whilst the ratio has decreased from the previous year, Council still remains above the Local Government benchmark of 60%. The lower ratio reflects the increase in grants & contributions received.

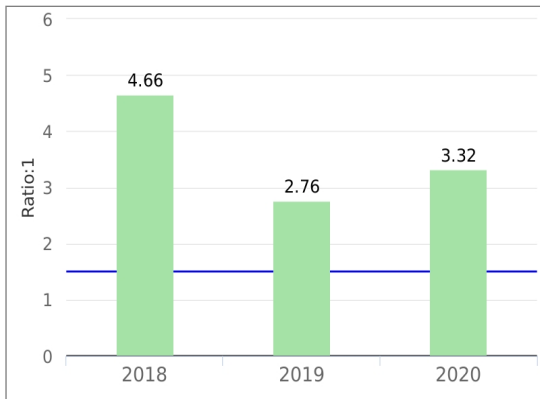
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio	3.32x
---------------	-------

Council continues to remain above the Industry benchmark of 1.5 in regards to the Unrestricted Current Ratio. Council should have no problems in meeting it's short term obligations as they fall due.

Benchmark: — > 1.50x

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

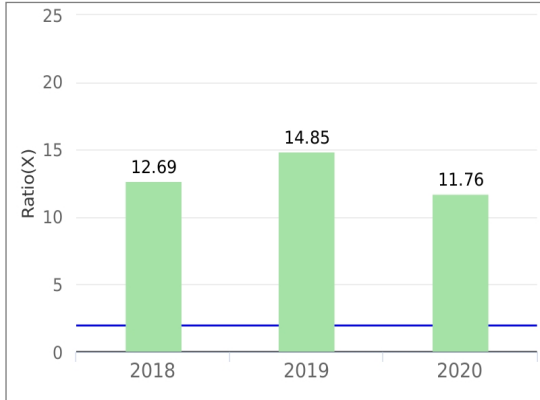
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 27(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 11.76x

The result has been effected by the reduced operating result for the year. Council has not taken out any additional loan funds during the year. Council has projected to continue above the Local Government Benchmark of 2%. Council maintains a strong position to borrow in the future in line with the Long Term Financial Plan.

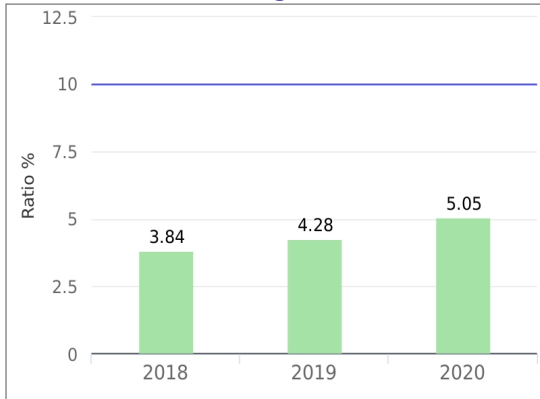
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 5.05%

Council has maintained a strong Rates and Annual Charges outstanding ration again this year. The ratio is well under the Local Government Benchmark of 10% for rural councils. This reflect the strong push by the rating staff in the collection of outstanding debts over the years. In April 2020 Council put a hold on collection of outstanding rates and annual charges due to the uncertainty surrounding the COVID virus and flow on effects to the ratepayers. As a result we have seen an increase from the previous financial year.

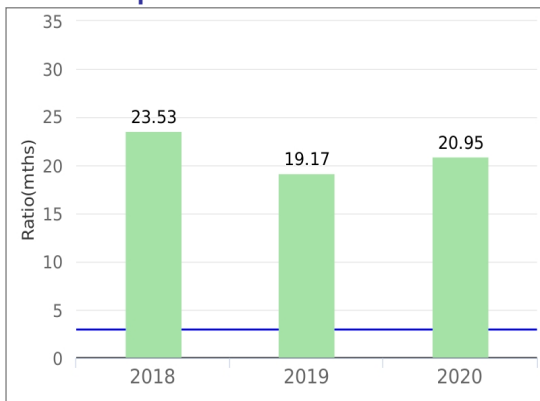
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 20.95 mths

Councils Cash Expense Ratio is well above the benchmark of 3 months. This is reflected in Council investing in safe and liquid term deposits. Council's investment increased by \$4.587 million to \$61,687 during 2019/20.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 28. Council information and contact details

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**Principal place of business:**

