

Balranald Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Balranald Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	83
On the Financial Statements (Sect 417 [3])	86

Overview

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

70 Market Street
Balranald NSW 2715

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.balranald.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Balranald Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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


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

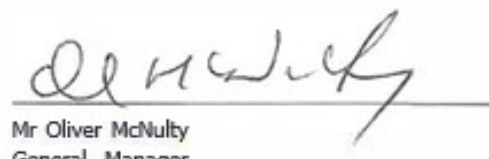
To the best of our knowledge and belief, these statements:

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

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

Signed in accordance with a resolution of Council made on 22 January 2021.


Mr Michael Colreavy
Administrator
22 January 2021


Mr Oliver McNulty
General Manager
22 January 2021


Mrs Terri Bilske
Responsible Accounting Officer
22 January 2021

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
Income from continuing operations				
3,812	Rates and annual charges	3a	3,816	3,289
2,325	User charges and fees	3b	2,356	2,133
294	Other revenues	3c	234	373
6,433	Grants and contributions provided for operating purposes	3d,3e	8,080	7,245
10,336	Grants and contributions provided for capital purposes	3d,3e	4,057	3,844
106	Interest and investment income	4	153	195
–	Net gains from the disposal of assets	6	6	–
135	Rental income	14b	114	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	1,461
23,441	Total income from continuing operations		18,816	18,540
Expenses from continuing operations				
5,891	Employee benefits and on-costs	5a	5,019	4,647
144	Borrowing costs	5b	143	159
3,429	Materials and contracts	5c	3,182	2,553
5,029	Depreciation and amortisation	5d	5,234	4,946
1,873	Other expenses	5e	1,566	1,374
–	Net losses from the disposal of assets	6	–	101
–	Net share of interests in joint ventures and associates using the equity method	19	102	–
16,366	Total expenses from continuing operations		15,246	13,780
7,075	Operating result from continuing operations		3,570	4,760
7,075	Net operating result for the year		3,570	4,760
7,075	Net operating result attributable to council		3,570	4,760
(3,261)	Net operating result for the year before grants and contributions provided for capital purposes		(487)	916

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
Net operating result for the year (as per Income Statement)		3,570	4,760
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	(648)	279
Total items which will not be reclassified subsequently to the operating result		(648)	279
Total other comprehensive income for the year		(648)	279
Total comprehensive income for the year		2,922	5,039
Total comprehensive income attributable to Council		2,922	5,039

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

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$ '000	2019 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	6,534	5,346
Investments	7(b)	5,250	4,500
Receivables	8	2,367	2,646
Inventories	9a	195	108
Other	9b	11	43
Total current assets		14,357	12,643
Non-current assets			
Receivables	8	126	114
Infrastructure, property, plant and equipment	11(a)	145,247	143,490
Intangible Assets	12	375	400
Investments accounted for using the equity method	19	1,359	1,461
Total non-current assets		147,107	145,465
Total assets		161,464	158,108
LIABILITIES			
Current liabilities			
Payables	15	3,066	2,164
Contract liabilities	13	375	—
Borrowings	15	248	265
Provisions	16	743	700
Total current liabilities		4,432	3,129
Non-current liabilities			
Payables	15	3	8
Borrowings	15	2,045	2,293
Provisions	16	288	244
Total non-current liabilities		2,336	2,545
Total liabilities		6,768	5,674
Net assets		154,696	152,434
EQUITY			
Accumulated surplus	17	54,441	51,531
Revaluation reserves	17	100,255	100,903
Council equity interest		154,696	152,434
Total equity		154,696	152,434

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		51,531	100,903	152,434	46,771	100,624	147,395
Changes due to AASB 1058 and AASB 15 adoption	17	(660)	–	(660)	–	–	–
Changes due to AASB 16 adoption	17	–	–	–	–	–	–
Restated opening balance		50,871	100,903	151,774	46,771	100,624	147,395
Net operating result for the year		3,570	–	3,570	4,760	–	4,760
Net operating result for the period		3,570	–	3,570	4,760	–	4,760
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	11(a)	–	(648)	(648)	–	279	279
Other comprehensive income		–	(648)	(648)	–	279	279
Total comprehensive income		3,570	(648)	2,922	4,760	279	5,039
Equity – balance at end of the reporting period		54,441	100,255	154,696	51,531	100,903	152,434

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
Cash flows from operating activities				
Receipts:				
3,622	Rates and annual charges		3,783	3,206
2,943	User charges and fees		2,433	2,128
106	Investment and interest revenue received		148	197
16,758	Grants and contributions		12,268	9,209
–	Bonds, deposits and retention amounts received		1,381	–
429	Other		1,349	1,136
Payments:				
(5,773)	Employee benefits and on-costs		(5,087)	(4,546)
(3,309)	Materials and contracts		(3,392)	(3,289)
(144)	Borrowing costs		(144)	(160)
(1,779)	Other		(2,299)	(1,651)
12,853	Net cash provided (or used in) operating activities	18b	10,440	6,230
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		7,000	11,250
84	Sale of infrastructure, property, plant and equipment		40	225
Payments:				
–	Purchase of investment securities		(7,750)	(12,750)
(13,436)	Purchase of infrastructure, property, plant and equipment		(8,277)	(5,807)
(13,352)	Net cash provided (or used in) investing activities		(8,987)	(7,082)
Cash flows from financing activities				
Payments:				
(265)	Repayment of borrowings and advances		(265)	(248)
(265)	Net cash flow provided (used in) financing activities		(265)	(248)
(764)	Net increase/(decrease) in cash and cash equivalents		1,188	(1,100)
6,977	Plus: cash and cash equivalents – beginning of year	18a	5,346	6,446
6,213	Cash and cash equivalents – end of the year	18a	6,534	5,346
1,038	plus: Investments on hand – end of year	7(b)	5,250	4,500
7,251	Total cash, cash equivalents and investments		11,784	9,846

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	17
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	28
7(a)	Cash and cash equivalents	29
7(b)	Investments	29
7(c)	Restricted cash, cash equivalents and investments	31
8	Receivables	32
9	Inventories and other assets	34
10	Non-current assets classified as held for sale	35
11(a)	Infrastructure, property, plant and equipment	36
11(b)	Externally restricted infrastructure, property, plant and equipment	39
12	Intangible assets	40
13	Contract assets and liabilities	41
14	Leases	42
15	Payables and borrowings	44
16	Provisions	47
17	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	50
18	Statement of cash flow information	54
19	Interests in other entities	55
20	Commitments	57
21	Contingencies	58
22	Financial risk management	61
23	Material budget variations	65
24	Fair Value Measurement	67
25	Related party disclosures	73
26	Events occurring after the reporting date	73
27	Statement of developer contributions	73
28	Result by fund	74
29(a)	Statement of performance measures – consolidated results	76
29(b)	Statement of performance measures – by fund	77
Additional Council disclosures (unaudited)		
29(c)	Statement of performance measures – consolidated results (graphs)	78
30	Segment reporting	80
31	Council information and contact details	82

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 January 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (ii) estimated tip remediation provisions – refer Note 16
- (iii) employee benefit provisions – refer Note 16

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Balranald water supply
- Euston water supply
- Balranald sewerage service
- Euston sewerage service

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 not recognised volunteer services in the income statement as they are neither material nor able to be reliably measured.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

AASB 1059 Service Concession Arrangements: Grantors

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

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

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

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

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

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 17.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	133	40	851	696	(718)	(656)	113	–	118	5
Administration	1,340	2,039	1,713	3,506	(373)	(1,467)	27	100	14,391	13,514
Public order and safety	173	174	389	365	(216)	(191)	168	147	567	557
Health	13	13	107	68	(94)	(55)	–	–	115	115
Environment	488	384	650	323	(162)	61	92	26	7,505	7,573
Community services and education	1,186	1,387	1,331	939	(145)	448	824	1,008	1,864	1,754
Housing and community amenities	104	119	461	339	(357)	(220)	–	18	5,923	6,706
Water supplies	1,691	1,319	956	834	735	485	–	–	12,427	11,730
Sewerage services	707	451	407	314	300	137	–	–	9,290	9,868
Recreation and culture	1,244	340	1,175	441	69	(101)	2,374	171	11,666	7,966
Mining, manufacturing and construction	12	9	70	32	(58)	(23)	–	–	259	377
Transport and communication	4,293	5,318	5,907	5,181	(1,614)	137	2,869	4,174	96,240	96,706
Economic affairs	759	707	1,229	742	(470)	(35)	–	–	1,099	1,237
General Purpose Income	6,673	6,240	–	–	6,673	6,240	4,363	4,110	–	–
Total functions and activities	18,816	18,540	15,246	13,780	3,570	4,760	10,830	9,754	161,464	158,108

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance

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

Administration

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

Public order and safety

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

Health

Includes immunisation, food control, health centres etc.

Environment

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

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and community amenities

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

Water supplies

Sewerage services

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and communication

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Economic affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

General Purpose Income

This includes financial assistance grant funding which has no specific function allocation and is expended in areas of council.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

	AASB	2020 \$ '000	2019 \$ '000
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	372	293
Farmland	1058 (1)	1,075	986
Business	1058 (1)	766	750
Less: pensioner rebates (mandatory)	1058 (1)	(10)	(9)
Less: pensioner rebates (Council policy)	1058 (1)	(9)	(7)
Rates levied to ratepayers		2,194	2,013
Pensioner rate subsidies received	1058 (1)	10	9
Total ordinary rates		2,204	2,022
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	330	269
Water supply services	1058 (1)	714	613
Sewerage services	1058 (1)	586	404
Less: pensioner rebates (mandatory)	1058 (1)	(22)	(22)
Less: pensioner rebates (Council policy)	1058 (1)	(18)	(18)
Annual charges levied		1,590	1,246
Pensioner subsidies received:			
– Water	1058 (1)	7	3
– Sewerage	1058 (1)	6	9
– Domestic waste management	1058 (1)	9	9
Total annual charges		1,612	1,267
TOTAL RATES AND ANNUAL CHARGES		3,816	3,289

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	2020 \$ '000	2019 \$ '000
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Sewerage services	15 (1)	72	13
Sewerage services contract aboriginal mission	15 (1)	32	10
Waste management services (non-domestic)	15 (1)	40	62
Water service contract aboriginal mission	15 (1)	64	21
Water supply services	15 (1)	735	635
Total specific user charges		943	741
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	15 (1)	191	29
Town planning	15 (1)	52	47
Building services	15 (1)	17	33
Total fees and charges – statutory/regulatory		260	109
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care	15 (1)	389	333
Caravan park	15 (1)	506	621
Cemeteries	15 (1)	24	37
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	149	135
Swimming centres	15 (1)	–	5
Tourism	15 (1)	14	19
Waste disposal tipping fees	15 (1)	7	22
Water connection fees	15 (1)	21	9
Rent and hire of non-investment property	15 (1)	–	62
Other	15 (1)	43	40
Total fees and charges – other		1,153	1,283
TOTAL USER CHARGES AND FEES		2,356	2,133

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”.

