



Greater
Hume
Council



Image: HiVision Imaging

Annual Financial Statements

For the year ended 30 June 2020



Greater
Hume
Council



Image: HiVision Imaging

General Purpose Financial Statements

For the year ended 30 June 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

39 Young Street
Holbrook NSW 2644

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.greaterhume.nsw.gov.au.

Greater Hume Shire Council

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.

Greater Hume 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:

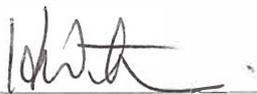
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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.

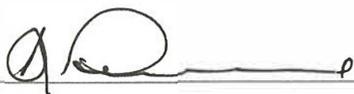
Signed in accordance with a resolution of Council made on 23 September 2020.



Councillor Heather Wilton
Mayor
23 September 2020



Councillor Doug Meyer OAM
Councillor
23 September 2020



Steven Pinnuck
General Manager
23 September 2020



Dean Hart
Responsible Accounting Officer
23 September 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
11,403	Rates and annual charges	3a	11,416	11,277
6,695	User charges and fees	3b	6,042	7,364
486	Other revenues	3c	339	553
11,800	Grants and contributions provided for operating purposes	3d,3e	14,027	8,875
4,230	Grants and contributions provided for capital purposes	3d,3e	4,711	7,176
575	Interest and investment income	4	461	634
–	Rental income	13e	227	–
<u>35,189</u>	Total income from continuing operations		<u>37,223</u>	<u>35,879</u>
Expenses from continuing operations				
9,670	Employee benefits and on-costs	5a	10,696	9,631
226	Borrowing costs	5b	231	260
8,079	Materials and contracts	5c	9,014	7,175
7,863	Depreciation and amortisation	5d	9,025	8,588
3,180	Other expenses	5e	6,963	3,233
–	Net losses from the disposal of assets	6	53	133
<u>29,018</u>	Total expenses from continuing operations		<u>35,982</u>	<u>29,020</u>
<u>6,171</u>	Net operating result for the year		<u>1,241</u>	<u>6,859</u>
(59)	Net operating result for the year before grants and contributions provided for capital purposes		(3,470)	(317)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		1,241	6,859
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	10(a)	133,601	857
Total items which will not be reclassified subsequently to the operating result		133,601	857
Total other comprehensive income for the year		133,601	857
Total comprehensive income for the year		134,842	7,716
Total comprehensive income attributable to Council		134,842	7,716

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	8,462	7,792
Investments	7(b)	15,273	16,195
Receivables	8	5,522	5,048
Inventories	9a	2,304	2,602
Other	9b	–	28
Total current assets		31,561	31,665
Non-current assets			
Receivables	8	10	12
Infrastructure, property, plant and equipment	10(a)	630,993	492,051
Intangible Assets	11	191	258
Right of use assets	13a	120	–
Total non-current assets		631,314	492,321
Total assets		662,875	523,986
LIABILITIES			
Current liabilities			
Payables	14	2,799	3,098
Income received in advance	14	–	374
Contract liabilities	12	793	–
Lease liabilities	13b	48	–
Borrowings	14	516	539
Provisions	15	3,532	3,195
Total current liabilities		7,688	7,206
Non-current liabilities			
Payables	14	1,497	1,222
Lease liabilities	13b	77	–
Borrowings	14	3,248	3,769
Provisions	15	5,210	620
Total non-current liabilities		10,032	5,611
Total liabilities		17,720	12,817
Net assets		645,155	511,169
EQUITY			
Accumulated surplus	16	266,989	266,604
Revaluation reserves	16	378,166	244,565
Council equity interest		645,155	511,169
Total equity		645,155	511,169

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		266,604	244,565	511,169	259,745	243,708	503,453
Changes due to AASB 1058 and AASB 15 adoption	16	(856)	–	(856)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
Net operating result for the year		1,241	–	1,241	6,859	–	6,859
Restated net operating result for the period		1,241	–	1,241	6,859	–	6,859
Other comprehensive income							
– Gain on revaluation of IPP&E	10(a)	–	133,601	133,601	–	857	857
Other comprehensive income		–	133,601	133,601	–	857	857
Total comprehensive income		1,241	133,601	134,842	6,859	857	7,716
Equity – balance at end of the reporting period		266,989	378,166	645,155	266,604	244,565	511,169

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
11,403	Rates and annual charges		11,637	11,284
6,695	User charges and fees		5,919	10,504
575	Investment and interest revenue received		610	523
16,030	Grants and contributions		18,996	13,536
–	Bonds, deposits and retention amounts received		695	697
1,678	Other		2,406	2,485
Payments:				
(9,670)	Employee benefits and on-costs		(10,238)	(9,484)
(8,092)	Materials and contracts		(11,575)	(9,431)
(229)	Borrowing costs		(206)	(233)
–	Bonds, deposits and retention amounts refunded		(448)	(497)
(3,181)	Other		(3,412)	(3,293)
15,209	Net cash provided (or used in) operating activities	17b	14,384	16,091
Cash flows from investing activities				
Receipts:				
1,000	Sale of investment securities		4,925	12,710
–	Sale of real estate assets		269	135
211	Sale of infrastructure, property, plant and equipment		412	1,291
14	Deferred debtors receipts		11	22
Payments:				
–	Purchase of investment securities		(4,003)	(16,195)
(16,098)	Purchase of infrastructure, property, plant and equipment		(14,575)	(14,884)
–	Purchase of real estate assets		(164)	(469)
–	Purchase of intangible assets		–	(84)
(14,873)	Net cash provided (or used in) investing activities		(13,125)	(17,474)
Cash flows from financing activities				
Receipts:				
320	Proceeds from borrowings and advances		–	–
Payments:				
(585)	Repayment of borrowings and advances		(544)	(586)
–	Lease liabilities (principal repayments)		(45)	–
(265)	Net cash flow provided (or used in) financing activities		(589)	(586)
71	Net increase/(decrease) in cash and cash equivalents		670	(1,969)
–	Plus: cash and cash equivalents – beginning of year	17a	7,792	9,761
71	Cash and cash equivalents – end of the year	17a	8,462	7,792
6,352	plus: Investments on hand – end of year	7(b)	15,273	16,195
6,423	Total cash, cash equivalents and investments		23,735	23,987

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23 September 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10(a)
- (ii) estimated tip remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council relies on the support of volunteers to safeguard and maintain some of its important Council assets. Whilst this support is recognised as a significant contribution to Council, the value of such services cannot be reliably measured and are therefore not recognised in Council's income statement.

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.

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

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows, as Council does not generally enter into service concession arrangements with private sector operators.

New accounting standards adopted during the year

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

COVID 19 Impacts

COVID 19 has caused a disruption to Council's business practices with a number of staff working remotely from home or at other Council facilities away from their usual workplace. Whilst this has caused some inconvenience, it has not resulted in significant additional cost. The social distancing requirements have necessitated the use of electronic means of communication such as Zoom and Microsoft Teams.

Council has provided some rent relief to lessees to compensate for lost income due to the business interruption and some additional costs have been incurred in closing down and cleaning of Council facilities, and providing staff and facilities with essential hygiene products.

Rate collections and other receivables have not been impacted for the period ended 30 June 2020.

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID-19. A large proportion of Council's physical assets were revalued during the financial year prior to the emergence of COVID-19. For assets where fair value is determined by market value Council has no evidence of material changes to these values.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Governance	48	16	1,170	1,124	(1,122)	(1,108)	41	–	21	26
Administration	532	407	2,949	3,355	(2,417)	(2,948)	168	66	31,914	32,904
Public order and safety	1,231	509	1,568	1,036	(337)	(527)	327	76	4,465	3,841
Health	175	156	160	143	15	13	–	–	–	3
Environment	1,309	2,660	2,137	1,703	(828)	957	97	103	2,939	1,842
Community services and education	2,352	1,287	2,409	1,316	(57)	(29)	1,248	396	5,765	4,627
Housing and community amenities	784	627	832	790	(48)	(163)	–	–	2,910	2,828
Water supplies	2,047	2,335	2,144	1,995	(97)	340	–	–	24,614	24,350
Sewerage services	1,819	2,242	1,778	1,719	41	523	–	–	38,053	37,682
Recreation and culture	2,326	1,111	4,016	3,699	(1,690)	(2,588)	2,227	954	37,697	37,098
Mining, manufacturing and construction	123	122	3,705	534	(3,582)	(412)	–	–	377	250
Transport and communication	9,515	9,416	12,301	10,610	(2,786)	(1,194)	4,835	3,336	506,746	371,885
Economic affairs	621	843	813	996	(192)	(153)	24	–	7,374	6,650
General purpose income	14,341	14,148	–	–	14,341	14,148	5,505	5,445	–	–
Total functions and activities	37,223	35,879	35,982	29,020	1,241	6,859	14,472	10,376	662,875	523,986

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 protection, emergency services, enforcement of regulations and animal control.

Health

Includes administration of health regulations.

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 youth services, aged and disabled persons services and children's' services including family day care and child care.

Housing and community amenities

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

Water supplies

Includes the provision of reticulated water to villages in the Greater Hume Shire area.

Sewerage services

Includes the provision of reticulated sewerage and common effluent services to villages in the Greater Hume Shire area.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control and quarries and pits.

Transport and communication

Includes urban, rural and regional roads, including sealed and unsealed roads, bridges, footpaths, kerb and gutter, parking areas, and aerodromes. Also includes natural disaster repair works and RMCC works.

Economic affairs

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

General purpose income

Includes general rates, general component of FAG grant and interest income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	3,214	3,068
Farmland	1058 (1)	5,150	5,000
Business	1058 (1)	231	248
Less: pensioner rebates (mandatory)	1058 (1)	(171)	(184)
Rates levied to ratepayers		8,424	8,132
Pensioner rate subsidies received	1058 (1)	93	106
Total ordinary rates		8,517	8,238
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	813	777
Water supply services	1058 (1)	584	661
Sewerage services	1058 (1)	1,370	1,319
Waste management services (non-domestic)	1058 (1)	172	167
Less: pensioner rebates (mandatory)	1058 (1)	(57)	(51)
Annual charges levied		2,882	2,873
Pensioner subsidies received:			
– Water	1058 (1)	(52)	91
– Sewerage	1058 (1)	38	42
– Domestic waste management	1058 (1)	31	33
Total annual charges		2,899	3,039
TOTAL RATES AND ANNUAL CHARGES		11,416	11,277

AASB column disclosure

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

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

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

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

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

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	139	146
Sewerage services	15 (1)	257	267
Water supply services	15 (1)	1,319	1,251
Waste management services (non-domestic)	15 (1)	13	13
Other	15 (1)	3	2
Total specific user charges		1,731	1,679
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	114	116
Animal control	15 (1)	48	56
Health administration	15 (1)	152	129
Planning and building regulation	15 (1)	7	12
Section 10.7 certificates (EP&A Act)	15 (1)	30	37
Section 603 certificates	15 (1)	31	34
Tapping fees	15 (1)	40	49
Town planning	15 (1)	117	106
Total fees and charges – statutory/regulatory		539	539
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care	15 (1)	55	56
Aged persons rents and fees	15 (1)	171	160
Asbestos waste disposal charges	15 (1)	–	1,052
Cemeteries	15 (1)	64	67
Child care	15 (1)	160	57
Caravan park	15 (1)	43	40
Libraries	15 (1)	16	25
Family day care	15 (1)	644	543
Leaseback fees – Council vehicles	15 (1)	64	67
Recycling income (non-domestic)	15 (1)	60	58
Private works	15 (1)	474	568
Tourism	15 (1)	16	24
Transport for NSW (state roads not controlled by Council)	15 (2)	1,848	2,285
Sports stadium	15 (1)	25	25
Swimming centres	15 (1)	78	84
Other	15 (1)	54	35
Total fees and charges – other		3,772	5,146
TOTAL USER CHARGES AND FEES		6,042	7,364

