

# Goulburn Mulwaree Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

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# Goulburn Mulwaree Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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## General Purpose Financial Statements

for the year ended 30 June 2020

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### Overview

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

184-194 Bourke Street  
Goulburn NSW 2580

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

# Goulburn Mulwaree Council

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

# Goulburn Mulwaree Council

## General Purpose Financial Statements for the year ended 30 June 2020

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

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

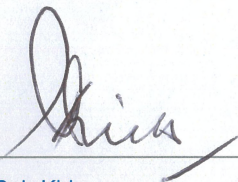
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

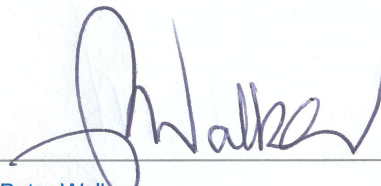
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

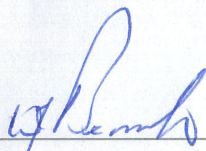
Signed in accordance with a resolution of Council made on 20 October 2020.



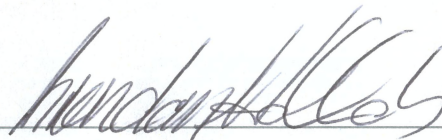
Cr Bob Kirk  
Mayor  
20 October 2020



Cr Peter Walker  
Councillor  
20 October 2020



Warwick Bennett  
General Manager  
20 October 2020



Brendan Hollands  
Responsible Accounting Officer  
20 October 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
36,446	Rates and annual charges	3a	36,715	35,206
15,053	User charges and fees	3b	16,181	15,073
1,051	Other revenues	3c	1,670	1,891
11,393	Grants and contributions provided for operating purposes	3d,3e	12,649	10,395
47,744	Grants and contributions provided for capital purposes	3d,3e	22,390	12,660
1,381	Interest and investment income	4	1,922	2,477
–	Net gains from the disposal of assets	6	2,801	–
255	Rental income	14e	322	–
<b>113,323</b>	<b>Total income from continuing operations</b>		<b>94,650</b>	<b>77,702</b>
<b>Expenses from continuing operations</b>				
25,115	Employee benefits and on-costs	5a	24,567	23,973
1,387	Borrowing costs	5b	1,432	1,553
12,669	Materials and contracts	5c	13,458	11,923
14,677	Depreciation and amortisation	5d	18,779	17,589
6,501	Other expenses	5e	5,723	5,965
–	Net losses from the disposal of assets	6	–	5,076
–	Fair value decrement on investment properties	12	150	128
<b>60,349</b>	<b>Total expenses from continuing operations</b>		<b>64,109</b>	<b>66,207</b>
<b>52,974</b>	<b>Operating result from continuing operations</b>		<b>30,541</b>	<b>11,495</b>
<b>52,974</b>	<b>Net operating result for the year</b>		<b>30,541</b>	<b>11,495</b>
52,974	Net operating result attributable to council		30,541	11,495
<b>5,230</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>8,151</b>	<b>(1,165)</b>

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>30,541</b>	<b>11,495</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	156,403	5,082
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>156,403</b>	<b>5,082</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain/(loss) on revaluation of financial assets at fair value through other comprehensive income (other than equity instruments)		–	156
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>156</b>
<b>Total other comprehensive income for the year</b>		<b>156,403</b>	<b>5,238</b>
<b>Total comprehensive income for the year</b>		<b>186,944</b>	<b>16,733</b>
Total comprehensive income attributable to Council		186,944	16,733

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	8,435	8,587
Investments	7(b)	80,002	80,012
Receivables	8	7,270	7,411
Inventories	9a	291	273
Contract assets	13a	2,281	–
Other	9b	325	330
Current assets classified as 'held for sale'	10	468	1,181
<b>Total current assets</b>		<u>99,072</u>	<u>97,794</u>
<b>Non-current assets</b>			
Investments	7(b)	12,000	5,156
Receivables	8	56	55
Infrastructure, property, plant and equipment	11(a)	1,148,421	972,395
Investment property	12	4,158	4,300
Right of use assets	14a	421	–
<b>Total non-current assets</b>		<u>1,165,056</u>	<u>981,906</u>
<b>Total assets</b>		<u>1,264,128</u>	<u>1,079,700</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	8,739	7,893
Income received in advance	15	–	1,305
Contract liabilities	13b	3,276	–
Lease liabilities	14b	148	–
Borrowings	15	1,652	1,693
Provisions	16	7,945	7,073
<b>Total current liabilities</b>		<u>21,760</u>	<u>17,964</u>
<b>Non-current liabilities</b>			
Lease liabilities	14b	254	–
Borrowings	15	17,477	19,129
Provisions	16	7,648	7,544
<b>Total non-current liabilities</b>		<u>25,379</u>	<u>26,673</u>
<b>Total liabilities</b>		<u>47,139</u>	<u>44,637</u>
<b>Net assets</b>		<u>1,216,989</u>	<u>1,035,063</u>
<b>EQUITY</b>			
Accumulated surplus	17	411,335	385,656
Revaluation reserves	17	805,654	649,251
Other reserves	17	–	156
<b>Council equity interest</b>		<u>1,216,989</u>	<u>1,035,063</u>
<b>Total equity</b>		<u>1,216,989</u>	<u>1,035,063</u>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		385,656	649,251	156	1,035,063	369,334	648,996	–	1,018,330
Changes due to AASB 1058 and AASB 15 adoption	17	(5,018)	–	–	(5,018)	–	–	–	–
Changes due to AASB 16 adoption	17	–	–	–	–	–	–	–	–
<b>Opening balance</b>		<b>380,638</b>	<b>649,251</b>	<b>156</b>	<b>1,030,045</b>	<b>369,334</b>	<b>648,996</b>	<b>–</b>	<b>1,018,330</b>
Net operating result for the year		30,541	–	–	30,541	11,495	–	–	11,495
<b>Net operating result for the period</b>		<b>30,541</b>	<b>–</b>	<b>–</b>	<b>30,541</b>	<b>11,495</b>	<b>–</b>	<b>–</b>	<b>11,495</b>
<b>Other comprehensive income</b>									
– Gain (loss) on revaluation of IPP&E	11(a)	–	156,403	–	156,403	–	5,082	–	5,082
– Gain/(loss) on revaluation of financial assets at fair value through other comprehensive income (other than equity instruments)		–	–	–	–	–	–	156	156
<b>Other comprehensive income</b>		<b>–</b>	<b>156,403</b>	<b>–</b>	<b>156,403</b>	<b>–</b>	<b>5,082</b>	<b>156</b>	<b>5,238</b>
<b>Total comprehensive income</b>		<b>30,541</b>	<b>156,403</b>	<b>–</b>	<b>186,944</b>	<b>11,495</b>	<b>5,082</b>	<b>156</b>	<b>16,733</b>
Transfers between equity items		156	–	(156)	–	4,827	(4,827)	–	–
<b>Equity – balance at end of the reporting period</b>		<b>411,335</b>	<b>805,654</b>	<b>–</b>	<b>1,216,989</b>	<b>385,656</b>	<b>649,251</b>	<b>156</b>	<b>1,035,063</b>