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	2020 \$ '000	2019 \$ '000
(c) Other revenues			
Rental income – other council properties (2019 only)		–	60
Legal fees recovery – rates and charges (extra charges)	1058 (1)	–	3
Commissions and agency fees	1058 (1)	91	68
Diesel rebate	1058 (1)	20	49
Insurance claims recoveries	1058 (1)	3	12
Bond retention	1058 (1)	–	18
Motor vehicle contributions	1058 (1)	4	8
Raw water standpipe sales	1058 (1)	30	30
Rebates	1058 (1)	27	29
Sales – miscellaneous	1058 (1)	1	7
Tourist information centre sales	1058 (1)	36	44
Other	1058 (1)	22	45
<u>TOTAL OTHER REVENUE</u>		<u>234</u>	<u>373</u>

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	2,118	2,018	—	—
Payment in advance - future year allocation					
Financial assistance	1058 (1)	2,245	2,092	—	—
Total general purpose		4,363	4,110	—	—
Specific purpose					
Aged care	1058 (1)	818	941	—	—
Bushfire and emergency services	1058 (1)	149	147	19	—
Community care	1058 (1)	—	65	4	2
Environmental programs	1058 (1)	66	—	—	—
Library – per capita	1058 (1)	64	21	—	—
Noxious weeds	1058 (1)	26	26	—	—
Recreation and culture	1058 (1)	9	—	2,374	148
Storm/flood damage	1058 (1)	—	250	—	—
Street lighting	1058 (1)	—	18	—	—
Transport (roads to recovery)	1058 (1)	1,249	255	—	—
Transport (other roads and bridges funding)	1058 (1)	—	—	1,550	3,669
Crown Land Management	1058 (1)	—	100	110	—
Youth week	1058 (1)	2	2	—	—
Other		27	—	—	—
Total specific purpose		2,410	1,825	4,057	3,819
Total grants		6,773	5,935	4,057	3,819
Grant revenue is attributable to:					
– Commonwealth funding		6,430	5,311	114	—
– State funding		343	624	3,830	3,805
– Other funding		—	—	113	14
		6,773	5,935	4,057	3,819

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	Notes	AASB	Operating 2020 \$ '000	Operating 2019 \$ '000	Capital 2020 \$ '000	Capital 2019 \$ '000
(e) Contributions						
Other contributions:						
Cash contributions						
Bushfire services	1058 (1)		—	—	—	25
RMS contributions (regional roads, block grant)	1058 (1)		1,296	1,310	—	—
Other	1058 (1)		11	—	—	—
Total other contributions – cash			1,307	1,310	—	25
Total other contributions			1,307	1,310	—	25
Total contributions			1,307	1,310	—	25
TOTAL GRANTS AND CONTRIBUTIONS			8,080	7,245	4,057	3,844

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

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

Accounting policy for grants and contributions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
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(f) Unspent grants and contributions – external restrictions

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

Operating grants

Unexpended at the close of the previous reporting period	220	56
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	184
Add: operating grants received for the provision of goods and services in a future period	97	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(62)	(20)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	255	220

Council has received grant funding for infrastructure projects of a capital nature and these funds are unspent as at 30 June 2019.

Capital grants

Unexpended at the close of the previous reporting period	1,142	318
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	934
Add: capital grants received for the provision of goods and services in a future period	375	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(1,142)	(110)
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	375	1,142

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

	2020 \$ '000	2019 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	19	15
– Cash and investments	134	180
Total Interest and investment income	153	195
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	7	8
General Council cash and investments	99	131
Restricted investments/funds – external:		
Water fund operations	32	36
Sewerage fund operations	15	20
Total interest and investment revenue	153	195

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

	2020 \$ '000	2019 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	4,360	4,164
Employee leave entitlements (ELE)	399	416
Superannuation – defined contribution plans	378	358
Superannuation – defined benefit plans	58	87
Workers' compensation insurance	123	130
Fringe benefit tax (FBT)	47	53
Protective clothing	15	22
Medicals	10	9
Recruitment	7	60
Other	5	11
Total employee costs	5,402	5,310
Less: capitalised costs	(383)	(663)
TOTAL EMPLOYEE COSTS EXPENSED	5,019	4,647
Number of 'full-time equivalent' employees (FTE) at year end	48	56
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	60	74

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 21 for more information.

	2020 \$ '000	2019 \$ '000
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	143	159
Total interest bearing liability costs	143	159
Total interest bearing liability costs expensed	143	159
TOTAL BORROWING COSTS EXPENSED	143	159

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(c) Materials and contracts		
Raw materials and consumables	1,108	995
Contractor and consultancy costs	481	130
– Caravan park management	195	351
– Contractor and consultancy costs – transport	1,132	689
– Waste	125	137
Auditors remuneration ²	55	48
Legal expenses:		
– Legal expenses: debt recovery	–	3
– Legal expenses: other	66	80
Lease expenses:		
Expenses from leases of low value assets (2020 only)	9	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	112
Other	11	8
Total materials and contracts	3,182	2,553
TOTAL MATERIALS AND CONTRACTS	3,182	2,553

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Computers	–	5
Sewer Reconstruction	–	35
Plant	–	72
	–	112

2. Auditor remuneration

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

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

Audit and review of financial statements	55	48
Remuneration for audit and other assurance services	55	48
Total Auditor-General remuneration	55	48

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	Notes	2020 \$ '000	2019 \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Furniture and fittings		14	10
Office equipment		27	12
Plant and equipment		379	350
Infrastructure:	11(a)		
– Buildings – non-specialised		550	549
– Buildings – specialised		8	8
– Footpaths		32	32
– Kerb and gutter		63	63
– Other structures		208	107
– Roads and bridges		3,357	3,266
– Sewerage network		175	157
– Stormwater drainage		59	59
– Swimming pools		23	23
– Water supply network		271	263
Other assets:			
– Other		43	22
Intangible assets	12	25	25
Total gross depreciation and amortisation costs		5,234	4,946
Total depreciation and amortisation costs		5,234	4,946
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		5,234	4,946

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 11 for IPPE assets and Note 12 for intangible assets.

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

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 \$ '000	2019 \$ '000
(e) Other expenses		
Advertising	46	53
Training costs (other than salaries and wages)	83	75
Travel expenses	6	2
Bad and doubtful debts	1	12
Bank charges	14	15
Cleaning	5	17
Computer software charges	6	11
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	250	197
– NSW fire brigade levy	16	14
– Region Fire Control Contribution	15	15
Councillor expenses – mayoral fee	13	26
Councillor expenses – councillors' fees	59	92
Councillors' expenses (incl. mayor) – other (excluding fees above)	19	14
Donations, contributions and assistance to other organisations (Section 356)	29	38
Electricity and heating	256	208
Insurance	326	283
Office expenses (including computer expenses)	97	3
Postage	13	13
Printing and stationery	22	21
Street lighting	74	55
Subscriptions and publications	22	28
Telephone and communications	41	35
Tourism expenses (excluding employee costs)	66	17
Valuation fees	11	73
Memberships	41	44
Other	35	13
Total other expenses	1,566	1,374
TOTAL OTHER EXPENSES	1,566	1,374

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

	Notes	2020 \$ '000	2019 \$ '000
Plant and equipment	11(a)		
Proceeds from disposal – plant and equipment		40	248
Less: carrying amount of plant and equipment assets sold/written off		(34)	(349)
Net gain/(loss) on disposal		6	(101)
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		7,000	11,250
Less: carrying amount of investments sold/redeemed/matured		(7,000)	(11,250)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		6	(101)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

	2020 \$ '000	2019 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	3,911	439
Cash-equivalent assets		
– Deposits at call	1,873	2,907
– Short-term deposits	750	2,000
Total cash and cash equivalents	6,534	5,346

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	5,250	–	4,500	–
Total Investments	5,250	–	4,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	11,784	–	9,846	–
Financial assets at amortised cost				
Long term deposits	5,250	–	4,500	–
Total	5,250	–	4,500	–

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:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

Council's financial assets measured at amortised cost comprise trade and other receivables 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Total cash, cash equivalents and investments	11,784	—	9,846	—
attributable to:				
External restrictions	3,885	—	4,091	—
Internal restrictions	6,446	—	5,075	—
Unrestricted	1,453	—	680	—
	11,784	—	9,846	—

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

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

	375	—
External restrictions – included in liabilities	375	—

External restrictions – other

Specific purpose unexpended grants (recognised as revenue) – general fund

Water supplies	1,917	1,531
Sewerage services	919	748
Other contributions	—	50
Domestic waste management	419	400
External restrictions – other	3,510	4,091

Total external restrictions

	3,885	4,091
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Internal restrictions

Plant and vehicle replacement	463	467
Infrastructure replacement	214	214
Employees leave entitlement	269	269
Deposits, retentions and bonds	128	13
Caravan park reserve	133	248
Euston cemetery	15	38
Gravel pits rehabilitation	234	234
Hostel bonds	1,557	432
Self Care Unit Bonds	140	—
Health reserve	6	6
Lake Benanee capital improvements	1	1
Market St improvements	—	20
Other assets replacement	286	286
Town clock	3	3
Financial Assistance Funds	2,245	2,092
Future Development Fund	750	750
Berrett Park Revitalisation	2	2
Total internal restrictions	6,446	5,075

TOTAL RESTRICTIONS

	10,331	9,166
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Purpose				
Rates and annual charges	190	86	153	58
Interest and extra charges	19	2	–	10
User charges and fees	354	38	372	46
Accrued revenues				
– Interest on investments	24	–	30	–
– Other income accruals	27	–	64	–
Government grants and subsidies	1,592	–	1,883	–
Net GST receivable	183	–	170	–
Other debtors	4	–	–	–
Total	2,393	126	2,672	114
Less: provision of impairment				
Rates and annual charges	(21)	–	(21)	–
Other debtors	(5)	–	(5)	–
Total provision for impairment – receivables	(26)	–	(26)	–
TOTAL NET RECEIVABLES	2,367	126	2,646	114

Externally restricted receivables

Water supply

– Rates and availability charges	39	27	35	19
– Other	154	37	258	46

Sewerage services

– Rates and availability charges	29	18	22	13
– Other	10	–	9	–

Total external restrictions	232	82	324	78
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Unrestricted receivables	2,135	44	2,322	36
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TOTAL NET RECEIVABLES	2,367	126	2,646	114
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	2020 \$ '000	2019 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	26	21
+ new provisions recognised during the year	–	5
Balance at the end of the year	26	26

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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 presumption that a financial asset is in default when:

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 6 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Stores and materials	171	—	63	—
Trading stock	24	—	45	—
Total inventories at cost	195	—	108	—
TOTAL INVENTORIES	195	—	108	—
(b) Other assets				
Prepayments	11	—	43	—
TOTAL OTHER ASSETS	11	—	43	—

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. Non-current assets classified as held for sale

Council did not classify any non-current assets and disposal group assets.

(ii) Details of assets and disposal groups

Council did not classify any Details of assets and disposal groups.

(iii) Disposal group liabilities

Council did not classify any disposal group liabilities.