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

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

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

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

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

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Advertising	15 (1)	12	9
Legal fees recovery – rates and charges (extra charges)	1058 (1)	6	50
Commissions and agency fees	15 (1)	42	36
Legal fees recovery – other	1058 (1)	1	1
Diesel rebate	1058 (1)	159	67
Insurance claims recoveries	1058 (1)	54	71
Rental income – other council properties		–	268
Sales – miscellaneous	15 (1)	22	23
Other	1058 (1)	43	28
<u>TOTAL OTHER REVENUE</u>		<u>339</u>	<u>553</u>

AASB column disclosure

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

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

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

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

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

Accounting policy for other revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,637	1,645	–	–
Financial assistance – local roads component	1058 (1)	1,035	1,028	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,734	1,705	–	–
Financial assistance – local roads component	1058 (1)	1,099	1,067	–	–
Total general purpose		5,505	5,445	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	327	76	–	–
Child care	15 (2)	1,247	399	–	–
Child Care Centre	1058 (2)	–	–	309	137
Crown Land	1058 (2)	–	66	–	–
Floodplain management	1058 (2)	161	–	–	–
Employment and training programs	1058 (1)	9	–	–	–
Library	1058 (1)	107	79	–	–
LIRS subsidy	1058 (1)	27	32	–	–
Noxious weeds	1058 (1)	93	94	–	–
Recreation and culture	1058 (2)	–	–	1,810	734
Transport (roads to recovery)	1058 (1)	2,015	531	–	–
Natural disaster relief	1058 (1)	67	74	–	–
Transport (other roads and bridges funding)	1058 (1)	1,409	–	1,314	2,693
Tourism and economic development	1058 (1)	3	–	–	–
Other	1058 (1)	69	16	–	–
Total specific purpose		5,534	1,367	3,433	3,564
Total grants		11,039	6,812	3,433	3,564
Grant revenue is attributable to:					
– Other funding		13	13	113	–
– Commonwealth funding		7,519	6,081	23	–
– State funding		3,507	718	3,297	3,564
		11,039	6,812	3,433	3,564

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	6	16
S 7.12 – fixed development consent levies		1058 (1)	–	–	182	197
S 64 – water supply contributions		1058 (1)	–	–	90	144
S 64 – sewerage service contributions		1058 (1)	–	–	60	247
Other developer contributions		1058 (1)	–	–	32	423
Total developer contributions – cash			–	–	370	1,027
Total developer contributions	25		–	–	370	1,027
Other contributions:						
Cash contributions						
Rural Fire Service - Buildings & Amenities		1058 (1)	–	25	254	345
Natural Disaster Relief- Bushfires		1058 (1)	542	–	–	–
Drainage		1058 (1)	–	–	12	–
Kerb and Gutter		1058 (1)	–	–	–	9
Roads and bridges		1058 (1)	–	1	–	18
Real Estate Development		1058 (1)	–	–	–	83
Recreation and culture		1058 (1)	–	4	175	63
Transport for NSW contributions (regional roads, block grant)		1058 (1)	2,288	1,859	400	765
Other		1058 (1)	55	81	–	80
Road Safety Officer		15	103	93	–	–
Sewerage (excl. section 64 contributions)			–	–	4	8
Total other contributions – cash			2,988	2,063	845	1,371
Non-cash contributions						
Drainage		1058 (1)	–	–	–	331
Recreation and culture		1058 (1)	–	–	6	–
Roads and bridges		1058 (1)	–	–	3	512
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	–	254
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	–	66
Other		1058 (1)	–	–	54	51
Total other contributions – non-cash			–	–	63	1,214
Total other contributions			2,988	2,063	908	2,585
Total contributions			2,988	2,063	1,278	3,612
TOTAL GRANTS AND CONTRIBUTIONS			14,027	8,875	4,711	7,176

AASB column disclosureThe **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:**15 (1)** indicates income recognised under AASB 15 “at a point in time”,**15 (2)** indicates income recognised under AASB 15 “over time”,**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

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

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
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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	175	139
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	81
Add: operating grants received for the provision of goods and services in a future period	110	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(45)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	285	175

Unexpended operating grants relate mainly to noxious weeds management, bush fire recovery, library activities, health and wellbeing community projects and Crown Lands management. These amounts are expected to be spent during the next 12 months.

Capital grants

Unexpended at the close of the previous reporting period	796	400
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	778
Add: capital grants received for the provision of goods and services in a future period	570	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(382)
Less: capital grants received in a previous reporting period now spent and recognised as income	(777)	–
Unexpended and held as externally restricted assets (capital grants)	589	796

Unexpended capital grants relate to funding received under the Commonwealth Government Drought Communities and Crown Land Stimulus projects.

Contributions

Unexpended at the close of the previous reporting period	1,837	1,278
Add: contributions recognised as income in the current period but not yet spent	348	638
Less: contributions recognised in a previous reporting period now spent	(58)	(79)
Unexpended and held as externally restricted assets (contributions)	2,127	1,837

Unexpended contributions are developer contributions which may only be expended for the purposes for which the contributions were required and will be expended in future years.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	52	62
– Cash and investments	409	572
Total Interest and investment income	461	634
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	24	32
General Council cash and investments	288	428
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	7	5
Water fund operations	64	73
Sewerage fund operations	78	96
Total interest and investment revenue	461	634

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	8,823	7,804
Travel expenses	119	147
Employee leave entitlements (ELE)	1,114	1,078
Superannuation – defined contribution plans	811	713
Superannuation – defined benefit plans	155	190
Workers' compensation insurance	304	216
Fringe benefit tax (FBT)	14	18
Payroll tax	–	1
Training costs (other than salaries and wages)	151	177
Protective clothing	60	50
Other	106	114
Total employee costs	11,657	10,508
Less: capitalised costs	(961)	(877)
TOTAL EMPLOYEE COSTS EXPENSED	10,696	9,631

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 15 and Note 19 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		11	–
Interest on loans		191	229
Total interest bearing liability costs		202	229
Total interest bearing liability costs expensed		202	229
(ii) Other borrowing costs			
– Remediation liabilities	15	29	31
Total other borrowing costs		29	31
TOTAL BORROWING COSTS EXPENSED		231	260

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	2,466	1,984
Contractor and consultancy costs	6,384	5,029
Auditors remuneration	89	79
Legal expenses:		
– Legal expenses: planning and development	44	15
– Legal expenses: debt recovery	11	52
– Legal expenses: other	20	16
Total materials and contracts	9,014	7,175
TOTAL MATERIALS AND CONTRACTS	9,014	7,175
1. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms.		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	61	59
Remuneration for audit and other assurance services	61	59
Total Auditor-General remuneration	61	59
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal Audit and Audit Committee Services	27	20
Other Audit Services	1	–
Remuneration for audit and other assurance services	28	20
Total remuneration of non NSW Auditor-General audit firms	28	20
Total Auditor remuneration	89	79

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment	10a	917	757
Office equipment	10a	41	37
Furniture and fittings	10a	15	14
Infrastructure:			
– Buildings – non-specialised		379	356
– Buildings – specialised		643	612
– Other structures		917	905
– Roads		4,501	4,371
– Stormwater drainage		119	94
– Water supply network		428	420
– Sewerage network		594	581
– Swimming pools		347	366
Right of use assets	13	50	–
Reinstatement, rehabilitation and restoration assets:			
– Asset reinstatement costs	15,10(a)	4	5
– Quarry assets	15,10(a)	3	3
Intangible assets	11	67	67
Total gross depreciation and amortisation costs		9,025	8,588
Total depreciation and amortisation costs		9,025	8,588
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>9,025</u>	<u>8,588</u>

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	60	83
Bad and doubtful debts	115	(2)
Bank charges	47	46
Contributions/levies to other levels of government:		
– NSW fire brigade levy	49	33
– NSW rural fire service levy	365	365
– State Emergency Services levy	16	14
– Riverina Regional Library	272	251
– Other contributions/levies	23	41
Councillor Expenses		
– Mayoral fee	22	22
– Councillors' fees	114	109
– Other expenses	35	28
Donations, contributions and assistance to other organisations (Section 356)	245	327
Election expenses	–	36
Provision for remediation/rehabilitation tips and quarries	3,574	–
Electricity and heating	416	421
Insurance	543	485
Postage	37	36
Printing and stationery	258	140
Street lighting	151	185
Subscriptions and publications	111	85
Telephone and communications	117	222
Valuation fees	48	67
Water charges	278	223
Other	67	16
Total other expenses	6,963	3,233
TOTAL OTHER EXPENSES	6,963	3,233

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		178	325
Less: carrying amount of plant and equipment assets sold/written off		(104)	(556)
Net gain/(loss) on disposal		<u>74</u>	<u>(231)</u>
Infrastructure	10(a)		
Proceeds from disposal – infrastructure		234	966
Less: carrying amount of infrastructure assets sold/written off		(485)	(911)
Net gain/(loss) on disposal		<u>(251)</u>	<u>55</u>
Real estate assets held for sale	9		
Proceeds from disposal – real estate assets		269	135
Less: carrying amount of real estate assets sold/written off		(145)	(92)
Net gain/(loss) on disposal		<u>124</u>	<u>43</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		4,925	12,710
Less: carrying amount of investments sold/redeemed/matured		(4,925)	(12,710)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(53)</u>	<u>(133)</u>

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	3,162	4,492
Cash-equivalent assets		
– Term deposits	5,300	3,300
Total cash and cash equivalents	8,462	7,792

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 (when applicable) are shown within borrowings in current liabilities on the Statement of Financial Position.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'Financial assets at amortised cost'	15,273	–	16,195	–
Total Investments	15,273	–	16,195	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	23,735	–	23,987	–
Financial assets at amortised cost				
Term deposits	15,273	–	16,195	–
Total	15,273	–	16,195	–

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.