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

The above Statement of 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
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
36,446	Rates and annual charges		37,884	35,140
15,053	User charges and fees		15,220	14,090
1,381	Investment and interest revenue received		2,479	2,622
56,653	Grants and contributions		24,193	20,002
–	Bonds, deposits and retention amounts received		–	305
1,306	Other		7,226	6,958
<b>Payments:</b>				
(25,115)	Employee benefits and on-costs		(23,587)	(23,495)
(12,670)	Materials and contracts		(17,212)	(12,431)
(1,387)	Borrowing costs		(1,368)	(1,460)
–	Bonds, deposits and retention amounts refunded		(182)	–
(6,501)	Other		(7,643)	(10,619)
65,166	<b>Net cash provided (or used in) operating activities</b>	18b	37,010	31,112
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		66,647	64,884
6,507	Sale of infrastructure, property, plant and equipment		1,855	1,584
<b>Payments:</b>				
–	Purchase of investment securities		(71,002)	(67,023)
–	Purchase of investment property		(8)	(278)
(114,252)	Purchase of infrastructure, property, plant and equipment		(32,806)	(26,035)
(107,745)	<b>Net cash provided (or used in) investing activities</b>		(35,314)	(26,868)
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
19,480	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(1,750)	Repayment of borrowings and advances		(1,693)	(1,628)
–	Lease liabilities (principal repayments)		(155)	–
17,730	<b>Net cash flow provided (used in) financing activities</b>		(1,848)	(1,628)
(24,849)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(152)	2,616
22,504	Plus: cash and cash equivalents – beginning of year	18a	8,587	5,971
(2,345)	<b>Cash and cash equivalents – end of the year</b>	18a	8,435	8,587
–	plus: Investments on hand – end of year	7(b)	92,002	85,168
(2,345)	<b>Total cash, cash equivalents and investments</b>		100,437	93,755

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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# Goulburn Mulwaree Council

## 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 . Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (ii) employee benefit provisions-Refer Note 17

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

- (i) Impairment of receivables

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

### Monies and other assets received by Council

#### (a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Domestic Waste Management Fund
- Water Supply Fund
- Sewerage service Fund

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (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

Volunteer services are not recognised as they are not reliably measured, would not be otherwise purchased and not regarded to be material.

#### New accounting standards and interpretations issued not yet effective

##### New accounting standards and interpretations issued but not yet effective

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

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

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.

#### New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Civic Leadership	32,896	26,835	13,218	17,285	19,678	9,550	8,038	5,174	72,731	46,819
Community	5,677	2,194	4,861	4,925	816	(2,731)	3,451	2,608	68,792	62,264
Economy	420	310	2,489	1,528	(2,069)	(1,218)	58	49	8,447	7,496
Environment	15,192	10,985	7,159	5,770	8,033	5,215	2,023	1,224	125,598	78,329
Infrastructure	40,465	37,378	36,382	36,699	4,083	679	8,652	3,605	988,560	884,792
<b>Total functions and activities</b>	<b>94,650</b>	<b>77,702</b>	<b>64,109</b>	<b>66,207</b>	<b>30,541</b>	<b>11,495</b>	<b>22,222</b>	<b>12,660</b>	<b>1,264,128</b>	<b>1,079,700</b>

## 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:

#### **Civic Leadership**

Our Leadership - Council administration including executive management, councillor expenses, human resources, financial services, organisational overheads and oncosts, information and technology, customer service and administrative support. Governance such as access to information, code of conduct, legal services, insurances and policies and procedures.

#### **Community**

Our Community - Community services and education, including development, youth services, aged and disabled services. Community amenities such as public cemeteries, public conveniences and street lighting. Recreation and cultural services including, public library, art gallery and museums, community halls, sporting grounds and venues, swimming pool, parks and gardens, and other sport and recreation.

#### **Economy**

Our Economy - Economic affairs including marketing, visitor information and events, strategic planning and property management.

#### **Environment**

Our Environment - Activities such as public health, noxious plants and animal control, solid waste management, street cleaning, drainage and stormwater management, other environmental protection activities.