(iv) Reconciliation of discontinued operations related liabilities

Council did not classify any reconciliation of discontinued operations related liabilities.

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	184	–	184	11	332	–	–	(171)	–	–	356	–	356
Plant and equipment	5,440	(3,193)	2,247	213	286	(34)	(379)	–	–	–	5,897	(3,564)	2,333
Office equipment	465	(367)	98	35	3	–	(27)	–	–	–	503	(394)	109
Furniture and fittings	284	(185)	99	19	27	–	(14)	–	–	–	330	(199)	131
Land:													
– Operational land	3,410	–	3,410	–	–	–	–	–	104	–	3,514	–	3,514
– Community land	4,056	–	4,056	–	–	–	–	–	(105)	(1,737)	2,214	–	2,214
Land improvements – non-depreciable	680	–	680	118	–	–	–	–	–	–	798	–	798
Land improvements – depreciable	280	(168)	112	31	–	–	–	–	–	–	311	(168)	143
Infrastructure:													
– Roads and bridges	122,290	(46,502)	75,788	2,648	440	–	(3,357)	–	(104)	–	125,287	(49,872)	75,415
– Other structures	15,579	(8,820)	6,759	2,070	60	–	(208)	140	764	717	23,293	(12,991)	10,302
– Swimming pools	1,755	(585)	1,170	224	–	–	(23)	3	(27)	5	1,982	(630)	1,352
– Sewerage network	12,960	(4,240)	8,720	369	–	–	(175)	–	(49)	83	13,404	(4,456)	8,948
– Water supply network	16,209	(6,662)	9,547	458	–	–	(271)	1	–	91	16,821	(6,995)	9,826
– Buildings – specialised	894	(309)	585	–	19	–	(8)	25	–	–	938	(318)	620
– Stormwater drainage	4,759	(1,109)	3,650	–	–	–	(59)	–	(10)	–	4,747	(1,166)	3,581
– Kerb and gutter	5,073	(1,316)	3,757	–	–	–	(63)	–	–	–	5,073	(1,378)	3,695
– Footpaths	1,751	(786)	965	–	–	–	(32)	–	–	–	1,752	(819)	933
– Buildings – non-specialised	33,977	(12,772)	21,205	281	–	–	(550)	2	(573)	–	34,240	(13,875)	20,365
Other assets:													
– Library books	179	(163)	16	4	–	–	–	–	–	–	183	(163)	20
– Other	652	(210)	442	–	–	–	(43)	–	–	193	796	(204)	592
Total Infrastructure, property, plant and equipment	230,877	(87,387)	143,490	6,481	1,167	(34)	(5,209)	–	–	(648)	242,439	(97,192)	145,247

(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 11(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	178	–	178	–	–	–	–	6	–	–	184	–	184
Plant and equipment	5,078	(3,111)	1,967	702	194	(266)	(350)	–	–	–	5,440	(3,193)	2,247
Office equipment	407	(355)	52	56	2	–	(12)	–	–	–	465	(367)	98
Furniture and fittings	249	(175)	74	28	7	–	(10)	–	–	–	284	(185)	99
Land:													
– Operational land	3,506	–	3,506	–	9	–	–	–	(105)	–	3,410	–	3,410
– Community land	3,951	–	3,951	–	–	–	–	–	105	–	4,056	–	4,056
Land improvements – non-depreciable	680	–	680	–	–	–	–	–	–	–	680	–	680
Land improvements – depreciable	280	(152)	128	–	–	–	–	–	(16)	–	280	(168)	112
Infrastructure:													
– Buildings – non-specialised	33,979	(12,776)	21,203	27	–	–	(549)	(27)	551	–	33,977	(12,772)	21,205
– Buildings – specialised	894	(301)	593	–	–	–	(8)	–	–	–	894	(309)	585
– Other structures	15,137	(7,794)	7,343	97	510	(83)	(107)	7	(1,008)	–	15,579	(8,820)	6,759
– Roads	118,357	(43,236)	75,121	1,819	2,173	–	(3,266)	(40)	(19)	–	122,290	(46,502)	75,788
– Footpaths	1,714	(754)	960	23	14	–	(32)	–	–	–	1,751	(786)	965
– Stormwater drainage	4,747	(1,050)	3,697	–	–	–	(59)	12	–	–	4,759	(1,109)	3,650
– Water supply network	15,839	(6,298)	9,541	124	–	–	(263)	(8)	–	153	16,209	(6,662)	9,547
– Sewerage network	11,893	(4,020)	7,873	825	–	–	(157)	53	–	126	12,960	(4,240)	8,720
– Swimming pools	1,649	(948)	701	–	3	–	(23)	(3)	492	–	1,755	(585)	1,170
– Kerb and gutter	5,073	(1,253)	3,820	–	–	–	(63)	–	–	–	5,073	(1,316)	3,757
Other assets:													
– Library books	163	(163)	–	16	–	–	–	–	–	–	179	(163)	16
– Other	652	(188)	464	–	–	–	(22)	–	–	–	652	(210)	442
Total Infrastructure, property, plant and equipment	224,426	(82,574)	141,852	3,717	2,912	(349)	(4,921)	–	–	279	230,877	(87,387)	143,490

(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 11(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	20 to 100	Drains	70 to 100
Bores	10 to 50	Culverts	50 to 80
Reticulation pipes: PVC	50 to 80	Flood control structures	20 to 80
Reticulation pipes: other	25 to 50		
Pumps and telemetry	8 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15	Bulk earthworks	Indefinite
Sealed roads: structure	35 to 150	Swimming pools	25 to 140
Unsealed roads	90 to 150	Other open space/recreational assets	20
Bridge: concrete	80 to 120	Other infrastructure	20
Bridge: other	80 to 120		
Road pavements	35 to 130		
Kerb, gutter and footpaths	40		

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

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

Crown reserves

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land and buildings but will not recognise plant and vehicles.

Note 11(b). Externally restricted infrastructure, property, plant and equipment

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	126	—	126	8	—	8
Plant and equipment	314	48	266	284	31	253
Land						
– Operational land	34	—	34	34	—	34
Infrastructure	16,821	6,995	9,826	16,209	6,662	9,547
Total water supply	17,295	7,043	10,252	16,535	6,693	9,842
Sewerage services						
Plant and equipment	285	30	255	285	17	268
Land						
– Operational land	88	—	88	88	—	88
Infrastructure	13,404	4,456	8,948	12,960	4,240	8,720
Total sewerage services	13,777	4,486	9,291	13,333	4,257	9,076
TOTAL RESTRICTED IPP&E	31,072	11,529	19,543	29,868	10,950	18,918

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

	2020 \$ '000	2019 \$ '000
Software		
Opening values at 1 July		
Gross book value	425	425
Accumulated amortisation	(25)	—
Net book value – opening balance	400	425
Movements for the year		
– Amortisation charges	(25)	(25)
Closing values at 30 June		
Gross book value	425	425
Accumulated amortisation	(50)	(25)
Total software – net book value	375	400
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	375	400

Accounting policy for intangible assets

IT development and software

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities

	Notes	2020 Current \$ '000	2020 Non-current \$ '000
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	375	—
Total grants received in advance		375	—
Total contract liabilities		375	—

Notes

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

	2020 Current \$ '000	2020 Non-current \$ '000
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	375	—
Contract liabilities relating to externally restricted assets	375	—
Total contract liabilities relating to restricted assets	375	—
Total contract liabilities	375	—

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 14. Leases

(i) Council as a lessee

Council had no leases in place as at 30 June 2020. Council did have a lease for a photocopier located at the Balranald main office which ceased in January 2020 and was purchased outright.

2020
\$ '000

(a) Income Statement

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

Expenses relating to low-value leases	9
	<u>9</u>

Accounting policy

Where 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.

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for 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.

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

The major changes to these Financial Statements relate to the adoption of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities. The modified retrospective approach for the adoption of these Standards is mandated and consequently, accounting standard references for the comparative financial year for revenue are the superseded AASB 118 Revenue and AASB 1004 Contributions, and for leases is the superseded AASB 117 Leases.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

The adoption of these accounting standards has no significant impact on the Statement of Comprehensive Income, the Statement of Financial Position and associated note disclosures.

(ii) Council as a lessor

(b) Operating leases

Council leases out a few properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as PP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

	2020 \$ '000
(i) Operating lease income	
Other lease income	
Commercial related	36
Health and day care related	13
Staff housing	56
Other	9
Total income relating to operating leases	114

(ii) Maturity analysis of contractual lease income

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

< 1 year	30
1–2 years	31
2–3 years	32
3–4 years	33
4–5 years	34
Total undiscounted contractual lease income receivable	160

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 15. Payables and borrowings

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Payables				
Goods and services – operating expenditure	503	–	290	–
Goods and services – capital expenditure	417	–	1,046	–
Accrued expenses:				
– Borrowings	6	–	7	–
– Salaries and wages	128	–	271	–
– Other expenditure accruals	58	3	16	–
Security bonds, deposits and retentions	129	–	13	–
Retirement home contributions	1,697	–	432	–
Other	26	–	19	8
Prepaid rates	102	–	70	–
Total payables	3,066	3	2,164	8
Borrowings				
Loans – secured ¹	248	2,045	265	2,293
Total borrowings	248	2,045	265	2,293
TOTAL PAYABLES AND BORROWINGS	3,314	2,048	2,429	2,301

(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 22.

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	119	706	114	721
Sewer	25	–	–	–
Payables and borrowings relating to externally restricted assets	144	706	114	721
Total payables and borrowings relating to restricted assets	144	706	114	721
Total payables and borrowings relating to unrestricted assets	3,170	1,342	2,315	1,580
TOTAL PAYABLES AND BORROWINGS	3,314	2,048	2,429	2,301

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

	2020 \$ '000	2019 \$ '000
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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.

Payables – security bonds, deposits and retentions	1,697	432
Total payables and borrowings	1,697	432

(c) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	2,558	(265)	–	–	–	–	2,293
TOTAL	2,558	(265)	–	–	–	–	2,293

	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Other non-cash movement \$ '000		Closing balance \$ '000
Loans – secured	2,806	(248)	–	–	–		2,558
TOTAL	2,806	(248)	–	–	–		2,558

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

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

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	150	150
Total financing arrangements	350	350

Drawn facilities as at balance date:

– Credit cards/purchase cards	5	6
Total drawn financing arrangements	5	6

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	145	144
Total undrawn financing arrangements	345	344

Additional financing arrangements information**Breaches and defaults**

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

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.