63 Elgin Street  
GUNNEDAH NSW 2380

**Contact details**

**Mailing Address:**

PO Box 63  
GUNNEDAH NSW 2380

**Opening hours:**

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

**Telephone:** 02 6740 2100

**Facsimile:** 02 6740 2119

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

**Email:** [council@infogunnedah.com.au](mailto:council@infogunnedah.com.au)

**Officers**

**General Manager**

E J GROTH

**Responsible Accounting Officer**

D J CONNOR

**Auditors**

Audit Office of New South Wales,  
GPO Box 12,  
SYDNEY NSW 2001

**Elected members**

**Mayor**

J CHAFFEY

**Councillors**

R HOOKE  
G SWAIN  
J CAMPBELL  
C FULLER  
O HASLER  
A LUKE  
D MOSES  
M O'KEEFE

**Other information**

**ABN:** 80 183 655 793



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

### Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 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.



Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 November 2020  
SYDNEY



Cr Jamie Chaffey  
Mayor  
Gunnedah Shire Council  
PO Box 63  
GUNNEDAH NSW 2380

Contact: Chris Harper  
Phone no: 02 925 7374  
Our ref: D2027206/1735

28 November 2020

Dear Mayor

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

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

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

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

## INCOME STATEMENT

### Operating result

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	18.8	18.2	↑ 3.3
Grants and contributions revenue	24.2	16.7	↑ 44.9



Operating result from continuing operations	13.4	12.9	3.9
Net operating result before capital grants and contributions	1.9	7.7	75.3

The Council's operating result from continuing operations (\$13.4 million including depreciation and amortisation expense of \$10.4 million) was \$492,000 higher than the 2018–19 result. The major reasons for the increase, include increased:

- user charges and fees (\$3.3 million) due to Council conducting major roadworks for RMS
- grants and contributions revenue (\$7.5 million) due mainly from grants for road and bridge works, including Bloomfield Street in Gunnedah.

These increases were offset by:

- decreased other revenue (\$2.3 million) due to an adjustment to landfill rehabilitation provision that occurred in the prior year
- increased losses on disposal of assets (\$2.2 million) mainly due to additional scrapping of infrastructure assets replaced during the year
- increased employee benefits and on-costs (\$1.7 million) due to additional employees, award increases and overtime on maintenance and asset capital works
- increased materials and contracts costs (\$4.1 million) due to additional infrastructure maintenance works.

The net operating result before capital grants and contributions (\$1.9 million) was \$5.8 million lower than the 2018–19 result. This is mainly due to the net decrease arising from factors above (excluding grants and contributions).

Rates and annual charges revenue (\$18.8 million) increased by \$592,000 (3.3 per cent) in 2019–20 mainly due to the normal rate peg allowance increases in the year.

Grants and contributions revenue (\$24.2 million) increased by \$7.5 million (44.9 per cent) in 2019–20 due mainly from grants for road and bridge works.

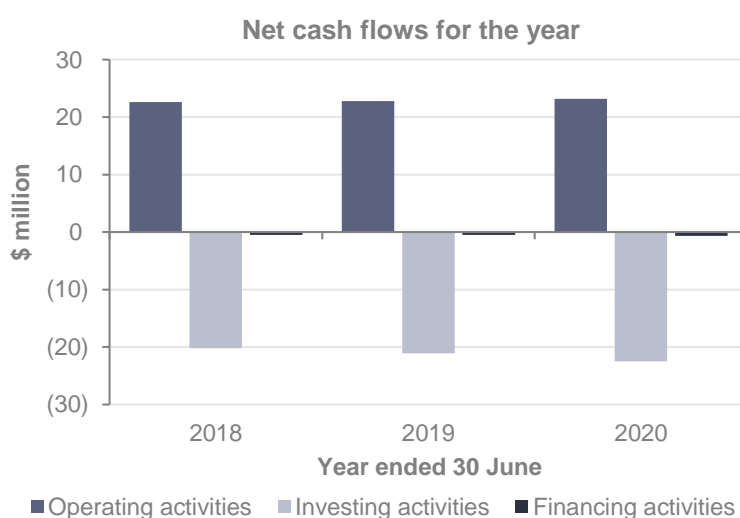
## STATEMENT OF CASH FLOWS

Cash inflows from operations remained stable compared to 2018–19.