#### **Infrastructure**

Our Infrastructure - Includes the following networks; sewerage services, water supplies, bridges, footpaths, parking areas, sealed and unsealed roads, urban streets, rural and regional roads.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	13,607	12,972
Farmland	1058 (1)	2,565	2,486
Business	1058 (1)	4,616	4,505
Less: pensioner rebates (mandatory)	1058 (1)	(450)	(447)
<b>Rates levied to ratepayers</b>		<b>20,338</b>	<b>19,516</b>
Pensioner rate subsidies received	1058 (1)	249	244
<b>Total ordinary rates</b>		<b>20,587</b>	<b>19,760</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	4,080	3,729
Water supply services	1058 (1)	2,427	2,358
Sewerage services	1058 (1)	9,355	9,148
Waste management services (non-domestic)	1058 (1)	474	417
Less: pensioner rebates (mandatory)	1058 (1)	(462)	(452)
<b>Annual charges levied</b>		<b>15,874</b>	<b>15,200</b>
Pensioner subsidies received:			
– Water	1058 (1)	93	91
– Sewerage	1058 (1)	90	88
– Domestic waste management	1058 (1)	71	67
<b>Total annual charges</b>		<b>16,128</b>	<b>15,446</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>36,715</b>	<b>35,206</b>

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

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

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

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

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

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

**Accounting policy for rates and charges**

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

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

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

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

**2019 accounting policy**

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

\$ '000	AASB	2020	2019
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## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	7,227	6,950
Sewerage services	15 (1)	2,098	1,896
Waste management services (non-domestic)	15 (1)	1,380	1,346
<b>Total specific user charges</b>		<b>10,705</b>	<b>10,192</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	15 (2)	206	227
Planning and building regulation	15 (2)	762	765
Private works – section 67	15 (1)	94	112
Regulatory/ statutory fees	15 (2)	164	118
Section 10.7 certificates (EP&A Act)	15 (1)	78	76
Section 603 certificates	15 (1)	70	59
<b>Total fees and charges – statutory/regulatory</b>		<b>1,374</b>	<b>1,357</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries	15 (1)	324	251
Library and art gallery	15 (1)	33	44
Swimming centres	15 (2)	385	537
Waste disposal tipping fees	15 (1)	2,697	2,140
Aged and disabled services	15 (1)	203	215
Hire of council properties	15 (1)	65	101
Sports stadium/recreation facilities	15 (1)	92	104
Animal Impounding	15 (1)	15	16
Other	15 (1)	288	116
<b>Total fees and charges – other</b>		<b>4,102</b>	<b>3,524</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>16,181</b>	<b>15,073</b>

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

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

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

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

**Accounting policy for user charges and fees**

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

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

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

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

**2019 accounting policy**

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – investment property (2019 only)		–	246
Fines – parking	1058 (1)	95	115
Fines – other	1058 (1)	5	7
Legal fees recovery – rates and charges (extra charges)	1058 (1)	79	117
Legal fees recovery – other	1058 (1)	137	–
Commissions and agency fees	1058 (1)	5	5
Gas Main Rental	15 (1)	22	48
Diesel rebate	1058 (1)	112	111
Insurance claims recoveries	1058 (1)	200	13
Sales – general	15 (1)	507	779
Insurance rebates	1058 (1)	132	111
Low value exception lease income	15 (1)	43	41
Employee contributions	15 (1)	168	132
License Agreements	15 (1)	30	28
Other	15 (1)	135	138
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,670</u></b>	<b><u>1,891</u></b>

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	1058 (1)	1,709	1,708	–	–
Financial assistance – local roads component	1058 (1)	860	830	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance	1058 (1)	2,724	2,631	–	–
<b>Total general purpose</b>		<b>5,293</b>	<b>5,169</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (1)	26	85	–	–
Sewerage services	1058 (1)	–	–	2,000	–
Bushfire and emergency services	1058 (1)	228	181	–	–
Community care	1058 (1)	172	176	–	–
Employment and training programs		–	5	–	–
Environmental programs	1058 (2)	142	254	389	198
Heritage and cultural	1058 (2)	110	104	3,137	975
Library – per capita	1058 (1)	180	88	–	–
LIRS subsidy	1058 (1)	60	74	–	–
Noxious weeds	1058 (1)	150	491	–	–
Recreation and culture	1058 (2)	259	159	5,881	1,646
Street lighting	1058 (1)	157	157	–	–
Transport (roads to recovery)	1058 (1)	1,703	503	–	–
Transport (other roads and bridges funding)	1058 (2)	528	62	1,670	2,285
Road safety initiatives	1058 (1)	57	48	34	–
Other	1058 (1)	46	–	–	–
<b>Total specific purpose</b>		<b>3,818</b>	<b>2,387</b>	<b>13,111</b>	<b>5,104</b>
<b>Total grants</b>		<b>9,111</b>	<b>7,556</b>	<b>13,111</b>	<b>5,104</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		7,470	5,750	5,462	1,694
– State funding		1,641	1,709	7,649	3,410
– Other funding		–	97	–	–
		<b>9,111</b>	<b>7,556</b>	<b>13,111</b>	<b>5,104</b>

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

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

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

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
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**(e) Contributions****Developer contributions:****(s7.4 & s7.11 - EP&A Act, s64 of the LGA):****Cash contributions**