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions

	2020 Current \$ '000	2020 Non-current \$ '000	2019 Current \$ '000	2019 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	393	–	366	–
Long service leave	313	118	334	74
Gratuities	37	–	–	–
Sub-total – aggregate employee benefits	743	118	700	74
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	170	–	170
Sub-total – asset remediation/restoration	–	170	–	170
<u>TOTAL PROVISIONS</u>	<u>743</u>	<u>288</u>	<u>700</u>	<u>244</u>

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	743	288	700	244
<u>TOTAL PROVISIONS</u>	<u>743</u>	<u>288</u>	<u>700</u>	<u>244</u>

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

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

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

Provisions – employees benefits	425	405
	425	405

(c) Description of and movements in provisions

	ELE provisions			
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	Total \$ '000
2020				
At beginning of year	366	408	–	774
Additional provisions	281	107	36	424
Amounts used (payments)	(244)	(69)	–	(313)
Remeasurement effects	7	31	1	39
Other	(36)	(45)	–	(81)
Unused amounts reversed	(6)	(15)	–	(21)
Other – Net Superannuation	25	14	–	39
Total ELE provisions at end of year	393	431	37	861

continued on next page ...

Page 47 of 91

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
2019				
At beginning of year	289	392	–	681
Additional provisions	285	111	–	396
Amounts used (payments)	(222)	(101)	–	(323)
Remeasurement effects	9	29	–	38
Unused amounts reversed	(3)	(26)	–	(29)
Other – Net Superannuation	8	3	–	11
Total ELE provisions at end of year	366	408	–	774

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2020		
At beginning of year	170	170
Total other provisions at end of year	170	170
2019		
At beginning of year	170	170
Total other provisions at end of year	170	170

Nature and purpose of non-employee benefit provisions

Asset remediation

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

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 long service 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 long service 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

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

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. 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.

(ii) AASB 15 and AASB 1058

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

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncement.

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Opening contract balances at 1 July 2019**Contract liabilities**

– Under AASB 1058

Total Contract liabilities

660

660

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	6,534	—	—	6,534	
Investments	5,250	—	—	5,250	
Receivables	2,367	—	—	2,367	
Inventories	195	—	—	195	
Other	11	—	—	11	
Total current assets	14,357	—	—	14,357	
Current liabilities					
Payables	3,066	—	—	3,066	
Contract liabilities	375	—	(375)	—	
Borrowings	248	—	—	248	
Provisions	743	—	—	743	
Total current liabilities	4,432	—	(375)	4,057	
Non-current assets					
Receivables	126	—	—	126	
Infrastructure, property, plant and equipment	145,247	—	—	145,247	
Intangible assets	375	—	—	375	
Investments accounted for using equity method	1,359	—	—	1,359	
Total non-current assets	147,107	—	—	147,107	
Non-current liabilities					
Payables	3	—	—	3	
Borrowings	2,045	—	—	2,045	
Provisions	288	—	—	288	
Total Non-current liabilities	2,336	—	—	2,336	
Net assets	154,696	—	375	155,071	
Equity					
Accumulated surplus	54,441	—	375	54,816	
Revaluation reserves	100,255	—	—	100,255	
Council equity interest	154,696	—	375	155,071	
Total equity	154,696	—	375	155,071	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	3,816	—	—	3,816	
User charges and fees	2,356	—	—	2,356	
Other revenues	234	—	—	234	
Grants and contributions provided for operating purposes	8,080	—	—	8,080	
Grants and contributions provided for capital purposes	4,057	—	(285)	3,772	
Interest and investment income	153	—	—	153	
Net gains from the disposal of assets	6	—	—	6	
Rental income	114	—	—	114	
Total Income from continuing operations	18,816	—	(285)	18,531	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	5,019	—	—	5,019	
Borrowing costs	143	—	—	143	
Materials and contracts	3,182	—	—	3,182	
Depreciation and amortisation	5,234	—	—	5,234	
Other expenses	1,566	—	—	1,566	
Net share of interests in joint ventures and associates using the equity method	102	—	—	102	
Total Expenses from continuing operations	15,246	—	—	15,246	
Total Operating result from continuing operations	3,570	—	(285)	3,285	
Net operating result for the year	3,570	—	(285)	3,285	
Total comprehensive income	2,922	—	(285)	2,637	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total assets	158,108	–	158,108
Contract liabilities	–	660	660
Total liabilities	5,674	660	6,334
Accumulated surplus	51,531	(660)	50,871
Revaluation reserves	100,903	–	100,903
Total equity	152,434	(660)	151,774

(iii) AASB 16 Leases

Council as a lessee

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

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

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

There is no financial statement impact due to the adoption of AASB 16.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

	Notes	2020 \$ '000	2019 \$ '000
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	6,534	5,346
Balance as per the Statement of Cash Flows		6,534	5,346
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,570	4,760
Adjust for non-cash items:			
Depreciation and amortisation		5,234	4,946
Net losses/(gains) on disposal of assets		(6)	101
Adoption of AASB 15/1058		(660)	—
Share of net (profits)/losses of associates/joint ventures using the equity method		102	(1,461)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		267	(2,064)
Increase/(decrease) in provision for impairment of receivables		—	5
Decrease/(increase) in inventories		(87)	(58)
Decrease/(increase) in other current assets		32	5
Increase/(decrease) in payables		213	(441)
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		(98)	114
Increase/(decrease) in other liabilities		1,412	231
Increase/(decrease) in contract liabilities		375	—
Increase/(decrease) in provision for employee benefits		87	93
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,440	6,230

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2020 \$ '000	2019 \$ '000	2020 \$ '000	2019 \$ '000
Joint ventures	(102)	1,461	1,359	1,461
Total	(102)	1,461	1,359	1,461

Joint arrangements

The following information is provided for joint arrangements that are individually material to the Council. Included are the amounts as per the individual joint arrangement's financial statements, adjusted for fair-value adjustments, rather than Council's share.

Council is a member of the Far West Joint Organisation of Councils (FWJO). Details of Council's membership and participation is as follows:

The FWJO is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008.

The FWJO has the same year end date as the Council.

The principal functions of the Far West Joint Organisation will be to:

Establish strategic regional priorities for the joint organisation area and develop strategies and plans for delivering these priorities;

1. Provide regional leadership for the joint organisation area and to be an advocate for strategic regional priorities;
2. Identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area;
3. Enhancing strategic capacity to support member councils to deliver services to their communities;
4. Service delivery to provide services directly to communities within the region.

The percentage ownership interest held is equivalent to the percentage voting rights for all associates as follows:

FWJO comprises the Councils of the Shires of Balranald, Wentworth, Broken Hill and Central Darling Shire Councils. The Board of the FWJO comprises 4 voting members being the Mayors of the four member Councils, and non voting members being the General Managers of the four member Councils, as well as 3 appointed members from the State Government and Cabinet (non-voting).

Balranald Shire Council, as a member of the FWJO, has a one quarter voting right (25%) in respect to the decisions of the Board.

For the 2019/20 year, no member Councils were required to make contributions to the FWJO.

Members of the FWJO are indemnified from liability for functions and duties carried out or omitted honestly, in good faith and with due care and diligence.

The FWJO has engaged an Executive Officer on a standard Local Government employment contract for 3 years.

There are no liability issues identified for Council in the short to medium term.

Far West Joint Organisation 2020

Equity Method \$'000

Summarised Statement of Financial Position

Current assets	5,421
Non-current assets	36
Current liabilities	(19)
Non-current liabilities	-
Net assets	5,438

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

Summarised Statement of Income and other Comprehensive Income

Grant funding	6,150
Interest income	<u>33</u>
Total Income from Continuing Operations	6,183

Employee benefits	(304)
Borrowing costs	-
Depreciation and amortisation	(11)
Administration expense	<u>(430)</u>
Total Expense from Continuing Operations	(745)

Profit/(loss) from continuing operations 5,438

Other Comprehensive Income -
Total Comprehensive Income 5,438

Summarised Statement of Cash Flows

Cash flows from operating activities	5,418
Cash flows from investing activities	(47)
Cash flows from financing activities	-

Net Increase/(Decrease) in cash and cash equivalents 5,371

Reconciliation of carrying amount of interest in the joint arrangement to summarised financial information for FWJO accounted for using the Equity method:

Balranald Shire Council's share of Net Assets	1,359
Carrying amount	<u>1,359</u>

Accounting policy for joint arrangements

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

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. If the Council's share of losses of a joint arrangement equals or exceeds its interest in the joint arrangement, the Council discontinues recognising its share of further losses.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

	2020 \$ '000	2019 \$ '000
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	–	184
Roads	200	831
Other Structures	422	–
Total commitments	622	1,015

These expenditures are payable as follows:

Within the next year	622	1,015
Total payable	622	1,015

Sources for funding of capital commitments:

Future grants and contributions	264	124
Unexpended grants	358	891
Total sources of funding	622	1,015

Details of capital commitments

Drought funding round 2.
Our Rivers Our Region swing bridge project.

	2020 \$ '000	2019 \$ '000
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(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	–	4
Total non-cancellable operating lease commitments	–	4

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

Refer to Note 15 for information relating to leases for 2020.

Leased: 1 x Isuzu NPR400 Truck. 5 year lease terminating in September 2019.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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

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

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

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

Description of the funding arrangements.

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

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

Division B	1.90 times employee contributions for non-180 Point Member: Nil for 180 Point Member *
Division C	2.50% salaries
Division D	1.64 times employee contributions

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

The additional lump sum contribution is around 0.30% of the total additional lump sum contributions for all Pooled Employers (\$40.0 million until 30 June 2021) apportioned according to each employer's share of the accrued liabilities as at 30 June 2020.

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

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

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

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

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

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 \$11,551.22. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 30 June 2019, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$27,700. Council's expected contribution to the plan for the next annual reporting period is \$67,771.96.

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

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

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

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 *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management

Risk management

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

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

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

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

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

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,534	5,346	6,534	5,346
Receivables	2,493	2,760	2,493	2,760
Investments				
– 'Financial assets at amortised cost'	5,250	4,500	5,250	4,500
Total financial assets	14,277	12,606	14,277	12,606
Financial liabilities				
Payables	3,069	2,172	3,069	2,172
Loans/advances	2,293	2,558	2,293	2,558
Total financial liabilities	5,362	4,730	5,362	4,730

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the instruments held are:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2020				
Possible impact of a 1% movement in interest rates	118	118	(118)	(118)
2019				
Possible impact of a 1% movement in interest rates	99	99	(99)	(99)

(b) Credit risk

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	–	180	43	46	7	276
2019						
Gross carrying amount	–	153	27	23	8	211

Receivables - non-rates and annual charges

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2020						
Gross carrying amount	1,008	884	6	163	182	2,243
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.70%	0.22%
ECL provision	–	–	–	–	5	5
2019						
Gross carrying amount	309	1,847	51	278	90	2,575
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	5.00%	0.17%
ECL provision	–	–	–	–	5	5

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2020							
Trade/other payables	0.00%	1,826	1,141	–	–	2,967	2,967
Loans and advances	5.74%	–	257	837	1,199	2,293	2,293
Total financial liabilities		1,826	1,398	837	1,199	5,260	5,260
2019							
Trade/other payables	0.01%	445	1,657	–	–	2,102	2,102
Loans and advances	5.24%	–	383	1,600	575	2,558	2,558
Total financial liabilities		445	2,040	1,600	575	4,660	4,660