Cash outflows from investing increased by \$1.5 million due to

- higher proceeds from sale of infrastructure assets
- lower infrastructure spending in 2019–20
- a net increase in investments in 2019–20 compared to a net return of funds from investments in 2018–19.

Cash outflows from financing activities (relating to the repayment of debt) remained similar to the prior year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	41.6	37.6	• Major external restrictions include water, sewer, developer contributions, domestic waste management as well as grants for specific purposes, which all increased in 2019-20.
Internal restrictions	18.9	14.1	
Unrestricted	1.2	5.4	
<b>Cash and investments</b>	<b>61.7</b>	<b>57.1</b>	• The main increase related to Council reserves for the financial assistance grant, partially offset by a net reduction in infrastructure renewal reserves.

## PERFORMANCE

### Performance measures

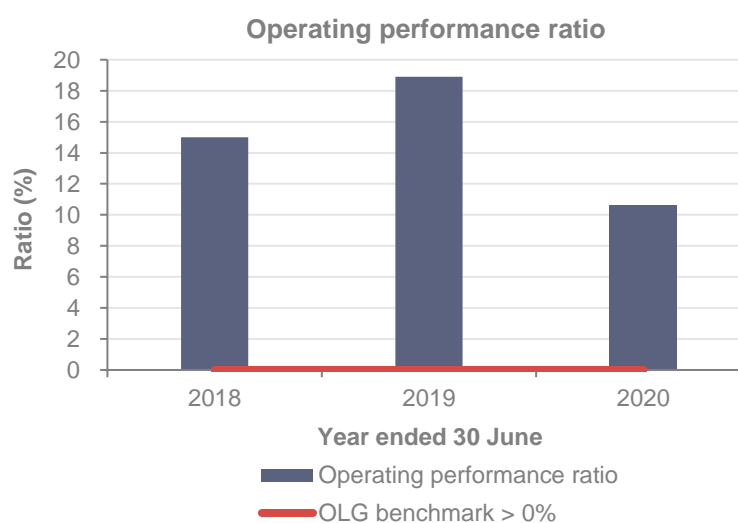
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### 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 met the OLG benchmark for the current reporting period.

The decrease in the 2019–20 operating performance ratio arose due to a lower net operating result. This was caused by increases in operating expenses and a reduction in overall income, excluding capital grants, compared to 2018–19.

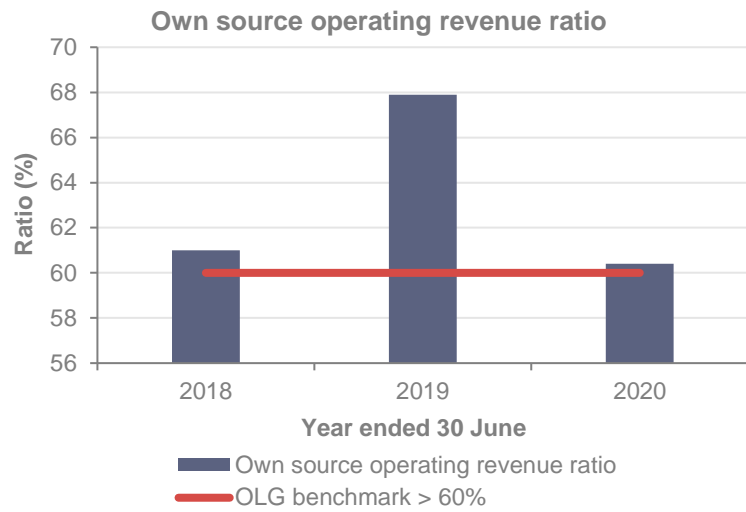


### Own source operating revenue ratio

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 met the OLG benchmark for the current reporting period.

The own source revenue ratio decreased compared to the 2018-19 year due to increases in grants and contributions in the current year.