## 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
S 7.11 – contributions towards amenities/services		1058 (1)	1,464	1,072	254	332
S 7.12 – fixed development consent levies		1058 (1)	387	390	–	–
S 64 – water supply contributions		1058 (1)	–	–	709	1,063
S 64 – sewerage service contributions		1058 (1)	–	–	1,600	1,757
S 64 – stormwater contributions		1058 (1)	–	–	249	252
<b>Total developer contributions – cash</b>			<b>1,851</b>	<b>1,462</b>	<b>2,812</b>	<b>3,404</b>
<b>Non-cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	2,238	1,188
S 64 – water supply contributions		1058 (1)	–	–	499	415
S 64 – sewerage service contributions		1058 (1)	–	–	1,044	577
S 64 – stormwater contributions		1058 (1)	–	–	505	1,497
<b>Total developer contributions non-cash</b>			<b>–</b>	<b>–</b>	<b>4,286</b>	<b>3,677</b>
<b>Total developer contributions</b>	25		<b>1,851</b>	<b>1,462</b>	<b>7,098</b>	<b>7,081</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Community services		15 (1)	5	–	–	–
Heritage/cultural		1058 (1)	98	106	–	16
Other councils – joint works/services		15 (1)	16	17	–	–
Recreation and culture		15 (1)	3	6	–	–
Roads and bridges		1058 (1)	–	–	23	55
RMS contributions (regional roads, block grant)		1058 (1)	690	519	–	–
Sewerage (excl. section 64 contributions)		1058 (1)	–	–	37	35
Water supplies (excl. section 64 contributions)		1058 (1)	–	–	372	369
Other		1058 (1)	99	65	25	–
Veolia host fee		15 (1)	776	664	–	–
<b>Total other contributions – cash</b>			<b>1,687</b>	<b>1,377</b>	<b>457</b>	<b>475</b>
<b>Non-cash contributions</b>						
Bushfire services		1058 (1)	–	–	1,648	–
Other			–	–	76	–
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>1,724</b>	<b>–</b>
<b>Total other contributions</b>			<b>1,687</b>	<b>1,377</b>	<b>2,181</b>	<b>475</b>
<b>Total contributions</b>			<b>3,538</b>	<b>2,839</b>	<b>9,279</b>	<b>7,556</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>12,649</b>	<b>10,395</b>	<b>22,390</b>	<b>12,660</b>

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Accounting policy for grants and contributions

##### Accounting policy from 1 July 2019

##### Grant income under AASB 15

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

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 Consent Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,499	561
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,144
<b>Add:</b> operating grants received for the provision of goods and services in a future period	126	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(206)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(1,291)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>334</b>	<b>1,499</b>
Control over operating grants is normally obtained upon their receipt and is valued at the fair value of the grant at the date of the transfer.		
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	4,142	3,035
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,811
<b>Add:</b> capital grants received for the provision of goods and services in a future period	227	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	–	(704)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	(1,689)	–
< Enter Description >	–	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>2,680</b>	<b>4,142</b>
Where grants recognised as revenues during the financial year were obtained on condition that they be expended on a particular asset and those conditions were un-discharged at reporting date, the unused grant is disclosed above.		
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	19,885	16,996
<b>Add:</b> contributions recognised as income in the current period but not yet spent	4,137	5,239
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(4,386)	(2,350)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>19,636</b>	<b>19,885</b>

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

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	89	77

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income (continued)

\$ '000	2020	2019
– Cash and investments	1,800	2,366
Dividend income relating to investments held at fair value through other comprehensive income	45	31
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	(11)	3
– Movements in investments (other)	–	1
<b>Amortisation of premiums and discounts</b>		
– ‘Held to maturity’ investments	(1)	(1)
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>1,922</b>	<b>2,477</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	41	34
General Council cash and investments	633	437
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	58	166
– Section 64	89	212
Water fund operations	472	743
Sewerage fund operations	578	798
Domestic waste management operations	51	87
<b>Total interest and investment revenue</b>	<b>1,922</b>	<b>2,477</b>

**Accounting policy for interest and investment revenue**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	18,965	17,726
Employee leave entitlements (ELE)	4,189	4,513
Superannuation	2,260	2,144
Workers' compensation insurance	656	862
Fringe benefit tax (FBT)	68	69
Payroll tax	89	144
Protective clothing	102	101
<b>Total employee costs</b>	<b>26,329</b>	<b>25,559</b>
Less: capitalised costs	(1,762)	(1,586)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>24,567</b>	<b>23,973</b>
Number of 'full-time equivalent' employees (FTE) at year end	292	290

**Accounting policy for employee benefits and on-costs**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		2	–
Interest on loans		1,357	1,453
<b>Total interest bearing liability costs</b>		<b>1,359</b>	<b>1,453</b>
<b>Total interest bearing liability costs expensed</b>		<b>1,359</b>	<b>1,453</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	16	73	100
<b>Total other borrowing costs</b>		<b>73</b>	<b>100</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,432</b>	<b>1,553</b>

**Accounting policy for borrowing costs**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	4,314	3,819
Contractor and consultancy costs	8,815	7,233
Auditors remuneration <sup>2</sup>	61	65
<b>Legal expenses:</b>		
– Legal expenses: planning and development	50	392
– Legal expenses: debt recovery	82	119
– Legal expenses: other	136	126
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	169
<b>Total materials and contracts</b>	<b>13,458</b>	<b>11,923</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>13,458</b>	<b>11,923</b>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**1. Operating lease payments are attributable to:**