Loan agreement breaches

There were not any breaches to loan agreements which have occurred during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 27/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	3,812	3,816	4	0% F
User charges and fees	2,325	2,356	31	1% F
Other revenues	294	234	(60)	(20)% U
Council over-estimated other revenues when preparing the budget for 2019/2020.				
Operating grants and contributions	6,433	8,080	1,647	26% F
<ul style="list-style-type: none"> Financial assistance grant funding was budgeted as \$3.873 million but actual was \$4.363 million - a difference of \$490k. Roads to Recovery grant funding was budgeted as \$666k, but actual was \$1,249k - a difference of \$583k. 				
Capital grants and contributions	10,336	4,057	(6,279)	(61)% U
A capital grant amount of \$4.68 million was budgeted for the Bidgee Haven extension works for the 2019/20 financial year. None of this grant funding was received up to 30 June 2020 as the project was not commenced prior to 30 June 2020.				
Interest and investment revenue	106	153	47	44% F
An overall better than expected return of interest on investments. When the budget was set, a very conservative estimate was taken given the reduction in the RBA cash rate over the past 12 months.				
Net gains from disposal of assets	–	6	6	∞ F
Gain made on the disposal of a light vehicle during the 2019/20. Vehicle wasn't expected to be sold at time of setting the budget.				
Rental income	135	114	(21)	(16)% U
COVID-19 epidemic has had an impact on certain leases with rental revenue down on hall hire, caravan parks and some of the Council housing been vacant during the financial year.				
Joint ventures and associates – net profits	–	–	–	∞ F
EXPENSES				
Employee benefits and on-costs	5,891	5,019	872	15% F
Actual was under expected budget due to staff turnover and some positions not been filled straight away when an employee left Council employment. Also, some positions were budgeted for but were not filled during the financial year.				
Borrowing costs	144	143	1	1% F
Materials and contracts	3,429	3,182	247	7% F
Depreciation and amortisation	5,029	5,234	(205)	(4)% U

continued on next page ...

Page 65 of 91

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Other expenses	1,873	1,566	307	16% F
Council over-estimated other expenses when preparing the budget for 2019/2020.				
Joint ventures and associates – net losses	–	102	(102)	∞ U
Council has a 25% share of the Far West Joint Organisation (FWJO). The (\$102k) is Council's share of the movement in the FWJO for the financial year. Budget was not considered for this when setting the 2019/20 budget.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	12,853	10,440	(2,413)	(19)% U
Main variance has been in the Grants and Contributions. Budgeted cashflow was \$16,758k but actual was \$12,929k - a variance of (\$3,829k). This is the result of certain grants relating to the Market St Revitalisation and Bidgee Haven extension works been budgeted for, but grant funding wasn't received.				
The variance of (\$3,829k) is offset by a saving in operating expenditure of \$1,348k - total operational expenditure budget was \$11,005k but actual total was \$9,657k.				
Cash flows from investing activities	(13,352)	(8,987)	4,365	(33)% F
Main variance is to do with the purchase of IPP&E. Capital expenditure was budgeted at 13,436k but actual expenditure (cash) was \$8,277k - a variance of \$5,159k. The bulk of the variance is due to the Bidgee Haven extension works not commencing during the 2019/20 year.				
Cash flows from financing activities	(265)	(265)	–	0% F

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020		Fair value measurement hierarchy			
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
\$ '000					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	–	–	2,333	2,333
Office equipment	30/06/20	–	–	109	109
Furniture and fittings	30/06/20	–	–	131	131
Land – operational	30/06/18	–	3,514	–	3,514
Land community	30/06/20	–	–	2,214	2,214
Land improvements	30/06/20	–	–	941	941
Buildings non - specialised	30/06/18	–	1,430	18,935	20,365
Buildings specialised	30/06/18	–	–	620	620
Other structures	30/06/20	–	–	10,302	10,302
Roads and bridges	30/06/18	–	–	75,415	75,415
Kerb and channels	30/06/18	–	–	3,695	3,695
Footpaths	30/06/18	–	–	933	933
Stormwater drainage	30/06/18	–	–	3,581	3,581
Water supply network	30/06/18	–	–	9,826	9,826
Sewerage network	30/06/18	–	–	8,948	8,948
Swimming pools	30/06/18	–	–	1,352	1,352
Other	30/06/20	–	–	612	612
Total infrastructure, property, plant and equipment		–	4,944	139,947	144,891

2019		Fair value measurement hierarchy			
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
\$ '000					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	–	–	2,247	2,247
Office equipment	30/06/19	–	–	98	98
Furniture and fittings	30/06/19	–	–	99	99
Land – operational	30/06/18	–	3,410	–	3,410
Land community	30/06/18	–	975	3,081	4,056
Land improvements	30/06/18	–	–	792	792

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019 \$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	Total
Buildings non - specialised	30/06/18	—	1,430	19,775	21,205
Buildings specialised	30/06/18	—	—	585	585
Other structures	30/06/18	—	—	6,759	6,759
Roads and bridges	30/06/18	—	—	75,788	75,788
Kerb and channels	30/06/18	—	—	3,757	3,757
Footpaths	30/06/18	—	—	965	965
Stormwater drainage	30/06/18	—	—	3,650	3,650
Water supply network	30/06/19	—	—	9,547	9,547
Sewerage network	30/06/19	—	—	8,720	8,720
Swimming pools	30/06/18	—	—	1,170	1,170
Other	30/06/18	—	—	458	458
Total infrastructure, property, plant and equipment		—	5,815	137,491	143,306

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

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

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

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 & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant & equipment- Graders, Trucks, rollers, tractors and motor vehicles.
- Office equipment- Computers, photocopies, calculators etc.
- Furniture & Fittings- Chairs, desks and display boards.

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

Operational & Community Land

Operational & community Land are based on either the market value approach (level 2) or the cost approach (level 3). Operational Land is represented by actual market values in the Balranald Shire LGA. Operational land was valued based on observable market values (level 2). Community land includes a component of market values, but the bulk of community land was considered to be non observable market evidence and as such have been classified at a level 3.

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

Buildings- Non Specialised & Specialised

Non- Specialised & Specialised Buildings have been valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. The approaches estimated the replacement cost of each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square market based evidence (level) 2 was established for some building assets, the majority of building assets were valued at a level 3.

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

Other Structures

Other structures comprise of aerodrome runway, lighting, irrigation systems and fencing etc. have been valued externally by Herron Todd White (South East Regional Australia) Pty Ltd of 133 End Street Deniliquin NSW 2710 using the cost approach.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

The approach estimated the replacement cost of the asset by componentising the asset into significant parts. No market evidence (level 2) inputs are available therefore level 3 valuation inputs were used for this asset class.

Roads, Bridges, Footpaths & Drainage Infrastructure.

Roads comprise roads carriageway, roadside shoulders & Kerb and Gutter and Channels. Bridges comprised of Bridges and Major Culverts. All these asset classes were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. The approach estimated the replacement cost for each asset by componentising the assets into significant parts using Balranald Shire Council's internal data base of costs. From field observations taken during this revaluation most of the unsealed road network has been reclassified from a formed and paved road asset to a formed only road asset. Further, the useful life of formations was changed to better align with the useful lives of formations by neighbouring Councils. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Apart from reclassifying certain components of the road network, there had been no change to the valuation process during the reporting period.

Water Supply Network

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

The cost approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. All Water Supply Network Assets were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. All Water Supply Network Assets were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. The approach estimated the replacement cost for each pool by componentising its significant parts. While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

	Plant and equipment \$ '000	Office equipment \$ '000	Furniture and fittings \$ '000	Community Land \$ '000	Land improvement \$ '000
2019					
Opening balance	1,967	52	74	3,951	808
Purchases (GBV)	896	58	33	—	—
Disposals (WDV)	(266)	—	—	—	—
Depreciation and impairment	(350)	(12)	(10)	—	—
Adjustments and Transfers	—	—	2	105	(16)
Closing balance	2,247	98	99	4,056	792

2020					
Opening balance	2,247	98	99	4,056	792
Purchases (GBV)	499	38	46	—	149
Disposals (WDV)	(34)	—	—	—	—
Depreciation and impairment	(379)	(27)	(14)	—	—
Adjustments and Transfers	—	—	—	(105)	—
Revaluations	—	—	—	(1,737)	—
Closing balance	2,333	109	131	2,214	941

	Buildings non specialised \$ '000	Building specialised \$ '000	Other structures \$ '000	Roads and bridges \$ '000	Kerb and gutter \$ '000
2019					
Opening balance	19,773	593	7,343	75,121	3,820
Purchases (GBV)	27	—	607	3,992	—
Depreciation and impairment	(549)	(8)	(107)	(3,266)	(63)
WIP Transfers	(27)	—	7	(40)	—
Adjustments and Transfers	551	—	(1,091)	(19)	—
Closing balance	19,775	585	6,759	75,788	3,757

2020					
Opening balance	19,775	585	6,759	75,788	3,757
Purchases (GBV)	291	19	2,118	3,088	—
Depreciation and impairment	(550)	(8)	(208)	(3,357)	(62)
WIP Transfers	2	24	140	—	—
Adjustments and Transfers	(583)	—	776	(104)	—
Revaluations	—	—	717	—	—
Closing balance	18,935	620	10,302	75,415	3,695

	Footpaths \$ '000	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000	Swimming pool \$ '000
2019					
Opening balance	960	3,697	9,541	7,873	701
Purchases (GBV)	37	—	124	825	3
Depreciation and impairment	(32)	(59)	(263)	(157)	(23)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

	Footpaths \$ '000	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000	Swimming pool \$ '000
WIP Transfers	—	12	(8)	53	(3)
Revaluations	—	—	153	126	492
Closing balance	965	3,650	9,547	8,720	1,170
2020					
Opening balance	965	3,650	9,547	8,720	1,170
Purchases (GBV)	—	—	458	369	226
Depreciation and impairment	(32)	(59)	(271)	(175)	(23)
WIP Transfers	—	—	—	—	3
Adjustments and Transfers	—	(10)	1	(49)	(29)
Revaluations	—	—	91	83	5
Closing balance	933	3,581	9,826	8,948	1,352
				Other assets \$ '000	Total \$ '000
2019					
Opening balance				464	136,738
Purchases (GBV)				16	6,618
Disposals (WDV)				—	(266)
Depreciation and impairment				(22)	(4,921)
WIP Transfers				—	(6)
Adjustments and Transfers				—	(468)
Revaluations				—	771
Closing balance				458	138,466
2020					
Opening balance				458	138,466
Purchases (GBV)				4	7,305
Disposals (WDV)				—	(34)
Depreciation and impairment				(43)	(5,208)
WIP Transfers				—	169
Adjustments and Transfers				—	(103)
Revaluations				193	(648)
Closing balance				612	139,947

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

There were no transfers between FV hierarchy.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

	Fair value (30/6/20) \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	2,333	Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Office equipment	109	Replacement Cost	Current Replacement Cost, Remaining Useful Life
Furniture and fittings	131	Replacement Cost	Current Replacement Cost, Remaining Useful Life
Community Land	2,214	Fair Value	New South Wales Valuer Generals Unimproved Value
Land improvements	941	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Buildings non specialised	20,365	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Building specialised	620	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other structures	10,302	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Roads and bridges	75,415	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Kerb and gutter	3,695	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Footpaths	933	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Stormwater drainage	3,581	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Water supply network	9,826	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Sewerage network	8,948	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Swimming pools	1,352	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other assets	612	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. The aggregate amount of KMP compensation included in the Income Statement is:

	2020 \$ '000	2019 \$ '000
Compensation:		
Short-term benefits	877	784
Termination benefits	19	26
Total	896	810

(b) Other transactions with KMP and their related parties

Nature of the transaction	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2020					
Spouse Short Term Benefits - Council Employment	16	—		—	—

Note 26. Events occurring after the reporting date

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

Note 27. Statement of developer contributions

Council currently has no S7.11 developer contribution plans.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	2,540	702	574
User charges and fees	1,545	737	74
Interest and investment revenue	110	31	12
Other revenues	106	94	34
Grants and contributions provided for operating purposes	8,067	7	6
Grants and contributions provided for capital purposes	4,057	–	–
Net gains from disposal of assets	6	–	–
Rental income	114	–	–
Total income from continuing operations	16,545	1,571	700
Expenses from continuing operations			
Employee benefits and on-costs	4,717	240	62
Borrowing costs	95	48	–
Materials and contracts	2,860	213	109
Depreciation and amortisation	4,788	271	175
Other expenses	1,320	184	62
Share of interests in joint ventures and associates using the equity method	102	–	–
Total expenses from continuing operations	13,882	956	408
Operating result from continuing operations	2,663	615	292
Net operating result for the year	2,663	615	292
Net operating result attributable to each council fund	2,663	615	292
Net operating result for the year before grants and contributions provided for capital purposes	(1,394)	615	292

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 28. Result by fund (continued)

	General ¹ 2020 \$ '000	Water 2020 \$ '000	Sewer 2020 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,798	1,317	419
Investments	4,150	600	500
Receivables	2,135	193	39
Inventories	195	–	–
Other	11	–	–
Total current assets	11,289	2,110	958
Non-current assets			
Receivables	44	64	18
Infrastructure, property, plant and equipment	125,704	10,252	9,291
Investments accounted for using the equity method	1,359	–	–
Intangible assets	375	–	–
Total non-current assets	127,482	10,316	9,309
TOTAL ASSETS	138,771	12,426	10,267
LIABILITIES			
Current liabilities			
Payables	2,985	56	25
Contract liabilities	375	–	–
Borrowings	185	63	–
Provisions	743	–	–
Total current liabilities	4,288	119	25
Non-current liabilities			
Payables	3	–	–
Borrowings	1,339	706	–
Provisions	288	–	–
Total non-current liabilities	1,630	706	–
TOTAL LIABILITIES	5,918	825	25
Net assets	132,853	11,601	10,242
EQUITY			
Accumulated surplus	46,790	4,561	3,090
Revaluation reserves	86,063	7,040	7,152
Council equity interest	132,853	11,601	10,242
Total equity	132,853	11,601	10,242

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 29(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(391)	(2.65)%	(3.35)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	14,753			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	6,673	35.48%	35.07%	>60.00%
Total continuing operating revenue ¹	18,810			
3. Unrestricted current ratio				
Current assets less all external restrictions	10,240	5.72x	3.78x	>1.50x
Current liabilities less specific purpose liabilities	1,791			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,986	12.22x	11.45x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	408			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	276	6.84%	5.84%	<10.00%
Rates, annual and extra charges collectible	4,035			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	11,784	12.64 mths	11.94 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	932			

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(10.40)%	(9.75)%	39.15%	36.85%	41.71%	18.78%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	26.69%	26.51%	99.55%	100.00%	99.14%	99.34%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.72x	3.78x	17.73x	16.00x	38.32x	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12.07x	11.84x	8.41x	8.14x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.03%	4.83%	8.99%	7.81%	7.72%	8.03%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.41 mths	10.16 mths	32.35 mths	24.46 mths	67.66 mths	43.36 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

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

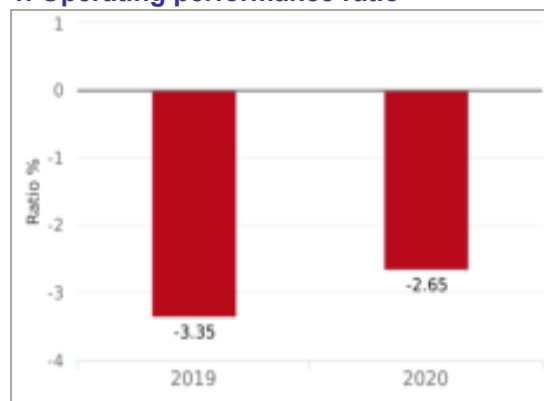
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(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 (2.65)%

Overall, revenue has remained consistent but expenditure has increased. Council has continued its rural road maintenance program, which was commenced in the 2018/19 year which increased the normal rural road maintenance to improve the road network.

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 35.48%

Unfortunately, Council will struggle to ever achieve the minimum 60% benchmark as the shire doesn't have sufficient rating base to raise revenue from in the form of rates and annual charges.

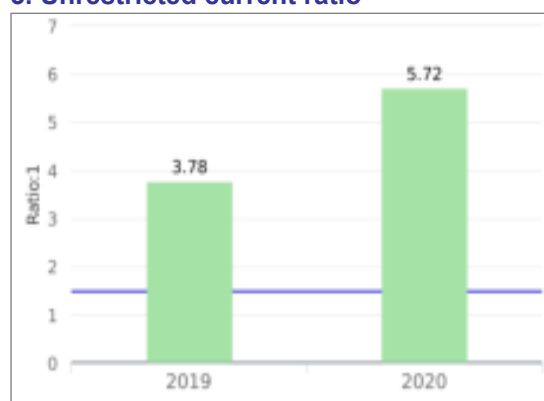
Benchmark: — > 60.00%

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 5.72x

Council received grant funding towards the end of the financial year, which was not spent by 30 June and lead to an overall increase in cash and cash equivalents of \$1.2 million and in investments of \$750,000. There was also an overall increase of \$500,000 in unrestricted cash.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

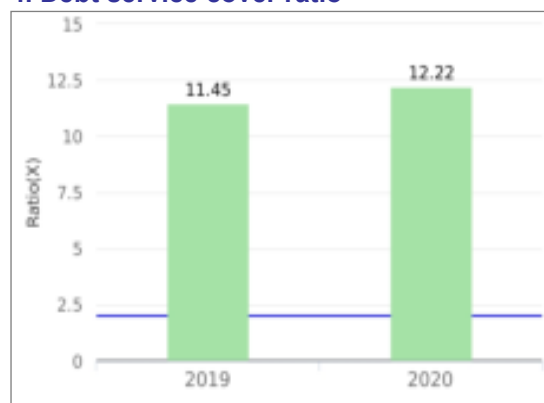
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(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 12.22x

Council has not taken on any new loans during the 2019/20 year. The outstanding loan balances continues to decrease, helping to improve this ratio.

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 6.84%

Council continues to actively collect outstanding rates and charges. The COVID-19 epidemic has had an impact on debt recovery activities, which saw Council not undertake recovery action since March 2020. This has resulted in the ratio increasing when compared to previous years, but is still under the benchmark of 10%.

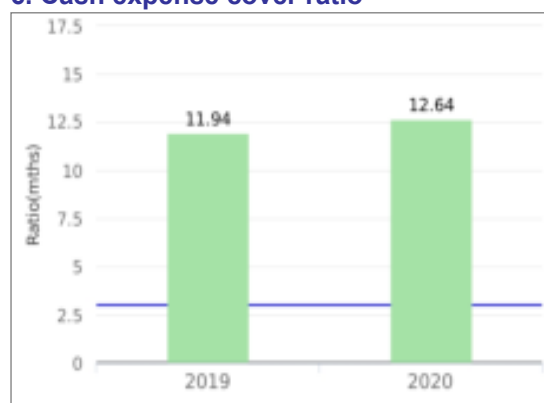
Benchmark: — < 10.00%

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 12.64 mths

Council receiving part of the 2020/21 Financial Assistance Grant before 30 June 2020 has helped to return a strong cash expense cover ratio result. Council continues to improve its overall cash holdings.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Balranald Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Segment reporting

	2020 \$ '000	2019 \$ '000
Residential Aged Care: Bidgee Haven Hostel		
Income Statement		
Income from Continuing Operations		
Residential Fees	359	358
Respite Care Subsidies	818	941
Interest on entry Contributions	12	7
Other	-	23
Total Income from Continuing Operations	1,189	1,329
Expenses from Continuing Operations		
Employee Costs	973	906
Consultancy Costs	1	6
Care and Catering Costs	59	58
Cleaning and Laundry Expenses	10	12
Administration Cost	60	54
Repairs and Maintenance	48	47
Insurance	10	13
Utilities Costs	37	38
General Expenses	17	20
Depreciation	54	58
Total Expenses from Continuing Operations	1,269	1,212
Operating Result from Continuing Operations	(80)	117
Net Profit/(Loss) from Discontinued Operations		
Net Operating Result for the Year	(80)	117
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(80)	117

Balranald Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Segment reporting

	2020 \$ '000	2019 \$ '000
Residential Aged Care: Bidgee Haven Hostel		
Balance Sheet		
ASSETS		
Current Assets		
Investments	1,557	432
Other	3	1
Total Current Assets	1,560	433
Non-Current Assets		
Office Equipment	22	24
Plant and Equipment	11	-
Furniture and Fittings	17	21
Buildings	2,728	2,588
Intangible Assets	300	300
Total Non-Current Assets	3,078	2,933
TOTAL ASSETS	4,638	3,366
LIABILITIES		
Current Liabilities		
Subsidy from Council	557	413
Provisions	54	51
Total Current Liabilities	611	464
Non-Current Liabilities		
Hostel Bonds	1,557	432
Provisions	19	14
Total Non-Current Liabilities	1,576	446
TOTAL LIABILITIES	2,187	910
Net Assets	2,451	2,456
EQUITY		
Retained earnings B/FWD	351	234
Revaluation Reserves	2,180	2,105
Operating result for year	(80)	117
Total Equity	2,451	2,456

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31. Council information and contact details

Principal place of business:

70 Market street
BALRANALD NSW 2715

Contact details

Mailing Address:

PO Box 120
BALRANALD NSW 2715

Opening hours:

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

Telephone: 03 5020 1300

Facsimile: 03 5020 1620

Internet: www.balranald.nsw.gv.au

Email: council@balranald.nsw.gv.au

Officers

General Manager

Mr Oliver McNulty

Elected members

Administrator

Mr Michael Colreavy

Responsible Accounting Officer Title

Mrs Terri Bilske

Public Officer

Mrs Terri Bilske

Auditors

Auditor General of NSW
Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney
NSW 2000



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Balranald Shire Council

To the Councillors of Balranald Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Manuel Moncada

Delegate of the Auditor-General for New South Wales

11 February 2021
SYDNEY



Michael Colreavy
Administrator
Balranald Shire Council
PO Box 120
Balranald NSW 2715

Contact: Manuel Moncada
Phone no: 02 9275 7333
Our ref: D2101697/1687

11 February 2021

Dear Administrator

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

I have audited the general purpose financial statements (GPFS) of the Balranald 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	3.82	3.29	↑ 16.1
Grants and contributions revenue	12.14	11.09	↑ 9.5
Operating result from continuing operations	3.57	4.76	↓ 25
Net operating result before capital grants and contributions	(0.49)	0.92	↓ 153

Council's operating result (\$3.57 million including the effect of depreciation and amortisation expense of \$5.23 million) was \$1.19 million lower than the 2018–19 result. This was mainly due to a reduction in income from the recognition of Council's share of the net assets of the Far South West Joint Organisation (FSWJO) which was first accounted for in 2018-19.