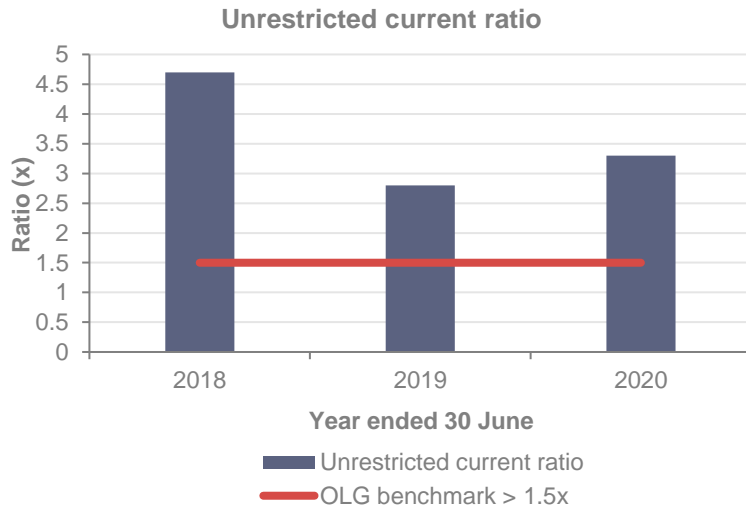


### Unrestricted current ratio

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

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

The unrestricted ratio is similar to the 2018-19 year.

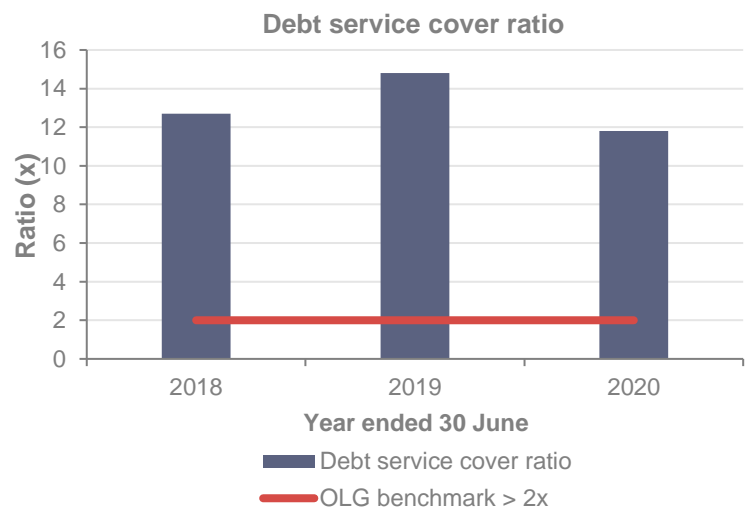


### Debt service cover ratio

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

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

The reduction in the debt service cover ratio was due to the lower operating result, excluding capital grants.

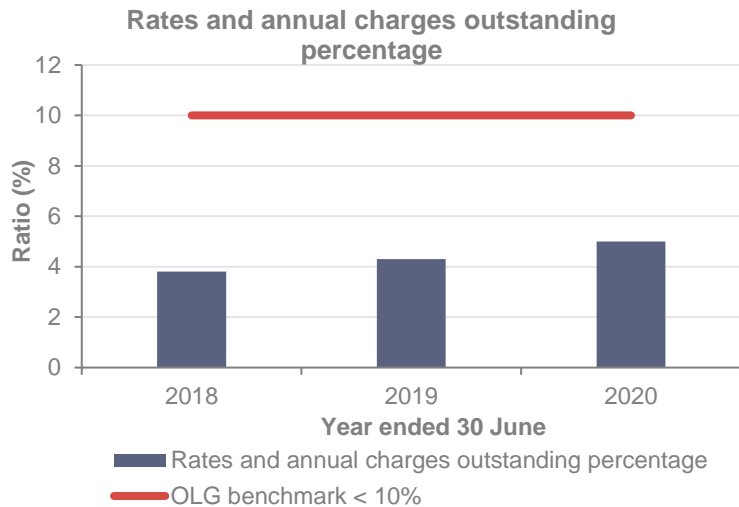


### Rates and annual charges outstanding percentage

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

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

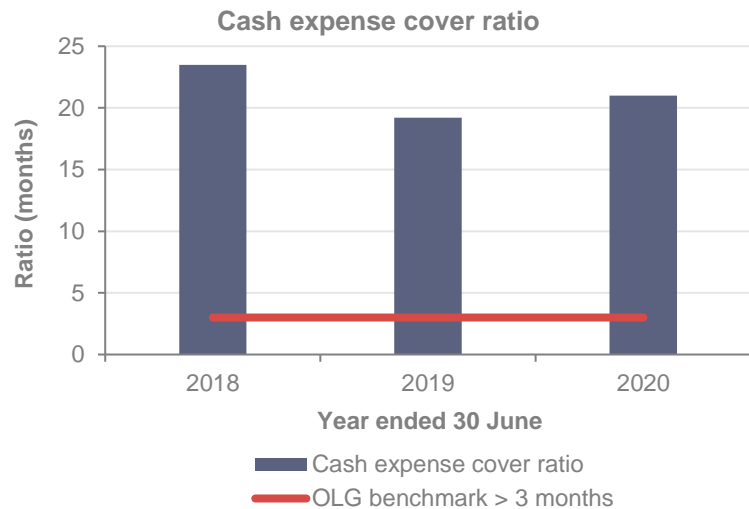
The rates and annual charges ratio increased in 2019-20 due to economic hardship factors in the region, including drought and COVID-19.