Buildings	–	148
Other	–	21
	<b>–</b>	<b>169</b>

**2. Auditor remuneration**

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

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

Audit and review of financial statements	61	65
<b>Remuneration for audit and other assurance services</b>	<b>61</b>	<b>65</b>
<b>Total Auditor-General remuneration</b>	<b>61</b>	<b>65</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>Total Auditor remuneration</b>	<b>61</b>	<b>65</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,027	972
Office equipment		677	597
Furniture and fittings		57	54
Land improvements (depreciable)		57	63
<b>Infrastructure:</b>	11(a)		
– Buildings – non-specialised		1,679	1,584
– Other structures		217	173
– Roads		7,467	7,199
– Bridges		454	443
– Footpaths		208	203
– Stormwater drainage		977	941
– Water supply network		2,935	3,146
– Sewerage network		2,239	1,605
– Swimming pools		56	54
– Other open space/recreational assets		236	198
<b>Right of use assets</b>	14	136	–
<b>Other assets:</b>			
– Library books		117	147
– Other		42	19
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	16,11(a)	184	184
– Quarry assets	16,11(a)	14	7
<b>Total gross depreciation and amortisation costs</b>		<u>18,779</u>	<u>17,589</u>
<b>Total depreciation and amortisation costs</b>		<u>18,779</u>	<u>17,589</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>18,779</u>	<u>17,589</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 11 for IPPE assets and Note 14 for right of use assets.

**Impairment of non-financial assets**

Other assets 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
<b>(e) Other expenses</b>		
Advertising	249	223
Training costs (other than salaries and wages)	138	368
Bad and doubtful debts	13	62
Bank charges	178	175
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	41	41
– NSW fire brigade levy	103	109
– NSW rural fire service levy	327	301
Councillor expenses – mayoral fee	45	43
Councillor expenses – councillors' fees	183	178
Councillors' expenses (incl. mayor) – other (excluding fees above)	13	15
Donations, contributions and assistance to other organisations (Section 356)	258	226
Electricity and heating	1,419	1,413
Insurance	1,149	1,125
Postage	130	121
Printing and stationery	174	174
Street lighting	589	691
Subscriptions and publications	191	170
Telephone and communications	243	264
Valuation fees	132	124
Other	148	142
<b>Total other expenses</b>	<b>5,723</b>	<b>5,965</b>
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>5,723</u></b>	<b><u>5,965</u></b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		–	1,276
Less: carrying amount of property assets sold/written off		–	(410)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>866</b>
<b>Plant and equipment</b>			
	11(a)		
Proceeds from disposal – plant and equipment		338	308
Less: carrying amount of plant and equipment assets sold/written off		(283)	(268)
<b>Net gain/(loss) on disposal</b>		<b>55</b>	<b>40</b>
<b>Infrastructure</b>			
	11(a)		
Less: carrying amount of infrastructure assets sold/written off		(548)	(5,981)
<b>Net gain/(loss) on disposal</b>		<b>(548)</b>	<b>(5,981)</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		66,647	64,884
Less: carrying amount of investments sold/redeemed/matured		(64,156)	(64,885)
<b>Net gain/(loss) on disposal</b>		<b>2,491</b>	<b>(1)</b>
<b>Non-current assets classified as ‘held for sale’</b>			
	10		
Proceeds from disposal – non-current assets ‘held for sale’		1,516	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(713)	–
<b>Net gain/(loss) on disposal</b>		<b>803</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>2,801</b>	<b>(5,076)</b>

**Accounting policy for disposal of assets**

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer 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
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,731	1,937
Cash-equivalent assets		
– Deposits at call	5,704	6,650
<b>Total cash and cash equivalents</b>	<b>8,435</b>	<b>8,587</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	2,002	–	2,012	–
b. 'Financial assets at amortised cost'	78,000	12,000	78,000	5,000
d. 'Financial assets at fair value through other comprehensive income'	–	–	–	156
<b>Total Investments</b>	<b>80,002</b>	<b>12,000</b>	<b>80,012</b>	<b>5,156</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>88,437</b>	<b>12,000</b>	<b>88,599</b>	<b>5,156</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	2,002	–	2,012	–
<b>Total</b>	<b>2,002</b>	<b>–</b>	<b>2,012</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	78,000	12,000	78,000	5,000
<b>Total</b>	<b>78,000</b>	<b>12,000</b>	<b>78,000</b>	<b>5,000</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Unlisted equity securities	–	–	–	156
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>156</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

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

Council has shares in Southern Phone Company Limited over which it does not have significant influence nor control. Council has made an irrevocable election to classify this equity investment as fair value through other comprehensive income as they are not held for trading purposes.

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

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

**Financial assets through profit or loss**

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

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

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

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	88,437	12,000	88,599	5,156
<b>attributable to:</b>				
External restrictions	66,162	12,000	70,199	5,156
Internal restrictions	20,119	–	17,220	–
Unrestricted	2,156	–	1,180	–
	88,437	12,000	88,599	5,156
<b>\$ '000</b>			<b>2020</b>	<b>2019</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>Details of restrictions</b>		
<b>External restrictions – included in liabilities</b>		
Specific purpose unexpended grants – general fund (2020 only)	2,871	–
Specific purpose unexpended loans – water	138	138
Employee leave entitlements – domestic waste	293	276
Employee leave entitlements – sewerage	622	605
Employee leave entitlements – water	692	649
Specific purpose unexpended grants – water fund (2020 only)	60	–
Specific purpose unexpended grants – domestic waste fund (2020 only)	69	–
<b>External restrictions – included in liabilities</b>	<b>4,745</b>	<b>1,668</b>
<b>External restrictions – other</b>		
Developer contributions – general	3,966	6,507
Developer contributions – water fund	7,788	7,404
Developer contributions – sewer fund	7,467	5,974
Specific purpose unexpended grants (recognised as revenue) – general fund	14	4,835
Specific purpose unexpended grants (recognised as revenue) – water fund	–	85
Water supplies	19,246	20,568
Water supplies – incomplete works	3,114	1,566
Sewerage services	17,149	17,457
Sewerage services – incomplete works	12,526	7,372
Domestic waste management	2,147	1,198
Specific purpose unexpended grants – DWM	–	721
<b>External restrictions – other</b>	<b>73,417</b>	<b>73,687</b>
<b>Total external restrictions</b>	<b>78,162</b>	<b>75,355</b>
<b>Internal restrictions</b>		
Plant and vehicle replacement	1,725	2,134
Employees leave entitlement	1,066	1,066
Asset management	–	60
Bridges	833	963
Buildings	241	(53)
Cemeteries	6	51
Collex/Veolia host fee	1,288	911
Community assistance scheme	226	230
Election reserve	120	80
Energy efficiency	5	5
Environment	1,455	1,001
Financial Assistance Grant	2,724	2,632
Gallery	18	96
Insurance rebates	128	137
Library development	206	346
Local roads/infrastructure	422	1,579
Marulan hall	138	138
Museums	681	1,343
Outdoor pool renewal	742	1,078
Performing arts	3,189	885
Proceeds from land sales	620	120
Public entertainment venue	509	509
Risk management	269	200