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.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	23,735	–	23,987	–
attributable to:				
External restrictions	8,514	–	8,883	–
Internal restrictions	10,345	–	11,272	–
Unrestricted	4,876	–	3,832	–
	23,735	–	23,987	–

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	746	–
External restrictions – included in liabilities	746	–

External restrictions

Developer contributions – general	463	323
Developer contributions – water fund	907	817
Developer contributions – sewer fund	757	697
Water supplies	1,909	2,331
Sewerage services	3,318	3,435
Specific purpose unexpended grants	128	971
Town improvement funds	75	75
Trust	207	230
Other	4	4
Total external restrictions	8,514	8,883

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Internal restrictions		
Plant and vehicle replacement	1,192	1,395
Employees' leave entitlement	892	823
Carry over works (uncompleted works)	2,268	3,070
Aged care units – Jindera	64	58
Bypass handover works contribution	557	557
Community facilities – former Hume	–	16
Culcairn community housing	239	220
Culcairn Oasis community newsletter	4	1
Henty housing	52	47
Family Day Care	526	565
Gum Swamp maintenance reserve	22	22
Henty Headerlines newsletter	11	11
Holbrook caravan park sale reserve	393	393
Holbrook Frampton Court	298	271
Holbrook housing	93	79
Holbrook Kala Court	189	157
Holbrook Village Hostel	249	272
Jindera Hostel	28	28
Land development reserve	353	262
Morven community fund	19	19
Quarry restoration	326	14
Risk management incentive bonus	111	135
Riverina Noxious Weeds program	66	66
St. John's Wort weeds	30	30
Submarine project	38	46
Waste management reserve	1,715	1,778
Works warranty	389	528
Weeds of the Riverina booklet	12	12
Walla Walla sportsground reserve	–	190
Woomargama streetscape	44	44
Other	165	163
Total internal restrictions	10,345	11,272
TOTAL RESTRICTIONS	18,859	20,155

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	681	–	637	–
Interest and extra charges	57	–	76	–
User charges and fees	1,403	–	1,468	–
Private works	648	–	725	–
Accrued revenues				
– Interest on investments	83	–	213	–
Amounts due from other councils	91	–	54	–
Deferred debtors	50	10	59	12
Government grants and subsidies	2,405	–	1,684	–
Net GST receivable	160	–	197	–
Other debtors	11	–	11	–
Total	5,589	10	5,124	12
Less: provision of impairment				
User charges and fees	(67)	–	(76)	–
Total provision for impairment – receivables	(67)	–	(76)	–
<u>TOTAL NET RECEIVABLES</u>	<u>5,522</u>	<u>10</u>	<u>5,048</u>	<u>12</u>

Externally restricted receivables**Water supply**

– Rates and availability charges	5	–	11	–
– Usage charges	556	–	640	–

Sewerage services

– Rates and availability charges	112	–	126	–
– Usage Charges	188	–	193	–

Domestic waste management

	63	–	49	–
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Total external restrictions

	924	–	1,019	–
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Unrestricted receivables

	4,598	10	4,029	12
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TOTAL NET RECEIVABLES

	5,522	10	5,048	12
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\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	76	78
+ new provisions recognised during the year	35	19
– amounts provided for but recovered during the year	(18)	(20)
– amounts already provided for and written off this year	(43)	(1)
Balance at the end of the year	67	76
Represented by:		
Expected credit loss (calculated in accordance with AASB 9)	16	6
Additional specific provisions	50	70
Balance at the end of the year	67	76

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 60 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.

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

Rates and annual charges outstanding are secured against the property.

COVID-19

Council's rates and user charges collections have not been significantly impacted by the COVID-19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until 30 September and no interest can be charged for the first 6 months. The impact this may have is not able to be measured at this stage however it is not expected to be significant.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	2,127	–	2,452	–
Stores and materials	177	–	150	–
Total inventories at cost	2,304	–	2,602	–
<u>TOTAL INVENTORIES</u>	<u>2,304</u>	<u>–</u>	<u>2,602</u>	<u>–</u>
(b) Other assets				
Prepayments	–	–	28	–
<u>TOTAL OTHER ASSETS</u>	<u>–</u>	<u>–</u>	<u>28</u>	<u>–</u>
<hr/>				
\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total unrestricted assets	2,304	–	2,630	–
TOTAL INVENTORIES AND OTHER ASSETS	2,304	–	2,630	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		602	–	791	–
Industrial/commercial		1,525	–	1,661	–
Total real estate for resale		2,127	–	2,452	–

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

Represented by:

Acquisition costs		1,201	–	1,238	–
Development costs		926	–	1,214	–
Total costs		2,127	–	2,452	–
Total real estate for resale		2,127	–	2,452	–

Movements:

Real estate assets at beginning of the year		2,452	–	2,179	–
– Purchases and other costs		164	–	469	–
– Transfers in from (out to) Note 10(a)		(344)	–	(104)	–
– WDV of sales (expense)	6	(145)	–	(92)	–
Total real estate for resale		2,127	–	2,452	–

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

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

\$ '000	2020	2019
Real estate for resale	1,635	2,354
	1,635	2,354

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

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

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

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

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

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Landfill Rehabilitation Re-measurement	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount	
\$ '000															
Capital work in progress	2,672	–	2,672	1,416	–	–	–	(2,236)	–	–	–	1,852	–	1,852	
Plant and equipment	10,662	(4,150)	6,512	–	1,503	(105)	(917)	–	–	–	–	11,825	(4,832)	6,993	
Office equipment	500	(306)	194	–	22	–	(41)	–	–	–	–	522	(347)	175	
Furniture and fittings	176	(105)	71	–	47	–	(15)	2	–	–	–	225	(120)	105	
Land:															
– Operational land	7,885	–	7,885	–	2	–	–	–	–	–	1,162	9,049	–	9,049	
– Community land	4,210	–	4,210	–	–	–	–	–	–	–	1,020	5,230	–	5,230	
– Land under roads (post 30/6/08)	673	–	673	–	3	–	–	–	–	–	–	676	–	676	
Infrastructure:															
– Buildings – non-specialised	21,579	(7,958)	13,621	–	1,080	–	(379)	179	–	87	–	22,925	(8,337)	14,588	
– Buildings – specialised	38,425	(21,291)	17,134	410	348	(68)	(643)	1,412	–	–	–	40,410	(21,817)	18,593	
– Other structures	18,304	(6,739)	11,565	847	227	(95)	(917)	567	–	–	–	19,668	(7,474)	12,194	
– Roads	330,586	(111,067)	219,519	6,198	206	(304)	(4,501)	–	–	95	58,904	378,227	(98,110)	280,117	
– Bulk earthworks (non-depreciable)	139,223	–	139,223	652	–	–	–	–	–	–	69,473	209,348	–	209,348	
– Stormwater drainage	10,792	(3,134)	7,658	–	135	–	(119)	21	–	46	2,531	13,290	(3,018)	10,272	
– Water supply network	31,909	(10,819)	21,090	–	55	–	(428)	–	–	57	200	32,324	(11,350)	20,974	
– Sewerage network	47,546	(14,796)	32,750	7	191	–	(594)	2	–	59	311	48,257	(15,531)	32,726	
– Swimming pools	9,998	(3,045)	6,953	57	166	(17)	(347)	53	–	–	–	10,257	(3,392)	6,865	
Reinstatement, rehabilitation and restoration assets (refer Note 12):															
– Tip assets	437	(142)	295	–	–	–	(4)	–	922	–	–	1,359	(146)	1,213	
– Quarry assets	78	(52)	26	–	–	–	(3)	–	–	–	–	78	(55)	23	
Total Infrastructure, property, plant and equipment	675,655	(183,604)	492,051	9,587	3,985	(589)	(8,908)	–	922	344	133,601	805,522	(174,529)	630,993	

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

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

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	1,043	–	1,043	102	2,325	–	–	(798)	–	–	–	2,672	–	2,672
Plant and equipment	10,179	(4,466)	5,713	–	2,107	(556)	(757)	5	–	–	–	10,662	(4,150)	6,512
Office equipment	450	(319)	131	–	101	(1)	(37)	–	–	–	–	500	(306)	194
Furniture and fittings	148	(95)	53	9	23	–	(14)	–	–	–	–	176	(105)	71
Land:														
– Operational land	7,983	–	7,983	–	–	(60)	–	–	–	(38)	–	7,885	–	7,885
– Community land	4,210	–	4,210	–	–	–	–	–	–	–	–	4,210	–	4,210
– Land under roads (post 30/6/08)	640	–	640	–	33	–	–	–	–	–	–	673	–	673
Infrastructure:														
– Buildings – non-specialised	20,998	(7,328)	13,670	88	42	–	(356)	–	177	–	–	21,579	(7,958)	13,621
– Buildings – specialised	38,923	(21,166)	17,757	72	165	(159)	(612)	126	(215)	–	–	38,425	(21,291)	17,134
– Other structures	17,567	(5,809)	11,758	231	338	(116)	(905)	221	38	–	–	18,304	(6,739)	11,565
– Roads	323,214	(107,053)	216,161	6,913	351	–	(4,371)	352	–	113	–	330,586	(111,067)	219,519
– Bulk earthworks (non-depreciable)	137,918	–	137,918	1,095	92	–	–	89	–	29	–	139,223	–	139,223
– Stormwater drainage	10,417	(3,039)	7,378	43	331	–	(94)	–	–	–	–	10,792	(3,134)	7,658
– Water supply network	31,288	(10,235)	21,053	–	117	–	(420)	3	–	–	337	31,909	(10,819)	21,090
– Sewerage network	46,483	(13,992)	32,491	297	21	–	(581)	2	–	–	520	47,546	(14,796)	32,750
– Swimming pools	9,919	(2,679)	7,240	57	22	–	(366)	–	–	–	–	9,998	(3,045)	6,953
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	437	(137)	300	–	–	–	(5)	–	–	–	–	437	(142)	295
– Quarry assets	78	(49)	29	–	–	–	(3)	–	–	–	–	78	(52)	26
Total Infrastructure, property, plant and equipment	661,895	(176,367)	485,528	8,907	6,068	(892)	(8,521)	–	–	104	857	675,655	(183,604)	492,051

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10
Office furniture	5 to 10	Benches, seats etc.	10
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5 to 12	Buildings: masonry	50 to 150
Other plant and equipment	6 to 10	Buildings: other	50 to 100
Water and sewer assets		Stormwater assets	
Dams and reservoirs	50 to 100	Drains	110
Bores	33	Culverts	100 to 120
Reticulation pipes: PVC	60 to 80		
Reticulation pipes: other	60 to 80		
Pumps and telemetry	25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 35	Bulk earthworks	Infinite
Sealed roads: pavement base	80 to 105	Swimming pools	40 -60
Sealed roads: pavement sub-base	160 to 210		
Unsealed roads	25 to 40		
Bridge: concrete	100 to 120		
Bridge/Culverts: other	100 to 120		
Kerb, gutter and footpaths	40		

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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*.

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

Greater Hume Shire Council recognises the land and buildings used by the Rural Fire Service situated within the Shire boundary, however, it does not account for Rural Fire Service plant or other equipment.

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	62	–	62	25	–	25
Land						
– Operational land	200	–	200	154	–	154
Infrastructure	32,324	11,350	20,974	31,909	10,819	21,090
Total water supply	32,586	11,350	21,236	32,088	10,819	21,269
Sewerage services						
WIP	41	–	41	14	–	14
Plant and equipment	24	24	–	24	24	–
Land						
– Operational land	908	–	908	493	–	493
Infrastructure	48,257	15,531	32,726	47,546	14,796	32,750
Total sewerage services	49,230	15,555	33,675	48,077	14,820	33,257
TOTAL RESTRICTED IPP&E	81,816	26,905	54,911	80,165	25,639	54,526

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	531	447
Accumulated amortisation	(273)	(206)
Net book value – opening balance	258	241
Movements for the year		
– Additions	–	84
– Amortisation charges	(67)	(67)
Closing values at 30 June		
Gross book value	531	531
Accumulated amortisation	(340)	(273)
Total software – net book value	191	258
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>191</u>	<u>258</u>

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

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

Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight line basis over periods generally ranging from three to ten years.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	590	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	156	–
Total grants received in advance		746	–
User fees and charges received in advance:			
Other		47	–
Total user fees and charges received in advance		47	–
Total contract liabilities		793	–

Notes

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

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

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	618	–
Contract liabilities relating to externally restricted assets	618	–
Total contract liabilities relating to restricted assets	618	–
Total contract liabilities relating to unrestricted assets	175	–
Total contract liabilities	793	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	157
Operating grants (received prior to performance obligation being satisfied)	699
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	856

Significant changes in contract 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

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

(i) Council as a lessee

Council has leases over a range office and IT equipment.