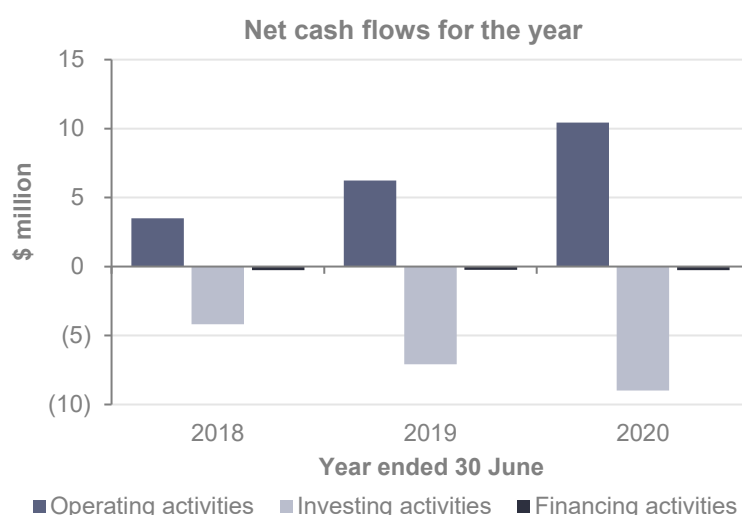
The net operating result before capital grants and contributions (\$487,000 deficit) was \$1.41 million lower than the 2018–19 result. This was mainly due to the recognition of Council's share of the net assets of the FSWJO noted above.

Rates and annual charges revenue (\$3.82 million) increased by \$527,000 (16 per cent) in 2019–2020. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 10 per cent in 2019–20. Annual charges for services increased by \$344,000.

Grants and contributions revenue (\$12.14 million) increased by \$1.05 million (9.5 per cent) in 2019–2020. This was primarily due to increased funding from the Roads to Recovery programme.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$1.2 million to \$6.5 million at the close of the year.
- The receipt of hostel bonds amounting to \$1.3 million contributed to the increase.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	3.9	4.1	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants and domestic waste management charges, and water and sewerage funds. Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	6.4	5.1	
Unrestricted	1.5	0.7	
Cash and investments	11.8	9.9	

Debt

After repaying principal and interest of \$408,000, total debt as at 30 June 2020 was \$2.3 million (2019: \$2.6 million).

PERFORMANCE

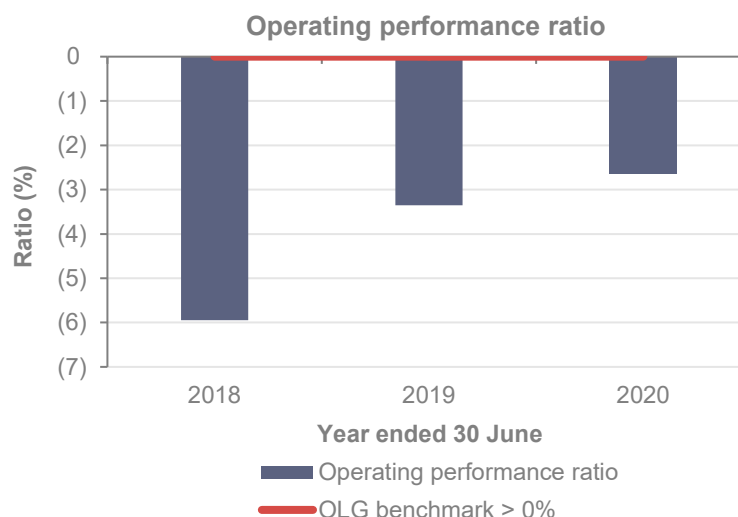
Performance measures

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.

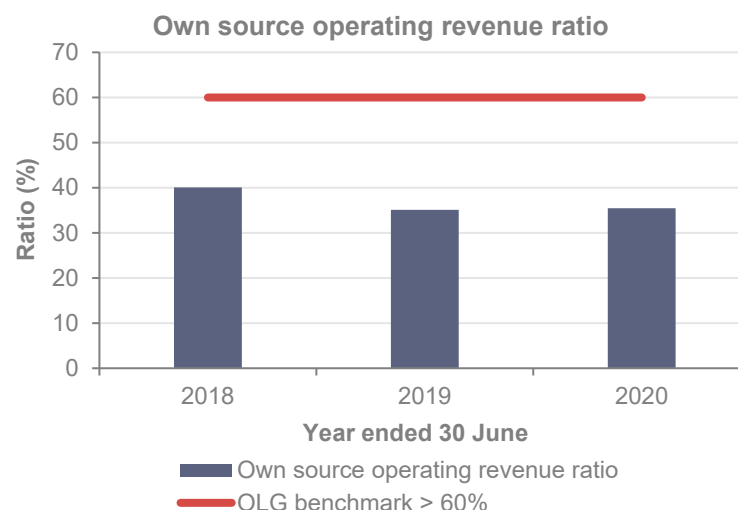
The Council did not meet the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

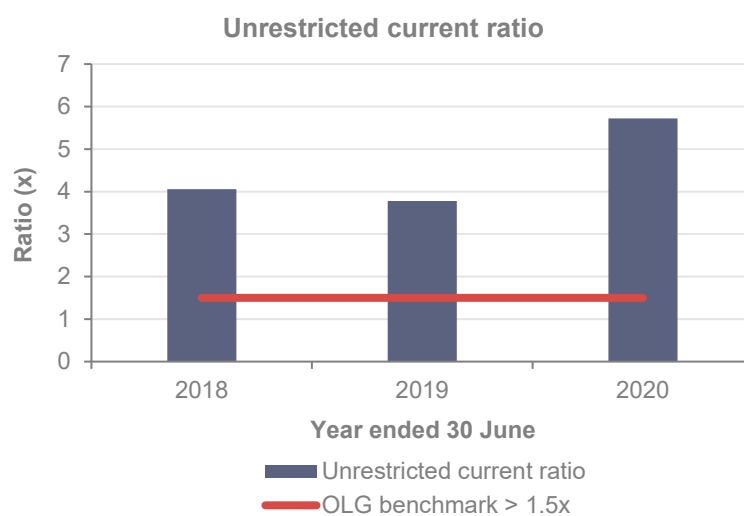
The Council did not meet the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

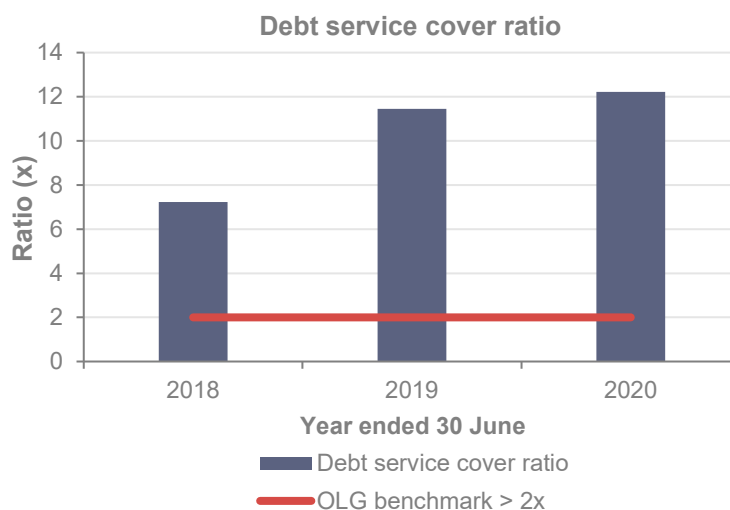
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

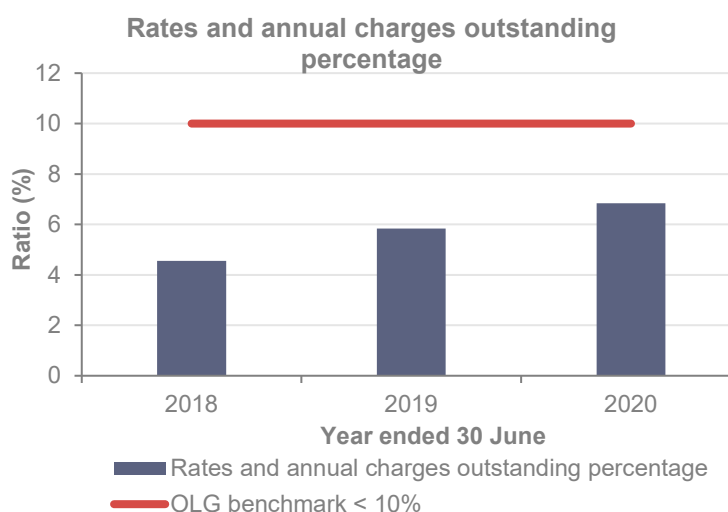
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

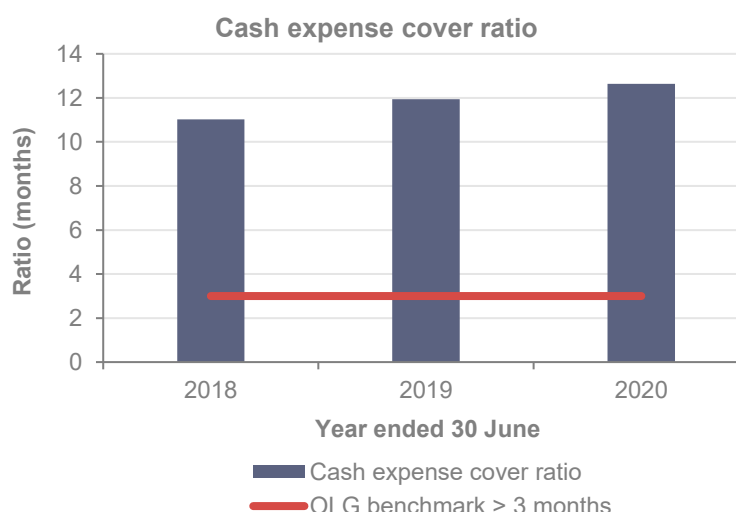
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$6.5 million compared \$3.7 million for the prior year
- The level of asset renewals during the year represented 125 percent of the total depreciation expense (\$5.2 million) for the year.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$660,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

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

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

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

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

Legislative compliance

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

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

The Council's:

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



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

cc: Oliver McNulty, General Manager
Rosanne Kava, Chair of Audit Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Balranald Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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

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).