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Social plan	33	61
Special projects	2,052	25
Strategic planning	399	308
Technology	324	93
Tip replacement	263	263
Tourism	74	100
Training	100	131
Open Space	–	400
Printers	120	–
Landscaped Areas	89	278
Other	54	50
<b>Total internal restrictions</b>	<b>20,119</b>	<b>17,220</b>
<b>TOTAL RESTRICTIONS</b>	<b>98,281</b>	<b>92,575</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	1,264	56	1,019	55
Interest and extra charges	39	–	29	–
User charges and fees	1,177	–	1,062	–
Accrued revenues				
– Interest on investments	325	–	880	–
– Other income accruals	1,844	–	2,054	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	2,250	–	1,199	–
Net GST receivable	450	–	1,234	–
<b>Total</b>	<b>7,349</b>	<b>56</b>	<b>7,477</b>	<b>55</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(34)	–	(33)	–
User charges and fees	(39)	–	(19)	–
Other debtors	(6)	–	(14)	–
<b>Total provision for impairment – receivables</b>	<b>(79)</b>	<b>–</b>	<b>(66)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,270</b>	<b>56</b>	<b>7,411</b>	<b>55</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	107	–	101	–
– Other	1,305	–	1,563	–
<b>Sewerage services</b>				
– Rates and availability charges	363	–	370	–
– Other	402	–	631	–
<b>Domestic waste management</b>	<b>94</b>	<b>–</b>	<b>76</b>	<b>–</b>
<b>Total external restrictions</b>	<b>2,271</b>	<b>–</b>	<b>2,741</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>4,999</b>	<b>56</b>	<b>4,670</b>	<b>55</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,270</b>	<b>56</b>	<b>7,411</b>	<b>55</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	66	66
+ new provisions recognised during the year	13	–
<b>Balance at the end of the year</b>	<b>79</b>	<b>66</b>

#### Accounting policy for receivables

##### Recognition and measurement

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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

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

#### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 1 year past due, whichever occurs first. None of the receivables that have been written off are subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	291	–	273	–
<b>Total inventories at cost</b>	<b>291</b>	<b>–</b>	<b>273</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>291</u></b>	<b><u>–</u></b>	<b><u>273</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	325	–	330	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>325</u></b>	<b><u>–</u></b>	<b><u>330</u></b>	<b><u>–</u></b>

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Total externally restricted assets</b>	–	–	–	–
<b>Total internally restricted assets</b>	–	–	–	–
<b>Total unrestricted assets</b>	<b>616</b>	<b>–</b>	<b>603</b>	<b>–</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>616</u></b>	<b><u>–</u></b>	<b><u>603</u></b>	<b><u>–</u></b>

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

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

**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.

## Note 10. Non-current assets classified as held for sale

## (i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Non-current assets 'held for sale'</b>				
Land	450	–	1,032	–
Buildings	18	–	149	–

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10. Non-current assets classified as held for sale (continued)

<b>Total non-current assets 'held for sale'</b>	468	–	1,181	–
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b>468</b>	<b>–</b>	<b>1,181</b>	<b>–</b>

## (ii) Details of assets and disposal groups

Comprising 2/1 Dossie Street land and minor ancillary nursery buildings which will be presented to the market during the 2021 financial year.

## (iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
<b>Opening balance</b>	1,181	1,004
Less: carrying value of assets/operations sold	(713)	–
<b>Balance still unsold after 12 months:</b>	<b>468</b>	<b>1,004</b>
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	–	177
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>468</b>	<b>1,181</b>