### 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

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$14.4 million. This decreased by \$4.8 million compared to 2018–19 due to lower renewal works in accordance with its infrastructure management plans. Renewal expenditure was above depreciation for the year by \$4.0 million.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$2.1 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards, being recognition of contract liabilities.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

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

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

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

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

The Council recognised right-of-use assets of \$86,000 and lease liabilities of \$86,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 15.

### **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.



Chris Harper  
Director, Financial Audit  
Delegate of the Auditor-General for New South Wales

cc: Mr Eric Groth, General Manager  
Mr Grahame Marchant, Chair of the Audit, Risk and Improvement Committee  
Mr Damien Connor, Chief Financial Officer  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment



# Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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“To be a focused community valuing  
Gunnedah’s identity and quality lifestyle”.



## Special Purpose Financial Statements

for the year ended 30 June 2020

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**Background**

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

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

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

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

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

## Gunnedah Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

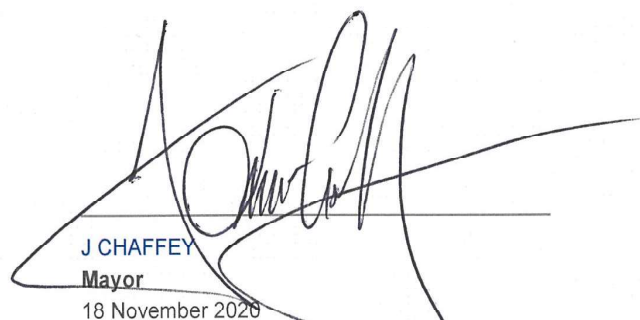
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 26 August 2020.



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J CHAFFEY  
Mayor  
18 November 2020



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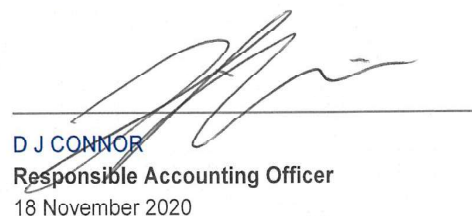
E J GROTH  
General Manager  
18 November 2020

Cr Rob  
Hooke

Digitally signed by Cr Rob Hooke  
DN: cn=Cr Rob Hooke,  
o=Gunnedah Shire Council, ou,  
email=robhooke@info.gunnedah.co  
m.au, c=AU  
Date: 2020.11.10 16:38:31 +11'00'

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R HOOKE  
Councillor  
18 November 2020



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D J CONNOR  
Responsible Accounting Officer  
18 November 2020



## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	978	940
User charges	3,914	4,066
Interest	259	425
Grants and contributions provided for non-capital purposes	69	64
Other income	157	49
<b>Total income from continuing operations</b>	<b>5,377</b>	<b>5,544</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	809	813
Materials and contracts	788	670
Depreciation, amortisation and impairment	917	974
Loss on sale of assets	1,611	935
Other expenses	968	1,093
<b>Total expenses from continuing operations</b>	<b>5,093</b>	<b>4,485</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>284</b>	<b>1,059</b>
Grants and contributions provided for capital purposes	1,060	2,388
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,344</b>	<b>3,447</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,344</b>	<b>3,447</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(78)	(291)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,266</b>	<b>3,156</b>
<b>Plus accumulated surplus</b>	<b>39,076</b>	<b>35,629</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	78	291
<b>Closing accumulated surplus</b>	<b>40,420</b>	<b>39,076</b>
<b>Return on capital %</b>	<b>0.6%</b>	<b>2.2%</b>
<b>Subsidy from Council</b>	<b>137</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,266	3,156
Less: capital grants and contributions (excluding developer contributions)	(1,060)	(2,388)
<b>Surplus for dividend calculation purposes</b>	<b>206</b>	<b>768</b>
<b>Potential dividend calculated from surplus</b>	<b>103</b>	<b>384</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	2,145	2,048
User charges	865	890
Interest	204	223
Grants and contributions provided for non-capital purposes	34	35
Other income	11	–
<b>Total income from continuing operations</b>	<b>3,259</b>	<b>3,196</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	367	390
Materials and contracts	291	330
Depreciation, amortisation and impairment	885	948
Loss on sale of assets	147	–
Other expenses	506	612
<b>Total expenses from continuing operations</b>	<b>2,196</b>	<b>2,280</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,063</b>	<b>916</b>
Grants and contributions provided for capital purposes	57	506
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,120</b>	<b>1,422</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,120</b>	<b>1,422</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(292)	(252)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>828</b>	<b>1,170</b>
<b>Plus accumulated surplus</b>	<b>20,260</b>	<b>18,838</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	292	252
<b>Closing accumulated surplus</b>	<b>21,380</b>	<b>20,260</b>
<b>Return on capital %</b>	<b>2.9%</b>	<b>2.5%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	828	1,170
Less: capital grants and contributions (excluding developer contributions)	(57)	(506)
<b>Surplus for dividend calculation purposes</b>	<b>771</b>	<b>664</b>
<b>Potential dividend calculated from surplus</b>	<b>385</b>	<b>332</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	456	183
Investments	12,608	10,350
Receivables	492	781
Inventories	98	101
<b>Total current assets</b>	<b>13,654</b>	<b>11,415</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	47,895	48,358
<b>Total non-current assets</b>	<b>47,895</b>	<b>48,358</b>
<b>TOTAL ASSETS</b>	<b>61,549</b>	<b>59,773</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	130	54
Provisions	3	10
<b>Total current liabilities</b>	<b>133</b>	<b>64</b>
<b>TOTAL LIABILITIES</b>	<b>133</b>	<b>64</b>
<b>NET ASSETS</b>	<b>61,416</b>	<b>59,709</b>
<b>EQUITY</b>		
Accumulated surplus	40,420	39,076
Revaluation reserves	20,996	20,633
<b>TOTAL EQUITY</b>	<b>61,416</b>	<b>59,709</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	72	85
Investments	10,839	9,363
Receivables	210	239
Inventories	–	1
<b>Total current assets</b>	<b>11,121</b>	<b>9,688</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	36,289	36,279
<b>Total non-current assets</b>	<b>36,289</b>	<b>36,279</b>
<b>TOTAL ASSETS</b>	<b>47,410</b>	<b>45,967</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	–	1
<b>Total current liabilities</b>	<b>–</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>1</b>
<b>NET ASSETS</b>	<b>47,410</b>	<b>45,966</b>
<b>EQUITY</b>		
Accumulated surplus	21,380	20,260
Revaluation reserves	26,030	25,706
<b>TOTAL EQUITY</b>	<b>47,410</b>	<b>45,966</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the towns of Gunnedah, Curlewis, Mullaley & Tambar Springs.

##### b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the towns of Gunnedah & Curlewis.

##### Category 2

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

Nil

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

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

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

#### (iv) Dividends

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

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

### Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the



financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 November 2020  
SYDNEY



# Gunnedah Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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“To be a focused community valuing  
Gunnedah’s identity and quality lifestyle”.



**Special Schedules**

for the year ended 30 June 2020

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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	13,279	12,879
Plus or minus adjustments <sup>2</sup>	b	(9)	51
<b>Notional general income</b>	c = a + b	<b>13,270</b>	<b>12,930</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	345	349
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>13,615</b>	<b>13,279</b>
Plus (or minus) last year's carry forward total	l	3	3
<b>Sub-total</b>	n = (l + m)	<b>3</b>	<b>3</b>
<b>Total permissible income</b>	o = k + n	<b>13,618</b>	<b>13,282</b>
Less notional general income yield	p	13,618	13,279
<b>Catch-up or (excess) result</b>	q = o - p	<b>-</b>	<b>3</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>-</b>	<b>3</b>

**Notes**

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



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Gunnedah Shire Council**

To the Councillors of Gunnedah Shire Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 November 2020  
SYDNEY