Council has other low value leases which are not material and not disclosed in this note.

Information relating to the leases in place and associated balances and transactions is provided below.

Office and IT equipment

Leases for office and IT equipment include photocopiers, servers and plotters.

The lease terms are between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

\$ '000	Plant & Equipment	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	170	170
Depreciation charge	(50)	(50)
<u>RIGHT OF USE ASSETS</u>	<u>120</u>	<u>120</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	48	77
<u>TOTAL LEASE LIABILITIES</u>	<u>48</u>	<u>77</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	55	83	–	138	125

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	11
Depreciation of right of use assets	50
	61

(d) Statement of Cash Flows

Total cash outflow for leases	55
	55

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- recreation facilities
- water and sewer infrastructure

The leases are generally renewed annually and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Accounting policy

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.

Accounting policy under AASB 117 and associated Accounting Interpretations

Accounting Standard AASB 117 applied to all lease payments made before 1 July, 2019. Council recognised payments associated with leases as an expense on a straight line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties for the purpose of low income housing, residential housing, health services, communications towers, community groups and other commercial enterprises. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 Investment Property as they are either occupied by council employees or held for strategic purposes.

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

\$ '000	2020
(i) Operating lease income	
Other lease income	
Commercial property	72
Residential property	68
Land	51
Room/Facility Hire	36
Total income relating to operating leases	227

(iv) Maturity analysis of contractual lease income

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

< 1 year	171
1–2 years	78
2–3 years	51
3–4 years	24
4–5 years	19
> 5 years	107
Total undiscounted contractual lease income receivable	450

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	1,125	–	1,664	–
Goods and services – capital expenditure	566	–	684	–
Accrued expenses:				
– Borrowings	32	–	36	–
– Salaries and wages	346	–	237	–
– Other expenditure accruals	81	–	65	–
Security bonds, deposits and retentions	384	1,497	412	1,222
Prepaid rates	265	–	–	–
Total payables	2,799	1,497	3,098	1,222
Income received in advance				
Payments received in advance	–	–	374	–
Total income received in advance	–	–	374	–
Borrowings				
Loans – secured ¹	516	3,248	539	3,769
Total borrowings	516	3,248	539	3,769
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,315</u>	<u>4,745</u>	<u>4,011</u>	<u>4,991</u>

(1) Loans are secured over the revenue of Council.
Disclosures on liability interest rate risk exposures and security can be found in Note 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	163	–	718	–
Sewer	27	–	23	–
Other – trust fund	207	–	230	–
Total payables and borrowings relating to restricted assets	397	–	971	–
Total payables and borrowings relating to unrestricted assets	2,918	4,745	3,040	4,991
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,315</u>	<u>4,745</u>	<u>4,011</u>	<u>4,991</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	384	412
Total payables and borrowings	384	412

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes		as at 30/06/20
	Opening Balance	Repay- ments of principal and interest	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	4,308	(544)	–	–	3,764
Lease liabilities	–	(56)	170	11	125
TOTAL	4,308	(600)	170	11	3,889

\$ '000	as at 30/06/18		as at 30/06/19	
	Opening Balance	Repay- ments of principal and interest	Opening Balance	Closing balance
Loans – secured	4,894	(586)	4,308	4,308
TOTAL	4,894	(586)	4,308	4,308

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
(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	40	40
Lease facilities	340	340
Total financing arrangements	580	580
Drawn facilities as at balance date:		
– Credit cards/purchase cards	9	9
Total drawn financing arrangements	9	9
Undrawn facilities as at balance date:		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	31	31
– Lease facilities	340	340
Total undrawn financing arrangements	571	571

(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.

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 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,003	–	826	–
Long service leave	2,412	162	2,265	98
Other leave	117	–	104	–
Sub-total – aggregate employee benefits	3,532	162	3,195	98
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	5,048	–	522
Sub-total – asset remediation/restoration	–	5,048	–	522
TOTAL PROVISIONS	3,532	5,210	3,195	620
Total provisions relating to unrestricted assets	3,532	5,210	3,195	620

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employee benefits	2,283	2,121
	<u>2,283</u>	<u>2,121</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	826	2,363	104	3,293
Additional provisions	731	377	6	1,114
Amounts used (payments)	(554)	(166)	7	(713)
Total ELE provisions at end of year	1,003	2,574	117	3,694
2019				
At beginning of year	806	2,173	104	3,083
Additional provisions	585	489	4	1,078
Amounts used (payments)	(583)	(303)	(4)	(890)
Other	18	4	–	22
Total ELE provisions at end of year	826	2,363	104	3,293

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	522	522
Changes to provision:		
– Revised cost recognised as remediation assets in IPP&E	922	922
– Revised costs recognised in income statement	3,574	3,574
Unwinding of discount	29	29
Total other provisions at end of year	5,048	5,048
2019		
At beginning of year	492	492
– Revised costs recognised in income statement	69	69
– Revised life	(9)	(9)
Unwinding of discount	31	31
Unused amounts reversed	(43)	(43)
Total other provisions at end of year	522	522

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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 capitalised as an asset for operating sites or charged to the Income Statement for closed sites. 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 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(ii) AASB 15 and AASB 1058**

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

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

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

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

Principal v agent

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Movement of balances between retained earnings and contract liabilities.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	699
– Under AASB 1058	157
Total Contract liabilities	856

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	8,462	–	–	8,462	
Investments	15,273	–	–	15,273	
Receivables	5,522	–	–	5,522	
Inventories	2,304	–	–	2,304	
Total current assets	31,561	–	–	31,561	
Current liabilities					
Payables	2,799	47	–	2,846	
Contract liabilities	793	(47)	(746)	–	
Lease liabilities	48	–	–	48	
Borrowings	516	–	–	516	
Provisions	3,532	–	–	3,532	
Total current liabilities	7,688	–	(746)	6,942	
Non-current assets					
Receivables	10	–	–	10	
Infrastructure, property, plant and equipment	630,993	–	–	630,993	
Intangible assets	191	–	–	191	
Right of use assets	120	–	–	120	
Total non-current assets	631,314	–	–	631,314	
Non-current liabilities					
Payables	1,497	–	–	1,497	
Lease liabilities	77	–	–	77	
Borrowings	3,248	–	–	3,248	
Provisions	5,210	–	–	5,210	
Total Non-current liabilities	10,032	–	–	10,032	
Net assets	645,155	–	746	645,901	
Equity					
Accumulated surplus	266,989	–	746	267,735	
Revaluation reserves	378,166	–	–	378,166	
Council equity interest	645,155	–	746	645,901	
Total equity	645,155	–	746	645,901	

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	11,416	–	–	11,416	
User charges and fees	6,042	–	–	6,042	
Other revenues	339	–	–	339	
Grants and contributions provided for operating purposes	14,027	–	544	14,571	
Grants and contributions provided for capital purposes	4,711	–	(434)	4,277	
Interest and investment income	461	–	–	461	
Rental income	227	–	–	227	
Total Income from continuing operations	37,223	–	110	37,333	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	10,696	–	–	10,696	
Borrowing costs	231	–	–	231	
Materials and contracts	9,014	–	–	9,014	
Depreciation and amortisation	9,025	–	–	9,025	
Other expenses	6,963	–	–	6,963	
Net losses from the disposal of assets	53	–	–	53	
Total Expenses from continuing operations	35,982	–	–	35,982	
Total Operating result from continuing operations	1,241	–	110	1,351	
Net operating result for the year	1,241	–	110	1,351	
Total comprehensive income	134,842	–	110	134,952	

Adjustments to the current year figures as at 1 July 2019

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract liabilities	–	856	856
Total liabilities	12,817	856	13,673
Accumulated surplus	266,604	(856)	265,748
Total equity	511,169	(856)	510,313

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

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

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

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.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the any prepaid or accrued lease payments.
- 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.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$170,175 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 7.37%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	293
 Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	220
Less:	
Short-term leases included in commitments note	(21)
Maintenance component of lease payments	(29)
Lease liabilities recognised at 1 July 2019	170

Notes to the Financial Statements

for the year ended 30 June 2020

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

Adjustments to the current year figures as at 1 July 2019

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	170	170
Total assets	523,986	170	524,156
Leases	–	170	170
Total liabilities	12,817	170	12,987
Accumulated surplus	266,604	–	266,604
Total equity	511,169	–	511,169

(a) Voluntary changes in accounting policies

Nature of changes in accounting policies

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

(b) Changes in accounting estimates

During the 2019-20 financial year Council made the following changes to its accounting estimates;

- Remediation costs for landfill sites and quarries were reviewed based on an assessment performed by Infrastructure Solutions Pty Ltd. This resulted in a significant increase in the remediation provision of \$4.526m as detailed in Note 15. \$922k of this increase was adjusted against remediation assets in Note 10(a) whilst the remainder was recognised in the income statement. The change will result in an increased amortisation of remediation assets and potentially adjustments to borrowing costs arising out of unwinding of discounts in future periods.
- As a result of a comprehensive revaluation of Council's road and stormwater drainage infrastructure, the net value of these assets have increased by \$130.908m. This change will result in increased depreciation expenses in future periods.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	8,462	7,792
Balance as per the Statement of Cash Flows		8,462	7,792
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,241	6,859
Adjust for non-cash items:			
Depreciation and amortisation		9,025	8,588
Net losses/(gains) on disposal of assets		53	133
Non-cash capital grants and contributions		(37)	(1,214)
Adoption of AASB 15/1058		(856)	–
Unwinding of discount rates on reinstatement provisions		29	31
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(474)	1,326
Increase/(decrease) in provision for impairment of receivables		(9)	(2)
Decrease/(increase) in inventories		(27)	(40)
Decrease/(increase) in other current assets		28	56
Increase/(decrease) in payables		(539)	(62)
Increase/(decrease) in accrued interest payable		(4)	(4)
Increase/(decrease) in other accrued expenses payable		125	(24)
Increase/(decrease) in other liabilities		138	235
Increase/(decrease) in contract liabilities		793	–
Increase/(decrease) in provision for employee benefits		401	210
Increase/(decrease) in other provisions		4,497	(1)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		14,384	16,091
(c) Non-cash investing and financing activities			
Gifted Assets - roads and other infrastructure for new subdivisions and RMS gifted roads.		37	1,214
Total non-cash investing and financing activities		37	1,214

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	150	346
Land development	–	77
Roads & drainage infrastructure	2,058	181
Sporting facilities	–	120
Total commitments	2,208	724
These expenditures are payable as follows:		
Within the next year	2,208	724
Total payable	2,208	724
Sources for funding of capital commitments:		
Unrestricted general funds	24	333
Future grants and contributions	2,034	260
Internally restricted reserves	150	131
Total sources of funding	2,208	724

Details of capital commitments

The above commitments relate mainly to the completion of projects funded through the north Henty railway crossing, Jindera and Walla Walla flood study and the Woomargama hall landscaping.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments (continued)

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	96
Later than one year and not later than 5 years	–	197
Total non-cancellable operating lease commitments	–	293

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

Photocopiers leased for 5 years commencing June 2017

Plotter leased for 4 years commencing April 2019

Intel computer servers leased for 5 years commencing April 2019.