Balranald Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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


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

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

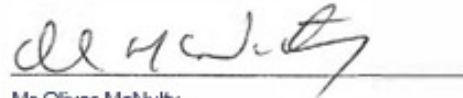
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 22 January 2021.



Mr Michael Coleavy
Administrator
22 January 2021



Mr Oliver McNulty
General Manager
22 January 2021



Mrs Terri Bilske
Responsible Accounting Officer
22 January 2021

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	702	671
User charges	735	776
Fees	2	3
Interest	31	35
Grants and contributions provided for non-capital purposes	7	–
Other income	94	51
Total income from continuing operations	1,571	1,536
Expenses from continuing operations		
Employee benefits and on-costs	240	215
Borrowing costs	48	51
Materials and contracts	213	208
Depreciation, amortisation and impairment	271	278
Water purchase charges	21	24
Other expenses	163	194
Total expenses from continuing operations	956	970
Surplus (deficit) from continuing operations before capital amounts	615	566
Surplus (deficit) from continuing operations after capital amounts	615	566
Surplus (deficit) from all operations before tax	615	566
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(169)	(156)
SURPLUS (DEFICIT) AFTER TAX	446	410
Plus accumulated surplus	3,946	3,380
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	169	156
Less:		
Closing accumulated surplus	4,561	3,946
Return on capital %	6.5%	6.3%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	446	410
Surplus for dividend calculation purposes	446	410
Potential dividend calculated from surplus	223	205

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
Income from continuing operations		
Access charges	574	409
User charges	72	13
Fees	2	3
Interest	12	20
Grants and contributions provided for non-capital purposes	6	3
Other income	34	10
Total income from continuing operations	700	458
Expenses from continuing operations		
Employee benefits and on-costs	62	56
Materials and contracts	109	83
Depreciation, amortisation and impairment	175	165
Other expenses	62	68
Total expenses from continuing operations	408	372
Surplus (deficit) from continuing operations before capital amounts	292	86
Surplus (deficit) from continuing operations after capital amounts	292	86
Surplus (deficit) from all operations before tax	292	86
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(80)	(24)
SURPLUS (DEFICIT) AFTER TAX	212	62
Plus accumulated surplus	2,798	2,712
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	80	24
Less:		
Closing accumulated surplus	3,090	2,798
Return on capital %	3.1%	0.9%
Subsidy from Council	–	34
Calculation of dividend payable:		
Surplus (deficit) after tax	212	62
Surplus for dividend calculation purposes	212	62
Potential dividend calculated from surplus	106	31

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,317	931
Investments	600	600
Receivables	193	293
Total current assets	2,110	1,824
Non-current assets		
Receivables	64	65
Infrastructure, property, plant and equipment	10,252	9,842
Total non-current assets	10,316	9,907
TOTAL ASSETS	12,426	11,731
LIABILITIES		
Current liabilities		
Payables	56	3
Borrowings	63	111
Total current liabilities	119	114
Non-current liabilities		
Borrowings	706	721
Total non-current liabilities	706	721
TOTAL LIABILITIES	825	835
NET ASSETS	11,601	10,896
EQUITY		
Accumulated surplus	4,561	3,946
Revaluation reserves	7,040	6,950
TOTAL EQUITY	11,601	10,896

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020 \$ '000	2019 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	419	248
Investments	500	500
Receivables	39	31
Total current assets	958	779
Non-current assets		
Receivables	18	13
Infrastructure, property, plant and equipment	9,291	9,076
Total non-current assets	9,309	9,089
TOTAL ASSETS	10,267	9,868
LIABILITIES		
Current liabilities		
Payables	25	–
Total current liabilities	25	–
TOTAL LIABILITIES	25	–
NET ASSETS	10,242	9,868
EQUITY		
Accumulated surplus	3,090	2,798
Revaluation reserves	7,152	7,070
TOTAL EQUITY	10,242	9,868

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

a. Balranald Shire Council combined water supplies

Comprising the whole of the operations and assets of the raw and filtered water supply systems, that services the towns of Balranald and Euston.

b. Balranald Shire Council sewerage service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems, that services the towns of Balranald and Euston.

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 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:

- 550% 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

Balranald Shire Council

To the Councillors of Balranald Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Balranald 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 Business Activity
- Sewerage Business Activity

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. 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.



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

11 February 2021
SYDNEY

Balranald Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules
for the year ended 30 June 2020

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2019/20 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	2,510	1,480
Plus or minus adjustments ²	b	21	641
Notional general income	c = a + b	2,531	2,121
Permissible income calculation			
Special variation percentage ³	d	10.00%	10.00%
Plus special variation amount	$h = d \times (c + g)$	253	212
Sub-total	$k = (c + g + h + i + j)$	2,784	2,333
Plus (or minus) last year's carry forward total	l	(174)	3
Sub-total	$n = (l + m)$	(174)	3
Total permissible income	$o = k + n$	2,610	2,336
Less notional general income yield	p	2,602	2,510
Catch-up or (excess) result	$q = o - p$	8	(174)
Carry forward to next year ⁴	$t = q + r + s$	8	(174)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) 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.

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	158	119	58	130	20,365	34,240	0.0%	30.0%	62.0%	6.0%	2.0%
	Buildings – specialised	—	—	—	11	620	938	95.0%	0.0%	0.0%	0.0%	5.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	158	119	58	141	20,985	35,178	2.5%	29.2%	60.3%	5.8%	2.1%
Other structures	Other structures	95	379	179	123	10,302	23,293	5.0%	42.0%	43.0%	10.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	95	379	179	123	10,302	23,293	5.0%	42.0%	43.0%	10.0%	0.0%
Roads	Sealed roads	206	772	588	642	43,082	60,161	89.0%	10.0%	0.0%	1.0%	0.0%
	Unsealed roads	1,929	1,447	928	1,699	30,117	62,283	10.0%	15.0%	46.0%	25.0%	4.0%
	Bridges	—	—	—	—	2,216	2,843	7.0%	0.0%	93.0%	0.0%	0.0%
	Footpaths	10	86	25	16	933	1,752	0.0%	21.0%	74.0%	5.0%	0.0%
	Other road assets	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and channels	—	—	18	8	3,695	5,073	30.0%	43.0%	24.0%	3.0%	0.0%
	Sub-total	2,145	2,305	1,559	2,365	80,043	132,112	46.5%	13.6%	25.6%	12.4%	1.9%
Water supply network	Water supply network	770	1,952	545	438	9,826	16,821	20.0%	9.0%	50.0%	16.0%	5.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	770	1,952	545	438	9,826	16,821	20.0%	9.0%	50.0%	16.0%	5.0%
Sewerage network	Sewerage network	426	1,119	211	106	8,948	13,404	7.0%	51.0%	30.0%	7.0%	5.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	426	1,119	211	106	8,948	13,404	7.0%	51.0%	30.0%	7.0%	5.0%
Stormwater drainage	Stormwater drainage	72	161	10	8	3,581	4,747	16.0%	83.0%	1.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	72	161	10	8	3,581	4,747	16.0%	83.0%	1.0%	0.0%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	—	7	1,352	1,982	10.0%	40.0%	46.0%	0.0%	4.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	—	7	1,352	1,982	10.0%	40.0%	46.0%	0.0%	4.0%
Other infrastructure assets	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		3,666	6,035	2,562	3,188	135,037	227,537	30.2%	22.4%	34.5%	10.7%	2.1%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2020	2020	2019	
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	3,500	74.74%	83.24%	>=100.00%
Depreciation, amortisation and impairment	4,683			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	3,666	2.79%	3.35%	<2.00%
Net carrying amount of infrastructure assets	131,342			
Asset maintenance ratio				
Actual asset maintenance	3,188	124.43%	95.67%	>100.00%
Required asset maintenance	2,562			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	6,035	2.65%	3.68%	
Gross replacement cost	227,537			

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

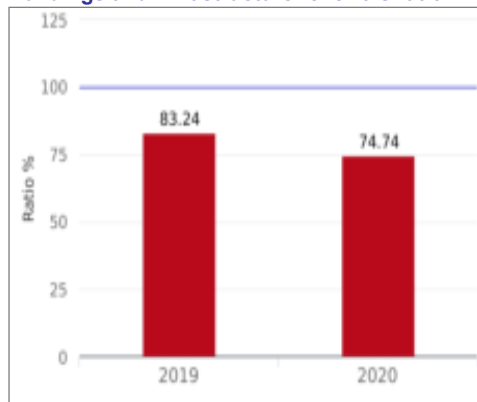
(1) Excludes Work In Progress (WIP)

(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 74.74%

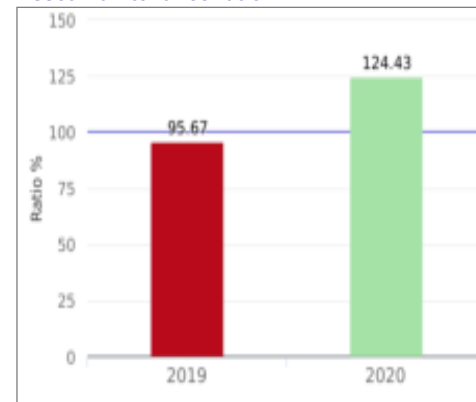
Benchmark: — $\geq 100.00\%$

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 124.43%

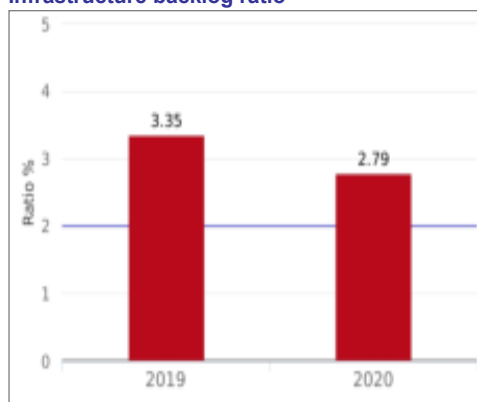
Benchmark: — $> 100.00\%$

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 2.79%

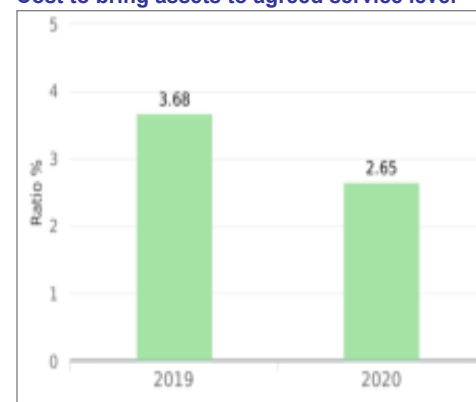
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 2.65%

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	82.61%	68.42%	0.00%	47.15%	0.00%	525.48%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.19%	2.76%	7.84%	10.10%	4.76%	4.75%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	146.40%	110.36%	80.37%	69.69%	50.24%	40.56%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.50%	2.35%	11.60%	15.08%	8.35%	8.38%	

(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.