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

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

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

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

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

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

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	12,862	–	12,862	–	15,593	–	–	(7,309)	–	–	21,146	–	21,146
Plant and equipment	18,154	(10,467)	7,687	24	3,279	(283)	(1,027)	–	–	–	21,561	(11,881)	9,680
Office equipment	4,053	(1,827)	2,226	367	168	–	(677)	79	–	–	4,667	(2,504)	2,163
Furniture and fittings	1,293	(930)	363	–	11	–	(57)	–	–	–	1,304	(987)	317
<b>Land:</b>													
– Operational land	21,595	–	21,595	–	–	–	–	–	–	–	21,595	–	21,595
– Community land	18,673	–	18,673	–	406	–	–	–	–	–	19,079	–	19,079
– Land under roads (post 30/6/08)	83	–	83	–	21	–	–	–	–	–	104	–	104
Land improvements – depreciable	2,190	(529)	1,661	–	–	–	(57)	–	–	–	2,191	(587)	1,604
<b>Infrastructure:</b>													
– Buildings – non-specialised	83,213	(40,226)	42,987	345	1,712	–	(1,679)	1,873	–	–	87,143	(41,905)	45,238
– Other structures	5,706	(1,844)	3,862	562	–	–	(217)	392	–	–	6,660	(2,061)	4,599
– Roads	577,338	(158,945)	418,393	3,728	1,028	(462)	(7,467)	2,150	–	37,607	641,634	(186,657)	454,977
– Bridges	45,349	(14,593)	30,756	–	44	(85)	(454)	–	–	77,593	143,187	(35,333)	107,854
– Footpaths	16,424	(2,802)	13,622	–	750	–	(208)	13	–	22,031	44,443	(8,235)	36,208
– Stormwater drainage	96,796	(31,079)	65,717	181	701	(1)	(977)	372	–	40,161	145,392	(39,238)	106,154
– Water supply network	310,845	(101,105)	209,740	2,953	810	–	(2,935)	388	(13,465)	–	294,786	(97,295)	197,491
– Sewerage network	182,807	(67,192)	115,615	2,367	1,050	–	(2,239)	255	(7,524)	–	174,445	(64,921)	109,524
– Swimming pools	1,331	(561)	770	–	–	–	(56)	–	–	–	1,331	(617)	714
– Other open space/recreational assets	4,070	(1,707)	2,363	1,906	706	–	(236)	1,787	–	–	8,470	(1,944)	6,526
<b>Other assets:</b>													
– Library books	1,076	(686)	390	–	119	–	(117)	–	–	–	1,194	(802)	392
– Other	455	(82)	373	162	104	–	(42)	–	–	–	721	(124)	597
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>													
– Tip assets	4,538	(2,087)	2,451	–	–	–	(184)	–	–	–	4,538	(2,271)	2,267
– Quarry assets	282	(76)	206	–	–	–	(14)	–	–	–	282	(90)	192
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,409,133</b>	<b>(436,738)</b>	<b>972,395</b>	<b>12,595</b>	<b>26,502</b>	<b>(831)</b>	<b>(18,643)</b>	<b>–</b>	<b>(20,989)</b>	<b>177,392</b>	<b>1,645,873</b>	<b>(497,452)</b>	<b>1,148,421</b>

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

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

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

	as at 30/06/18			Asset movements during the reporting period									as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	28,831	–	28,831	4,077	6,273	–	–	(26,319)	–	–	–	–	12,862	–	12,862
Plant and equipment	18,103	(10,686)	7,417	1,456	53	(267)	(972)	–	–	–	–	–	18,154	(10,467)	7,687
Office equipment	4,285	(2,274)	2,011	547	266	(1)	(597)	–	–	–	–	–	4,053	(1,827)	2,226
Furniture and fittings	1,263	(877)	386	21	10	–	(54)	–	–	–	–	–	1,293	(930)	363
<b>Land:</b>															
– Operational land	22,105	–	22,105	–	–	(340)	–	–	–	(170)	–	–	21,595	–	21,595
– Community land	18,859	–	18,859	–	–	(69)	–	–	–	(7)	(110)	–	18,673	–	18,673
– Land under roads (post 30/6/08)	83	–	83	–	–	–	–	–	–	–	–	–	83	–	83
Land improvements – depreciable	2,190	(466)	1,724	–	–	–	(63)	–	–	–	–	–	2,190	(529)	1,661
<b>Infrastructure:</b>															
– Buildings – non-specialised	82,987	(39,009)	43,978	517	295	(233)	(1,584)	14	–	–	–	–	83,213	(40,226)	42,987
– Other structures	5,318	(1,671)	3,647	82	246	–	(173)	60	–	–	–	–	5,706	(1,844)	3,862
– Roads	575,236	(154,772)	420,464	4,639	2,235	(3,699)	(7,199)	1,953	–	–	–	–	577,338	(158,945)	418,393
– Bridges	44,157	(14,151)	30,006	–	226	–	(443)	967	–	–	–	–	45,349	(14,593)	30,756
– Footpaths	16,006	(2,606)	13,400	111	284	(16)	(203)	46	–	–	–	–	16,424	(2,802)	13,622
– Stormwater drainage	94,994	(30,138)	64,856	–	1,595	–	(941)	207	–	–	–	–	96,796	(31,079)	65,717
– Water supply network	304,045	(97,137)	206,908	2,748	415	(476)	(3,146)	–	–	–	–	3,291	310,845	(101,105)	209,740
– Sewerage network	166,939	(79,230)	87,709	5,395	827	(1,557)	(1,605)	23,055	–	–	–	1,791	182,807	(67,192)	115,615
– Swimming pools	1,302	(506)	796	28	–	–	(54)	–	–	–	–	–	1,331	(561)	770
– Other open space/recreational assets	3,808	(1,510)	2,298	80	166	–	(198)	17	–	–	–	–	4,070	(1,707)	2,363
<b>Other assets:</b>															
– Library books	967	(540)	427	110	–	–	(147)	–	–	–	–	–	1,076	(686)	390
– Other	344	(63)	281	47	64	–	(19)	–	–	–	–	–	455	(82)	373
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>															
– Tip assets	4,538	(1,903)	2,635	–	–	–	(184)	–	–	–	–	–	4,538	(2,087)	2,451
– Quarry assets	150	(69)	81	–	–	–	(7)	–	132	–	–	–	282	(76)	206
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,396,510</b>	<b>(437,608)</b>	<b>958,902</b>	<b>19,858</b>	<b>12,955</b>	<b>(6,658)</b>	<b>(17,589)</b>	<b>–</b>	<b>132</b>	<b>(177)</b>	<b>(110)</b>	<b>5,082</b>	<b>1,409,133</b>	<b>(436,738)</b>	<b>972,395</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 Crown Lands and Water (CLAW).