## Report on Infrastructure Assets as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup> \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings	26	26	463	211	32,410	52,297	18.9%	48.4%	32.0%	0.7%	0.1%
	<b>Sub-total</b>	<b>26</b>	<b>26</b>	<b>463</b>	<b>211</b>	<b>32,410</b>	<b>52,297</b>	<b>18.9%</b>	<b>48.4%</b>	<b>32.0%</b>	<b>0.7%</b>	<b>0.1%</b>
<b>Other structures</b>	Other structures	–	–	273	246	3,845	6,501	28.9%	60.5%	1.9%	8.8%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>273</b>	<b>246</b>	<b>3,845</b>	<b>6,501</b>	<b>28.9%</b>	<b>60.5%</b>	<b>1.9%</b>	<b>8.8%</b>	<b>0.0%</b>
<b>Roads</b>	Urban Roads	–	–	669	531	42,147	53,547	54.7%	21.1%	24.0%	0.2%	0.0%
	Rural Sealed Roads	–	–	953	808	64,594	76,238	67.7%	16.1%	15.7%	0.5%	0.0%
	Rural Unsealed Roads	–	–	1,163	2,176	80,733	93,023	66.3%	8.7%	24.6%	0.4%	0.0%
	Bridges / Culverts	678	678	357	4	27,320	42,341	43.3%	39.4%	7.6%	9.7%	0.0%
	Footpaths	–	–	114	48	7,087	9,113	63.7%	27.0%	8.9%	0.4%	0.0%
	Other road assets	–	–	16	5	3,508	4,451	43.8%	53.6%	2.6%	0.0%	0.0%
	<b>Sub-total</b>	<b>678</b>	<b>678</b>	<b>3,272</b>	<b>3,572</b>	<b>225,389</b>	<b>278,713</b>	<b>60.5%</b>	<b>19.1%</b>	<b>18.6%</b>	<b>1.8%</b>	<b>0.0%</b>
<b>Water supply network</b>	Water supply network	1,869	1,869	718	1,065	45,179	72,460	36.4%	39.9%	12.1%	10.6%	1.0%
	<b>Sub-total</b>	<b>1,869</b>	<b>1,869</b>	<b>718</b>	<b>1,065</b>	<b>45,179</b>	<b>72,460</b>	<b>36.4%</b>	<b>39.9%</b>	<b>12.1%</b>	<b>10.6%</b>	<b>1.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	786	461	34,778	63,438	31.3%	32.4%	7.0%	29.3%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>786</b>	<b>461</b>	<b>34,778</b>	<b>63,438</b>	<b>31.3%</b>	<b>32.4%</b>	<b>7.0%</b>	<b>29.3%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	350	68	25,017	35,019	46.4%	25.2%	28.4%	0.0%	0.0%
	Kerb & Gutter	–	–	354	6	13,679	28,343	23.4%	68.6%	7.0%	1.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>704</b>	<b>74</b>	<b>38,696</b>	<b>63,362</b>	<b>36.1%</b>	<b>44.6%</b>	<b>18.8%</b>	<b>0.4%</b>	<b>0.0%</b>



## Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Open space / recreational assets	Swimming pools	–	–	155	56	9,280	10,394	73.9%	14.8%	0.0%	11.3%	0.0%	
	Other Recreational Assets	566	566	94	850	4,761	7,828	43.0%	11.4%	37.8%	0.4%	7.4%	
	<b>Sub-total</b>	<b>566</b>	<b>566</b>	<b>249</b>	<b>906</b>	<b>14,041</b>	<b>18,222</b>	<b>60.6%</b>	<b>13.3%</b>	<b>16.2%</b>	<b>6.6%</b>	<b>3.2%</b>	
Other infrastructure assets	Aerodrome	–	–	138	–	1,986	6,971	31.7%	0.4%	67.7%	0.2%	0.0%	
	Car Parking	–	–	29	11	597	1,349	6.2%	91.7%	2.1%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>167</b>	<b>11</b>	<b>2,583</b>	<b>8,320</b>	<b>27.6%</b>	<b>15.2%</b>	<b>57.1%</b>	<b>0.2%</b>	<b>0.0%</b>	
<b>TOTAL - ALL ASSETS</b>		<b>3,139</b>	<b>3,139</b>	<b>6,632</b>	<b>6,546</b>	<b>396,921</b>	<b>563,313</b>	<b>46.7%</b>	<b>29.1%</b>	<b>18.0%</b>	<b>6.0%</b>	<b>0.2%</b>	

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>4,873</b>	<b>63.58%</b>	164.95%	184.41%	>=100.00%
Depreciation, amortisation and impairment	<b>7,664</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>3,139</b>	<b>0.79%</b>	1.67%	1.71%	<2.00%
Net carrying amount of infrastructure assets	<b>396,921</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>6,546</b>	<b>98.70%</b>	107.94%	111.96%	>100.00%
Required asset maintenance	<b>6,632</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>3,139</b>	<b>0.56%</b>	1.19%	1.24%	
Gross replacement cost	<b>563,313</b>				