Building lease at 11 Keirath St, Henty leased for 2 years for the provision of child care services commencing January 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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

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

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

As stated 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.

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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

We confirm the plan is a defined benefit plan.

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2020.

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

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$40M per annum) is assessed annually by the Actuary. The past service contributions of \$40M per annum are estimated to remain in place until 30 June 2021. However the Trustee determined in March 2019 that going forward should the funding on both Vested Benefit and Accrued Benefit funding levels exceed 100%, the Fund will look to suspend the request for past service contributions. This is subject to the outcome of each annual funding update and any changes will be communicated in the New Year.

The amount of employer contributions to the defined benefit section of the Fund by Council and recognised as an expense for the year ending 30 June 2020 was \$138,957. The expected contributions to the Fund by Council for the next annual reporting period are \$114,321. Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed to Council is 0.2%.

It is estimated that there are \$81,800 past service contributions remaining.

The last valuation of the Fund was performed by the Fund Actuary, Mr Richard Boyfield, FIAA on 30 June, 2020,

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2020 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 19. 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.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Riverina Regional Library

Council holds a 7.46% share in Riverina Regional Library. Council does not have control or a significant influence over the organisation and accordingly has not been included as part of the primary financial statements. Council's share of Riverina Regional Library is not material.

(iii) Riverina Joint Organisation

Council is a member of the Riverina Joint Organisation, established under the *Local Government Act 1993 (NSW)* together with the Bland Shire, Cootamundra-Gundagai Regional, Coolamon Shire, Junee Shire, Temora Shire, Lockhart Shire and Wagga City Councils. Council does not have control or a significant influence over the joint organisation and accordingly has not been included as part of the primary financial statements.

(iii) Rural Fire Service assets

The Code of Accounting Practice and Financial Reporting (Update 27) General Purpose Financial Statements (the Code) issued by the Office of Local Government at page A60 states "Councils need to assess whether they control any Rural Fire Service assets and recognise in their financial statements any material assets under their control." In addition, AASB116 requires that an asset can only be recognised if it is probable that future economic benefits associated with the items will flow to the entity.

In response to the Code, and taking into consideration where effective control of the assets lie and the entity that receives any future economic benefit from the assets, Council has adopted a position statement on the recognition of Rural Fire Service assets which states "Greater Hume Shire Council accounts for land and buildings used by the Rural Fire Service situated within the Shire boundary, however, does not account for Rural Fire Service plant or other equipment."

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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

Council's finance area manages the cash and investments portfolio with the assistance of independent advisors from the banking institutions it deals with.

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

The risks associated with the instruments held are:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	239	239	(239)	(239)
2019				
Possible impact of a 1% movement in interest rates	239	239	(239)	(239)

(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.

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 material receivables that have been subjected to a re-negotiation of repayment terms.

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	629	17	17	18	681
2019						
Gross carrying amount	–	540	–	–	97	637

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	4,444	210	12	10	232	4,908
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	6.90%	0.33%
ECL provision	–	–	–	–	16	16
2019						
Gross carrying amount	2,606	984	40	39	830	4,499
Expected loss rate (%)	0.00%	0.00%	0.00%	0.69%	0.69%	0.13%
ECL provision	–	–	–	–	6	6

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	1,881	2,150	–	–	4,031	4,031
Loans and advances	6.54%	–	731	2,577	1,516	4,824	3,764
Total financial liabilities		1,881	2,881	2,577	1,516	8,855	7,795
2019							
Trade/other payables	0.00%	1,634	2,686	–	–	4,320	4,320
Loans and advances	6.51%	–	740	2,707	2,229	5,676	4,308
Total financial liabilities		1,634	3,426	2,707	2,229	9,996	8,628

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

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

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
REVENUES					
Rates and annual charges	11,403	11,416	13	0%	F
User charges and fees	6,695	6,042	(653)	(10)%	U
Reduction in fees from childcare centres due to the impact of COVID-19 restrictions. This has been offset by increased childcare funding (refer to note on operating grants). Water usage charges were lower than budget.					
Other revenues	486	339	(147)	(30)%	U
Income received from Section 44 Claim, as a result of the January 2020 bushfires.					
Operating grants and contributions	11,800	14,027	2,227	19%	F
Additional grants funding received for Roads to Recovery and Regional Roads Block Grant. Emergency funding for the January 2020 bushfire disaster. Additional grant funding for childcare centres due to COVID-19 restrictions, to offset the loss of income from families.					
Capital grants and contributions	4,230	4,711	481	11%	F
Drought Stimulus funding and Blackspot funding for Dight Forest Road and Coach Road projects.					
Interest and investment revenue	575	461	(114)	(20)%	U
Decrease in interest rates on investments.					
Rental income	–	227	227	∞	F
EXPENSES					
Employee benefits and on-costs	9,670	10,696	(1,026)	(11)%	U
Additional staff employed in childcare centres.					
Borrowing costs	226	231	(5)	(2)%	U
Materials and contracts	8,079	9,014	(935)	(12)%	U
Additional materials and contracts incurred and offset by additional grant funding.					
Depreciation and amortisation	7,863	9,025	(1,162)	(15)%	U
Budgeted depreciation was predicated on a slight increase on 2017-18 actual depreciation prior to finalisation of the 2018-19 financial statements. Asset additions and revaluations which have taken place since budget preparation have					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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resulted in a significant increase in depreciation.

Other expenses	3,180	6,963	(3,783)	(119)%	U
Adjustment to provision for remediation/rehabilitation of Councils tips and quarries.					
Net losses from disposal of assets	-	53	(53)	∞	U

STATEMENT OF CASH FLOWS

Cash flows from operating activities	15,209	14,384	(825)	(5)%	U
Cash flows from investing activities	(14,873)	(13,125)	1,748	(12)%	F
Asset purchases for water supply network was significantly lower than budget, due to the delay in commencement of works on the Black Street reservoir renewal.					
Cash flows from financing activities	(265)	(589)	(324)	122%	U
Council budget included a loan drawdown of \$320k to finance the development of a health care centre in Holbrook. This project did not proceed.					

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

Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Bulk earthworks	01/07/2019	–	–	209,348	209,348
Roads infrastructure	01/07/2019	–	–	280,117	280,117
Land under roads	01/07/2016	–	–	676	676
Stormwater drainage	01/07/2019	–	–	10,272	10,272
Sewerage network	30/06/2017	–	–	32,726	32,726
Water supply network	30/06/2017	–	–	20,974	20,974
Operational land	01/07/2019	–	–	9,049	9,049
Community land	01/07/2019	–	–	5,230	5,230
Buildings specialised	30/06/2018	–	–	18,593	18,593
Buildings non-specialised	30/06/2018	–	1,350	13,238	14,588
Swimming pools	30/06/2018	–	–	6,865	6,865
Other structures	30/06/2018	–	–	12,194	12,194
Plant, office equipment, furniture and fittings	30/06/2018	–	–	7,273	7,273
Tips and quarries	30/06/2018	–	–	1,236	1,236
Total infrastructure, property, plant and equipment		–	1,350	627,791	629,141

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Bulk earthworks	30/06/15	–	–	139,223	139,223
Roads infrastructure	30/06/15	–	–	219,519	219,519
Land under roads	01/07/16	–	–	673	673
Stormwater drainage	30/06/15	–	–	7,658	7,658
Sewerage network	30/06/17	–	–	32,750	32,750
Water supply network	30/06/17	–	–	21,090	21,090
Operational land	01/07/16	–	–	7,885	7,885
Community land	01/07/16	–	–	4,210	4,210
Buildings specialised	30/06/18	–	–	17,134	17,134
Buildings non-specialised	30/06/18	–	1,390	12,231	13,621
Swimming pools	30/06/18	–	–	6,953	6,953
Other structures	30/06/18	–	–	11,565	11,565
Plant, office equipment, furniture and fittings	30/06/18	–	–	6,777	6,777
Tips and quarries	30/06/18	–	–	321	321
Total infrastructure, property, plant and equipment		–	1,390	487,989	489,379

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

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

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

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

Roads Infrastructure

This asset class comprises the road surface and pavement, bridges, kerb & gutter and footpaths.

The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment undertaken by Greater Hume Council engineering department, and subsequent revaluation by Jeff Roorda & Associates and council staff in January 2020. Assets have been componentised and a full review of asset condition, useful life and unit rates for each component was undertaken.

An annual review of the carrying values of these assets is undertaken on an annual basis to determine whether there has been a material movement during the year, which would result in a revaluation of this class of assets.

The full revaluation of road assets is undertaken on a 5 year cycle and was completed during the 2019/20 financial year based on the assets as at 30 June 2019. The next valuation will take place in 2024/25.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

This class of assets has been disclosed as Input Level 3.

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

Stormwater Drainage Infrastructure

This asset class comprises pits, pipes, open channels and headwalls.

The cost approach was adopted to value these assets based on assessments and calculations from a revaluation undertaken by and Jeff Roorda & Associates and council staff in January 2020. Assets have been componentised and an evaluation of useful life and unit rates for each component was undertaken resulting in revaluation of these assets.

The full revaluation of stormwater drainage assets is undertaken on a 5 year cycle and was completed during the 2019/20 financial year based on assets held as at 30 June 2019. The next valuation will take place in 2024/25.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

This class of assets has been disclosed as Input Level 3.

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

Land under Roads

This asset class comprises land under roadways and road reserves acquired after 1 July 2008. Council uses the englobio method to value land under roads. This class of asset has been disclosed as Input Level 3.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Sewerage Network

This asset class comprises treatment works, pumping stations, sewerage mains, and reuse water plant.

The cost approach was adopted to estimate the value of these assets by componentising the assets into significant parts with different useful lives and taking into account a range of values. This assessment was undertaken by Mike Brearley and Associates in 2017.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value

The full revaluation of the Sewerage Network is undertaken on a 5 year cycle and the next valuation will take place in 2021/22.

The sewerage network is indexed annually in accordance with reference rates provided in the NSW Department of Industry - Water guidelines.

This class of assets has been disclosed as Input Level 3.

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

Water Supply Network

This asset class comprises treatment works, pumping stations, water pipelines, bores and reservoirs.

The cost approach was adopted to estimate the value of these assets by componentising the assets into significant parts with different useful lives and taking into account a range of values. This assessment was undertaken by Mike Brearley and Associates in 2017.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value

The full revaluation of the Water Supply Network is undertaken on a 5 year cycle and the next valuation will take place in 2021/22.

The water supply network is indexed annually in accordance with reference rates provided in the NSW Department of Industry - Water guidelines.

This class of assets has been disclosed as Input Level 3.

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

Community Land

This asset class comprises all of Council owned land classified as Community Land and Care Control Management Land (Crown Land) of which Council derives current and future economic benefits from the use of the land asset.

The key unobservable input to the valuation is the price per square metre.

Council has used the Valuer General's Unimproved Capital Value (UCV) as the basis for establishing the fair value of the land as at 1 July 2019.

The full revaluation of the Community Land is undertaken on a 3 year cycle and was undertaken during the 2019/20 financial year. The next valuation will take place in 2022/23. This class of assets has been disclosed as Input Level 3.

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

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the *NSW Local Government Act 1993*.

The key unobservable input to the valuation is the price per square metre.

Council has used the Valuer General's Unimproved Capital Value (UCV) as the basis for establishing the fair value of the land as at 1 July 2019.

The full revaluation of the Operational Land is undertaken on a 3 year cycle and was undertaken during the 2019/20 financial year. The next valuation will take place in 2022/23.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Buildings - Specialised and Non Specialised

Council engaged Australis Asset Advisory Group to value all its buildings in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs.

While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value.

The full revaluation of the Buildings is undertaken on a 5 year cycle and the next valuation will take place in 2022/23.

This class of assets has been disclosed as Input Level 3 except for some residential buildings where an observable market value is present, and disclosed as Input Level 2. There has been no change to the valuation process during the reporting period.

Swimming Pools

This class of assets comprises swimming pool structures, amenities and filtration equipment.

Council engaged Australis Asset Advisory Group to value these assets in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs.

Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value.

The full revaluation of the Swimming Pools is undertaken on a 5 year cycle and the next valuation will take place in 2022/23.

This class of assets has been disclosed as Input Level 3.

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

Other Structures

This class comprises fencing, hologram and town clock and miscellaneous other structures.

Council engaged Australis Asset Advisory Group to value these assets in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost.

The full revaluation of the Other Structure is undertaken on a 5 year cycle and the next valuation will take place in 2022/23.

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

This class of assets has been disclosed as Input Level 3.

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings include but are not limited to the following:

- Plant & Equipment - Motor Vehicles, Utes, Trucks, Tractors, Earthmoving Equipment and Ride-on Mowers
- Office Equipment - Computer Equipment, Data Projectors, Servers & Printers
- Furniture & Fittings - Chairs, Desks, Shelving and Air Conditioning Units

Council staff completed a desktop audit to value these assets in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost.

The carrying amount of these assets is deemed to be the fair value due to the type of asset.

The key unobservable inputs to the valuation are the remaining useful life and residual value.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

This class of assets has been disclosed as Input Level 3.

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

Tips and Quarries

This class comprises tips, transfer stations and quarries. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost. Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption. This class of assets has been disclosed as Input Level 3.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Bulk earthworks	Roads infrastructure	Land under Roads	Stormwater drainage	Sewerage network
2019					
Opening balance	137,918	216,161	640	7,378	32,491
Purchases (GBV)	1,305	7,729	33	374	320
Depreciation and impairment	–	(4,371)	–	(94)	(581)
FV gains – other comprehensive income	–	–	–	–	520
Closing balance	139,223	219,519	673	7,658	32,750
2020					
Opening balance	139,223	219,519	673	7,658	32,750
Purchases (GBV)	652	6,499	3	202	259
Disposals (WDV)	–	(304)	–	–	–
Depreciation and impairment	–	(4,501)	–	(119)	(594)
FV gains – other comprehensive income	69,473	58,904	–	2,531	311
Closing balance	209,348	280,117	676	10,272	32,726

\$ '000	Water supply network	Operational Land	Community Land	Building specialised	Buildings non specialised
2019					
Opening balance	21,053	7,983	4,210	17,757	12,244
Purchases (GBV)	120	–	–	363	127
Disposals (WDV)	–	(98)	–	(159)	–
Depreciation and impairment	(420)	–	–	(612)	(317)
FV gains – other comprehensive income	337	–	–	–	–
Transfers	–	–	–	(215)	177
Closing balance	21,090	7,885	4,210	17,134	12,231
2020					
Opening balance	21,090	7,885	4,210	17,134	12,231
Purchases (GBV)	112	2	–	2,170	1,346
Disposals (WDV)	–	–	–	(68)	–
Depreciation and impairment	(428)	–	–	(643)	(339)
FV gains – other comprehensive income	200	1,162	1,020	–	–
Closing balance	20,974	9,049	5,230	18,593	13,238

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Swimming pools	Other structures	Plant, office equipment and furniture	Tips and quarries	Total
2019					
Opening balance	7,240	11,758	5,897	329	483,059
Purchases (GBV)	79	790	2,245	–	13,485
Disposals (WDV)	–	(116)	(557)	–	(930)
Depreciation and impairment	(366)	(905)	(808)	(8)	(8,482)
FV gains – other comprehensive income	–	–	–	–	857
Transfers	–	38	–	–	–
Closing balance	6,953	11,565	6,777	321	487,989
2020					
Opening balance	6,953	11,565	6,777	321	487,989
Purchases (GBV)	276	1,641	1,574	922	15,658
Disposals (WDV)	(17)	(95)	(105)	–	(589)
Depreciation and impairment	(347)	(917)	(973)	(7)	(8,868)
FV gains – other comprehensive income	–	–	–	–	133,601
Closing balance	6,865	12,194	7,273	1,236	627,791

b. The valuation process for level 3 fair value measurements

Council's non financial asset classes have been assigned to Level 3 inputs with the exception of a small number of residential properties where a market price input is observable.

Level 3 valuation process for asset classes where the basis was Cost Approach.

The inputs used for this technique were:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Unit Rates
- Useful Life

When necessary Council engages external consultants with expertise in the valuation of Infrastructure, Property, Plant & Equipment assets, to work in conjunction with its own staff to establish the fair values of its assets based on the above inputs.

Classes of assets are assessed formally on a five year rolling cycle in accordance with the requirements of the code. At the end of each reporting period Council assesses whether there is any indication that the carrying amount of any class of asset may differ materially from that which would be determined if the class of assets were revalued at that date.

(5) Highest and best use

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

This was established taking into consideration the following criteria;

- Physical possibility
- Legal permissibility
- Financial feasibility
- Maximum profitability, and
- Contribution to the community and its environment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	878	851
Post-employment benefits	68	65
Other long-term benefits	47	42
Total	993	958

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Earthworks and Childcare Services	2	114	–	Normal payment terms	–	–
2019						
Earthworks and Childcare Services	2	217	–	Normal payment terms	–	–

1 Council contracted Easties Dirt Works to perform earth works during the year, a company which the Principal is a close family member of a KMP of Council. The contractor engagement is controlled through Council's Vendor Panel process which requires vendors to submit their details to Council and is subsequently reviewed by senior management. Council awards work to these vendors by tender or quotes depending on the size of the contract in accordance with its procurement policy. Amounts were billed based on Council's schedule of Plant & Equipment Quotation Rates and were due and payable under normal payment terms.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

- 2 Council pays a partner of a KMP of Council for services relating to Childcare. Payment is made at contract rates determined under family assistance laws and were due and payable under normal payment terms.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20					
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
\$ '000	Cash	Non-cash							
Roads	32	2	–	–	–	–	34	–	
Open space	1	–	–	–	–	–	1	–	
Community facilities	45	3	–	1	–	–	49	–	
Other	7	1	–	–	–	–	8	–	
S7.11 contributions – under a plan	85	6	–	1	–	–	92	–	
S7.12 levies – under a plan	180	182	–	6	–	–	368	–	
Total S7.11 and S7.12 revenue under plans	265	188	–	7	–	–	460	–	
S7.11 not under plans	59	32	–	–	(87)	–	4	–	
S64 contributions	1,513	150	–	–	–	–	1,663	–	
Total contributions	1,837	370	–	7	(87)	–	2,127	–	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1 – FORMER HUME SHIRE PROPORTION OF GREATER HUME SHIRE

Roads	32	2	–	–	–	–	–	34	–
Open space	1	–	–	–	–	–	–	1	–
Community facilities	45	3	–	1	–	–	–	49	–
Other	7	1	–	–	–	–	–	8	–
Total	85	6	–	1	–	–	–	92	–

S7.12 Levies – under a plan

GREATER HUME SHIRE COUNCIL S94A LEVY DEVELOPMENT CONTRIBUTIONS PLAN 2014

Other	180	182	–	6	–	–	–	368	–
Total	180	182	–	6	–	–	–	368	–

S7.11 Contributions – not under a plan

CONTRIBUTIONS NOT UNDER A PLAN

Other	59	32	–	–	(87)	–	–	4	–
Total	59	32	–	–	(87)	–	–	4	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	9,462	584	1,370
User charges and fees	4,476	1,317	249
Interest and investment revenue	318	65	78
Other revenues	276	43	20
Grants and contributions provided for operating purposes	14,041	(52)	38
Grants and contributions provided for capital purposes	4,558	90	63
Rental income	227	–	–
Total income from continuing operations	33,358	2,047	1,818
Expenses from continuing operations			
Employee benefits and on-costs	9,471	496	729
Borrowing costs	231	–	–
Materials and contracts	8,524	178	312
Depreciation and amortisation	7,996	435	594
Other expenses	5,772	1,038	153
Net losses from the disposal of assets	53	–	–
Total expenses from continuing operations	32,047	2,147	1,788
Operating result from continuing operations	1,311	(100)	30
Net operating result for the year	1,311	(100)	30
Net operating result attributable to each council fund	1,311	(100)	30
Net operating result for the year before grants and contributions provided for capital purposes	(3,247)	(190)	(33)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,571	2,816	4,075
Investments	15,273	–	–
Receivables	4,661	561	300
Inventories	2,304	–	–
Total current assets	23,809	3,377	4,375
Non-current assets			
Receivables	10	–	–
Infrastructure, property, plant and equipment	576,082	21,236	33,675
Intangible assets	191	–	–
Right of use assets	120	–	–
Total non-current assets	576,403	21,236	33,675
TOTAL ASSETS	600,212	24,613	38,050
LIABILITIES			
Current liabilities			
Payables	2,609	163	27
Contract liabilities	793	–	–
Lease liabilities	48	–	–
Borrowings	516	–	–
Provisions	3,532	–	–
Total current liabilities	7,498	163	27
Non-current liabilities			
Payables	1,497	–	–
Lease liabilities	77	–	–
Borrowings	3,248	–	–
Provisions	5,210	–	–
Total non-current liabilities	10,032	–	–
TOTAL LIABILITIES	17,530	163	27
Net assets	582,682	24,450	38,023
EQUITY			
Accumulated surplus	240,204	11,484	15,301
Revaluation reserves	342,478	12,966	22,722
Council equity interest	582,682	24,450	38,023
Total equity	582,682	24,450	38,023

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3,417)	(10.51)%	(0.64)%	8.13%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	32,512				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	18,485	49.66%	55.26%	47.71%	>60.00%
Total continuing operating revenue ¹	37,223				
3. Unrestricted current ratio					
Current assets less all external restrictions	20,488	5.11x	5.24x	4.43x	>1.50x
Current liabilities less specific purpose liabilities	4,006				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5,839	7.12x	10.24x	12.41x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	820				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	738	6.06%	5.90%	6.09%	<10.00%
Rates, annual and extra charges collectible	12,187				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	23,735	10.76	12.24	11.32	>3.00
Monthly payments from cash flow of operating and financing activities	2,206	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(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}	(11.09)%	(1.32)%	(9.71)%	6.12%	(1.88)%	0.87%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	44.24%	51.44%	98.14%	87.11%	94.44%	75.47%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.11x	5.24x	20.72x	4.15x	162.04x	163.22x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.14x	8.89x	∞	∞	∞	∞	>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	7.21%	5.70%	0.00%	1.66%	0.00%	9.55%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.64	9.40	∞	35.40	∞	43.53	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

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

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

End of audited financial statements.