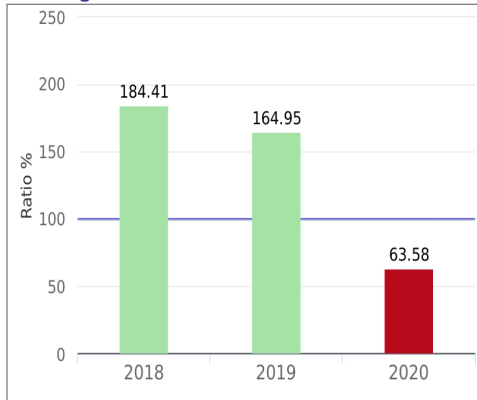
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

**Buildings and infrastructure renewals ratio**



**Buildings and infrastructure renewals ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

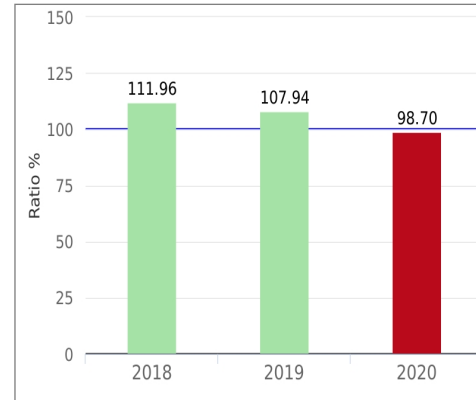
**Commentary on result**

19/20 ratio 63.58%

Council's long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. This year Council was under the 100% benchmark due to less spending on renewals but still maintains achieving 100% over the long term.

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

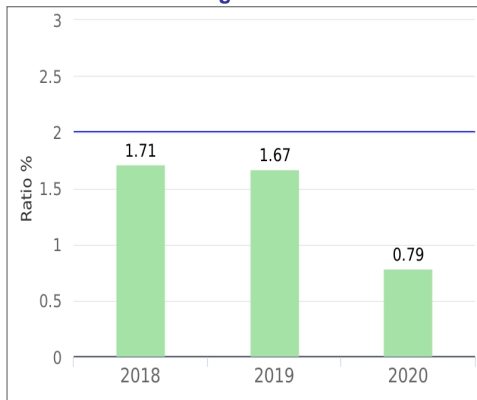
**Commentary on result**

19/20 ratio 98.70%

This ratio reflects Councils commitment to maintaining its current assets and improving where fiscally responsible. This years result reflects the catch up that has occurred in the infrastructure backlog.

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

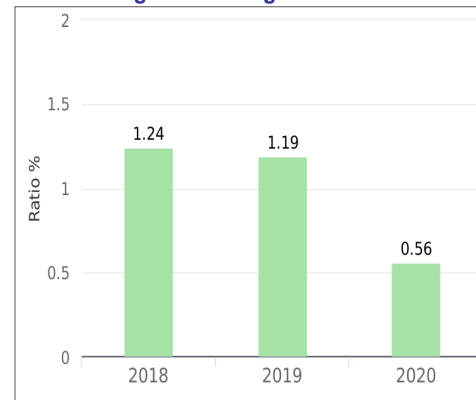
**Commentary on result**

19/20 ratio 0.79%

This ratio continues to show a positive trend and puts Council well under the benchmark. The expenditure on renewing assets shows that we have tackled the infrastructure back and "busted the back" of the infrastructure backlog.

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

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

**Commentary on result**

19/20 ratio 0.56%

This ratio shows an improvement as Council continues to maintain assets to agreed service levels. This year reflects the significant amount of work Council has carried out to reduce the backlog to agreed service levels.

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>75.07%</b>	207.58%	<b>47.60%</b>	65.38%	<b>0.00%</b>	0.00%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>0.40%</b>	1.65%	<b>4.14%</b>	2.04%	<b>0.00%</b>	1.44%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>97.89%</b>	115.45%	<b>148.33%</b>	90.20%	<b>58.65%</b>	77.84%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>0.30%</b>	1.25%	<b>2.58%</b>	1.22%	<b>0.00%</b>	0.81%	

(1) Excludes Work In Progress (WIP)

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