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (10.51)%

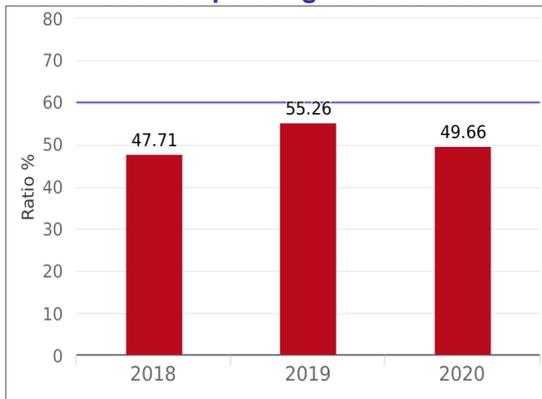
Council's operating performance ratio resulted in a negative result predominantly due to an adjustment to the provision for remediation of tips and quarries. User fees and charges were down 18% this year. The previous year was impacted significantly by disposal charges for the removal of loose fill asbestos. Depreciation expenses increased by 5% due to additional assets and asset revaluation.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (green)
Ratio is outside benchmark (red)

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 49.66%

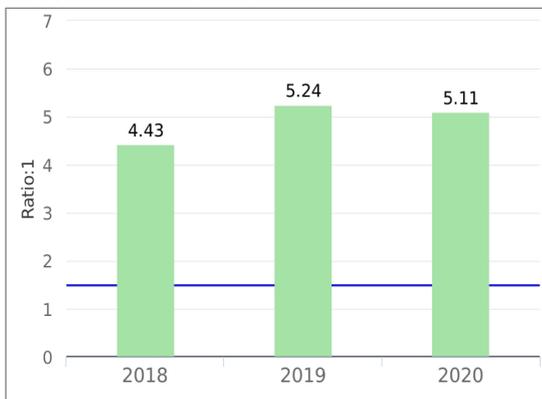
Greater Hume Council receives a relatively high proportion of its income from grants and contributions. A benchmark of 60% own source income is desirable, however rural councils such as Greater Hume Council rely heavily on grants and contributions due to their large area and relatively small populations. The result is consistent with previous years.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (green)
Ratio is outside benchmark (red)

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 5.11x

The unrestricted current ratio measures Council's ability to meet its short term financial liabilities. A measure above 2:1 indicates a strong financial capacity to meet liabilities. This ratio is indicative of Council's strong cash position.

Benchmark: — > 1.50x

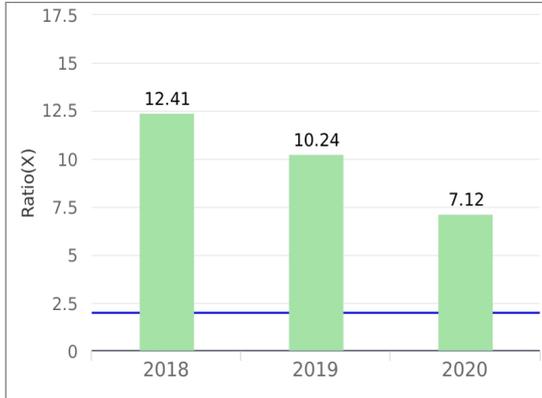
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (green)
Ratio is outside benchmark (red)

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.12x

Council has a relatively low level of borrowings. Excluding expenses relating to remediation liabilities the result would be 11.82x which is an improvement on the previous year. This ratio indicates that Council is able to comfortably service its current debt level out of its EBITDA.

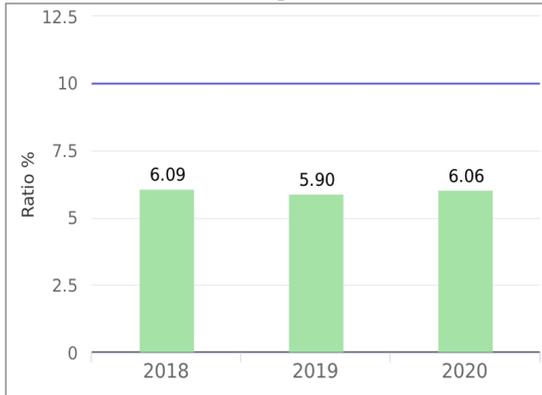
Benchmark: — > 2.00x

Ratio achieves benchmark

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

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 6.06%

Council's level of outstanding rates and charges remained consistent with previous years which is a pleasing outcome in the current economic conditions.

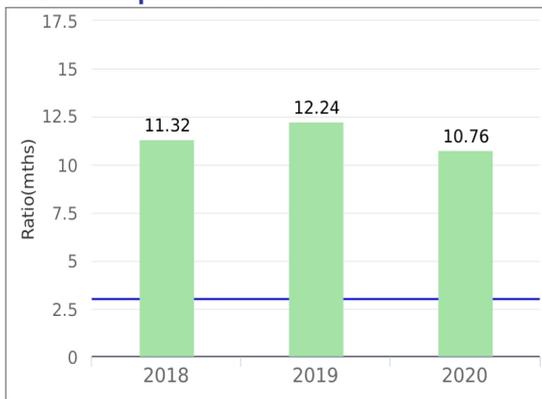
Benchmark: — < 10.00%

Ratio achieves benchmark

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

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 10.76 mths

Council's cash position is sound and the ratio indicates Council is able to pay all its commitments as and when they fall due.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Financial review

\$ '000	2020	2019	2018	2017	2016
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	11,416	11,277	10,886	9,471	9,471
User charges revenue	6,042	7,364	7,423	7,729	7,729
Interest and investment revenue (losses)	461	634	562	654	654
Grants income – operating and capital	14,472	10,376	11,076	11,182	11,182
Total income from continuing operations	37,223	35,879	40,351	34,735	34,735
Sale proceeds from I,PP&E	681	1,426	720	341	341
New loan borrowings and advances	–	–	–	–	–
Outflows:					
Employee benefits and on-cost expenses	10,696	9,631	9,197	9,066	9,066
Borrowing costs	231	260	264	284	284
Materials and contracts expenses	9,014	7,175	8,155	7,538	7,538
Total expenses from continuing operations	35,982	29,020	29,636	28,145	28,145
Total cash purchases of I,PP&E	14,575	14,884	15,926	15,755	15,755
Total loan repayments (incl. finance leases)	594	586	589	697	697
Operating surplus/(deficit) (excl. capital income)	(3,470)	(317)	1,140	1,494	1,494
Financial position figures					
Current assets	31,681	31,665	31,237	27,383	27,383
Current liabilities	7,688	7,206	7,718	6,079	6,079
Net current assets	23,993	24,459	23,519	21,304	21,304
Available working capital (Unrestricted net current assets)	7,593	5,577	6,429	3,974	3,974
Cash and investments – unrestricted	4,876	3,832	4,570	425	425
Cash and investments – internal restrictions	10,345	11,272	11,507	13,518	13,518
Cash and investments – total	23,735	23,987	22,471	19,998	19,998
Total borrowings outstanding (Loans, advances and finance leases)	3,764	4,308	4,894	4,758	4,758
Total value of I,PP&E (excl. land and earthworks)	581,219	523,664	511,144	499,265	499,265
Total accumulated depreciation	174,529	183,604	176,367	178,199	178,199
Indicative remaining useful life (as a % of GBV)	70%	65%	65%	65%	64%

Source: published audited financial statements of Council (current year and prior year)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Council information and contact details

Principal place of business:

39 Young Street
Holbrook NSW 2644

Contact details

Mailing Address:

PO Box 99
Holbrook NSW 2644

Telephone: 02 6036 0100

Opening hours:

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

Internet: <http://www.greaterhume.nsw.gov.au>

Email: mail@greaterhume.nsw.gov.au

Officers

General Manager

Steven Pinnuck

Responsible Accounting Officer

Dean Hart

Public Officer

David Smith

Auditors

Audit Office of NSW
Level 15, 1 Margaret St
Sydney NSW 2000

Elected members

Mayor

Councillor Heather Wilton

Councillors

Doug Meyer OAM
Matt Hicks
Jenny O'Neill
Denise Osborne
Lea Parker
Tony Quinn
Annette Schilg
Terry Weston

Other information

ABN: 44 970 341 154



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Greater Hume Shire Council

To the Councillors of Greater Hume Shire Council

Opinion

I have audited the accompanying financial statements of Greater Hume 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 Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Nathan Carter
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

7 October 2020
SYDNEY

General Purpose Financial Statements
for the year ended 30 June 2020



Greater
Hume
Council



Greater
Hume
Council



Image: HiVision Imaging

Special Purpose Financial Statements

For the year ended 30 June 2020

Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

Greater Hume Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

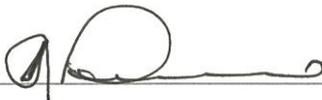
Signed in accordance with a resolution of Council made on 23 September 2020.



Councillor Heather Wilton
Mayor
23 September 2020



Councillor Doug Meyer OAM
Councillor
23 September 2020



Steven Pinnuck
General Manager
23 September 2020



Dean Hart
Responsible Accounting Officer
23 September 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	584	661
User charges	1,317	1,247
Interest	65	73
Grants and contributions provided for non-capital purposes	(52)	91
Other income	43	53
Total income from continuing operations	1,957	2,125
Expenses from continuing operations		
Employee benefits and on-costs	496	461
Materials and contracts	178	182
Depreciation, amortisation and impairment	435	420
Water purchase charges	869	852
Other expenses	169	80
Total expenses from continuing operations	2,147	1,995
Surplus (deficit) from continuing operations before capital amounts	(190)	130
Grants and contributions provided for capital purposes	90	210
Surplus (deficit) from continuing operations after capital amounts	(100)	340
Surplus (deficit) from all operations before tax	(100)	340
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(36)
SURPLUS (DEFICIT) AFTER TAX	(100)	304
Plus accumulated surplus	11,584	11,244
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	36
Closing accumulated surplus	11,484	11,584
Return on capital %	(0.9)%	0.6%
Subsidy from Council	377	151
Calculation of dividend payable:		
Surplus (deficit) after tax	(100)	304
Less: capital grants and contributions (excluding developer contributions)	(90)	(210)
Surplus for dividend calculation purposes	–	94
Potential dividend calculated from surplus	–	47

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,370	1,319
User charges	170	174
Liquid trade waste charges	79	87
Interest	78	96
Grants and contributions provided for non-capital purposes	38	42
Other income	20	16
Total income from continuing operations	1,755	1,734
Expenses from continuing operations		
Employee benefits and on-costs	729	712
Materials and contracts	312	311
Depreciation, amortisation and impairment	594	581
Other expenses	153	115
Total expenses from continuing operations	1,788	1,719
Surplus (deficit) from continuing operations before capital amounts	(33)	15
Grants and contributions provided for capital purposes	63	508
Surplus (deficit) from continuing operations after capital amounts	30	523
Surplus (deficit) from all operations before tax	30	523
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(4)
SURPLUS (DEFICIT) AFTER TAX	30	519
Plus accumulated surplus	15,271	14,748
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	4
Closing accumulated surplus	15,301	15,271
Return on capital %	(0.1)%	0.0%
Subsidy from Council	329	424
Calculation of dividend payable:		
Surplus (deficit) after tax	30	519
Less: capital grants and contributions (excluding developer contributions)	(63)	(508)
Surplus for dividend calculation purposes	–	11
Potential dividend calculated from surplus	–	5

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,816	3,148
Receivables	561	651
Total current assets	3,377	3,799
Non-current assets		
Infrastructure, property, plant and equipment	21,236	21,269
Total non-current assets	21,236	21,269
TOTAL ASSETS	24,613	25,068
LIABILITIES		
Current liabilities		
Payables	163	718
Total current liabilities	163	718
TOTAL LIABILITIES	163	718
<u>NET ASSETS</u>	<u>24,450</u>	<u>24,350</u>
EQUITY		
Accumulated surplus	11,484	11,584
Revaluation reserves	12,966	12,766
<u>TOTAL EQUITY</u>	<u>24,450</u>	<u>24,350</u>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	4,075	4,132
Receivables	300	319
Total current assets	4,375	4,451
Non-current assets		
Infrastructure, property, plant and equipment	33,675	33,257
Total non-current assets	33,675	33,257
TOTAL ASSETS	38,050	37,708
LIABILITIES		
Current liabilities		
Payables	27	23
Total current liabilities	27	23
TOTAL LIABILITIES	27	23
<u>NET ASSETS</u>	<u>38,023</u>	<u>37,685</u>
EQUITY		
Accumulated surplus	15,301	15,274
Revaluation reserves	22,722	22,411
<u>TOTAL EQUITY</u>	<u>38,023</u>	<u>37,685</u>

Greater Hume Shire Council

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)

Greater Hume Shire Council Combined Water Supplies

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Jindera, Burrumbuttock, Brocklesby, Gerogery and Culcairn.

Category 2

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

Greater Hume Shire Council Combined Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Burrumbuttock, Culcairn, Henty, Holbrook, Jindera and Walla Walla.

Monetary amounts

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

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.

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

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

Special Purpose Financial Statements
for the year ended 30 June 2020



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Greater Hume Shire Council

To the Councillors of Greater Hume Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Greater Hume 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.



Nathan Carter
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

7 October 2020
SYDNEY



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Image: HiVision Imaging

Special Schedules

For the year ended 30 June 2020

Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	8,740	8,465
Plus or minus adjustments ²	b	69	45
Notional general income	c = a + b	8,809	8,510
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	229	230
Sub-total	k = (c + g + h + i + j)	9,038	8,740
Plus (or minus) last year's carry forward total	l	-	2
Sub-total	n = (l + m)	-	2
Total permissible income	o = k + n	9,038	8,742
Less notional general income yield	p	9,036	8,740
Catch-up or (excess) result	q = o - p	2	2
Less unused catch-up ⁵	s	(2)	(2)
Carry forward to next year ⁶	t = q + r + s	-	-

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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices / Administration Centres	10	10	33	31	4,100	6,593	0.0%	0.0%	83.0%	17.0%	0.0%
	Works Depots	–	–	56	58	3,255	3,676	28.0%	6.0%	54.0%	12.0%	0.0%
	Public Halls	40	40	26	41	4,985	13,725	0.0%	14.0%	52.0%	34.0%	0.0%
	Houses	–	–	14	4	1,119	1,181	56.0%	6.0%	38.0%	0.0%	0.0%
	Libraries	–	–	5	12	1,565	2,866	0.0%	33.0%	67.0%	0.0%	0.0%
	Museums	–	–	5	1	463	939	0.0%	25.0%	50.0%	25.0%	0.0%
	Amenities/Public Toilets	35	35	21	36	1,868	3,697	12.0%	18.0%	48.0%	16.0%	6.0%
	Sporting Facilities	45	45	32	40	7,471	17,097	7.0%	11.0%	71.0%	10.0%	1.0%
	Aged Care Facilities	–	–	45	29	3,030	4,494	15.0%	32.0%	53.0%	0.0%	0.0%
	Other	–	–	13	30	5,254	8,124	15.0%	36.0%	40.0%	6.0%	3.0%
	Sub-total	130	130	250	282	33,181	62,392	8.4%	16.5%	59.3%	14.8%	1.0%
Other structures	Other structures	10	10	–	–	12,194	20,813	5.0%	13.0%	76.0%	0.0%	6.0%
	Sub-total	10	10	–	–	12,194	20,813	5.0%	13.0%	76.0%	0.0%	6.0%
Roads	Sealed Roads Surface	50	50	3,111	3,199	21,586	31,420	7.0%	49.0%	39.0%	5.0%	0.0%
	Sealed Roads Structure	–	–	–	–	188,294	228,346	8.0%	48.0%	39.0%	5.0%	0.0%
	Unsealed roads	–	–	1,204	1,306	19,774	32,380	0.0%	42.0%	49.0%	9.0%	0.0%
	Bridges	100	100	5	2	38,377	68,727	6.0%	9.0%	63.0%	22.0%	0.0%
	Footpaths	–	–	52	56	3,841	4,914	30.0%	27.0%	41.0%	2.0%	0.0%
	Kerb & Gutter	–	–	58	23	8,244	12,440	7.0%	42.0%	44.0%	7.0%	0.0%
	Bulk earthworks	–	–	–	–	209,348	209,348	4.0%	42.0%	44.0%	10.0%	0.0%
	Sub-total	150	150	4,430	4,586	489,465	587,575	6.0%	40.7%	44.3%	9.0%	0.0%
Water supply network	Mains	–	–	112	123	18,067	27,601	22.0%	47.0%	19.0%	12.0%	0.0%
	Pumping Station/s	–	–	13	6	486	724	6.0%	89.0%	5.0%	0.0%	0.0%
	Treatment Works	–	–	6	4	201	296	0.0%	100.0%	0.0%	0.0%	0.0%
	Reservoirs	–	–	5	3	1,894	3,224	7.0%	40.0%	15.0%	38.0%	0.0%
	Bores	–	–	4	4	239	336	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	87	142	22.0%	78.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	140	140	20,974	32,323	19.7%	48.4%	17.8%	14.0%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Sewerage network	Mains	–	–	51	32	22,616	33,631	19.0%	33.0%	48.0%	0.0%	0.0%	
	Pumping Station/s	20	20	32	30	3,500	4,872	11.0%	77.0%	10.0%	2.0%	0.0%	
	Treatment Works	–	–	38	11	3,893	6,215	5.0%	82.0%	11.0%	2.0%	0.0%	
	Reuse Scheme	10	10	9	8	2,716	3,540	0.0%	94.0%	3.0%	3.0%	0.0%	
	Sub-total	30	30	130	81	32,726	48,258	15.0%	48.2%	36.1%	0.7%	0.0%	
Stormwater drainage	Stormwater drainage	–	–	54	65	10,271	13,290	22.0%	44.0%	23.0%	11.0%	0.0%	
	Sub-total	–	–	54	65	10,272	13,290	22.0%	44.0%	23.0%	11.0%	0.0%	
Open space / recreational assets	Swimming pools	–	–	123	132	6,865	10,047	38.0%	16.0%	43.0%	3.0%	0.0%	
	Sub-total	–	–	123	132	6,865	10,047	38.0%	16.0%	43.0%	3.0%	0.0%	
TOTAL - ALL ASSETS		320	320	5,127	5,286	605,677	774,698	8.0%	38.6%	44.3%	8.9%	0.2%	

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	9,587	120.93%	114.28%	125.73%	>=100.00%
Depreciation, amortisation and impairment	7,928				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	320	0.05%	0.07%	0.07%	<2.00%
Net carrying amount of infrastructure assets	605,677				
Asset maintenance ratio					
Actual asset maintenance	5,286	103.10%	109.81%	99.58%	>100.00%
Required asset maintenance	5,127				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	320	0.04%	0.05%	0.05%	
Gross replacement cost	774,698				

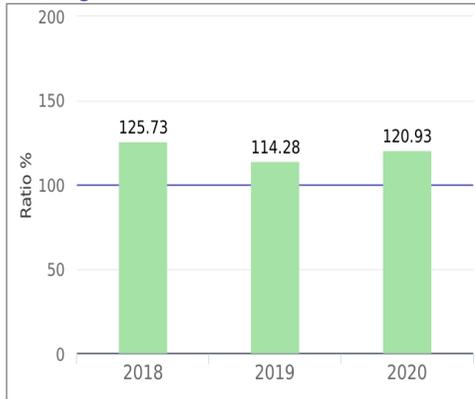
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

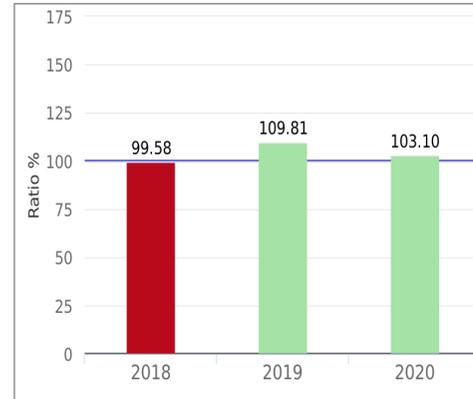
Commentary on result

19/20 ratio 120.93%

Major road infrastructure renewal projects have resulted in a renewal ratio which exceeds Council's benchmark aim of at least 100% renewal.

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.

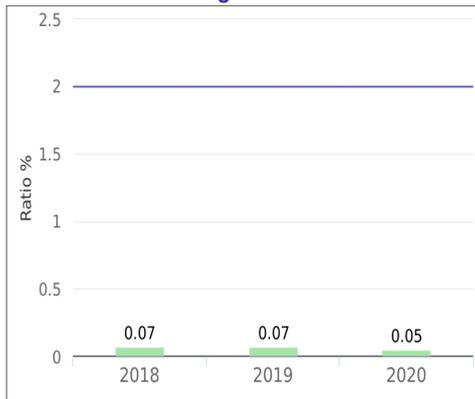
Commentary on result

19/20 ratio 103.10%

Council's annual maintenance expenditure during 2019-20 has met Council's benchmark aim of at least 100%. Councils forward budgets provide for a 1:1 ratio in future budget periods.

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

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 0.05%

Council has no serious backlog issues in its infrastructure network. Condition assessments carried out on road infrastructure in conjunction with the revaluation process during 2019-20 has identified an increase in assets requiring immediate renewal.

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

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 0.04%

Continuing major works on the renewal of roads and building infrastructure has been a major contributor to achieving this result in 2019-20.

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	138.72%	126.91%	0.00%	0.00%	1.18%	51.12%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.05%	0.07%	0.00%	0.00%	0.09%	0.09%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	104.28%	110.61%	100.00%	102.29%	62.31%	93.38%	>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	0.04%	0.05%	0.00%	0.00%	0.06%	0.06%	

(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.



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