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.

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

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

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

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

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **Crown reserves**

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

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

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

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed". Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land and buildings.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	360	–	360	554	–	554
Plant and equipment	366	262	104	513	383	130
Furniture and fittings	4	4	–	4	4	–
Land						
– Operational land	2,089	–	2,089	2,137	–	2,137
– Improvements – depreciable	397	130	267	397	122	275
Buildings	1,310	956	354	1,310	940	370
Other structures	18	14	4	18	13	5
Infrastructure	294,786	97,294	197,492	310,844	101,105	209,739
<b>Total water supply</b>	<b>299,330</b>	<b>98,660</b>	<b>200,670</b>	<b>315,777</b>	<b>102,567</b>	<b>213,210</b>
<b>Sewerage services</b>						
WIP	484	–	484	340	–	340
Plant and equipment	325	278	47	368	307	61
Furniture and fittings	5	5	–	5	5	–
Land						
– Operational land	6,645	–	6,645	6,645	–	6,645
– Community land	143	–	143	143	–	143
Buildings	1,992	1,636	356	1,992	1,611	381
Other structures	35	26	9	35	25	10
Infrastructure	174,445	64,922	109,523	182,806	67,192	115,614
<b>Total sewerage services</b>	<b>184,074</b>	<b>66,867</b>	<b>117,207</b>	<b>192,334</b>	<b>69,140</b>	<b>123,194</b>
<b>Domestic waste management</b>						
Plant and equipment	8	8	–	8	8	–
Other structures	29	12	17	29	11	18
<b>Total DWM</b>	<b>37</b>	<b>20</b>	<b>17</b>	<b>37</b>	<b>19</b>	<b>18</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>483,441</b>	<b>165,547</b>	<b>317,894</b>	<b>508,148</b>	<b>171,726</b>	<b>336,422</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Investment properties

\$ '000	2020	2019
<b>Owned investment property</b>		
Investment property on hand at fair value	4,158	4,300
<b>Total owned investment property</b>	<b>4,158</b>	<b>4,300</b>

## (a) Reconciliation – owned investment property

**Reconciliation of annual movement:**

<b>Opening balance</b>	4,300	4,150
– Capitalised expenditure – this year	8	168
– Net gain/(loss) from fair value adjustments	(150)	(128)
– Transfers from/(to) owner occupied (Note 11)	–	110
<b>CLOSING BALANCE – OWNED INVESTMENT PROPERTY</b>	<b>4,158</b>	<b>4,300</b>

## (b) Valuation basis

## Valuation basis

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

The 2020 revaluations were based on independent assessments made by: Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton. FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

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

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

\$ '000	2020	2019
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## (d) Leasing arrangements – Council as lessor (2019 only)

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

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

Within 1 year	–	172
Later than 1 year but less than 5 years	–	748
Later than 5 years	–	204
<b>Total minimum lease payments receivable</b>	<b>–</b>	<b>1,124</b>

## (e) Investment property income and expenditure – summary (2019 only)

**Rental income from investment property:**

– Minimum lease payments	–	246
<b>Net revenue contribution from investment property</b>	<b>–</b>	<b>246</b>

plus:

<b>Fair value movement for year</b>	–	(128)
<b>Total income attributable to investment property</b>	<b>–</b>	<b>118</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Investment properties (continued)

**Accounting policy for investment property**

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

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

## Note 13. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
<b>(a) Contract assets</b>			
Construction of Transport assets		1,207	–
Construction of Open space assets		1,074	–
<b>Total Contract assets</b>		<b>2,281</b>	<b>–</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,679	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	321	–
<b>Total grants received in advance</b>		<b>3,000</b>	<b>–</b>
<b>User fees and charges received in advance:</b>			
Other		276	–
<b>Total user fees and charges received in advance</b>		<b>276</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>3,276</b>	<b>–</b>

**Notes**

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

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 1058 being satisfied since the performance obligations are ongoing.

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

\$ '000		2020 Current	2020 Non-current
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Contract assets and liabilities (continued)

\$ '000	2020 Current	2020 Non-current
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Water	60	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,940	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>3,000</b>	<b>–</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>3,000</b>	<b>–</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>276</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>3,276</b>	<b>–</b>

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	1,689
Operating grants (received prior to performance obligation being satisfied)	1,291
Capital contributions (to construct Council controlled assets)	–
Operating contributions (received prior to performance obligation being satisfied)	–
<b>User Fees and Charges received in advance:</b>	
Upfront fees – leisure centre	–
Other	172
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>3,152</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

## Note 14. 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

## (i) Council as a lessee

Council currently has a lease over part of a building that it utilises to run a community centre from. This property is located at 155 Auburn Street Goulburn. Information relating to this lease and associated balances and transactions is provided below:

**Terms and conditions of leases****Buildings**

Council currently has a lease over part of a building that it utilises to run a community centre from. This property is located at 155 Auburn Street Goulburn. The original lease term was for a period of 5 years and commenced on 1 July 2018. This lease allows for a renewal option for another 5 year period.

This lease contains an annual pricing mechanism based on either a 3% increase or CPI increase, whichever is greater, at each anniversary of the lease inception.

**Extension options**

Council included an option in this building lease to provide flexibility and certainty to Council operations and reduce costs of moving premises; and this extension option is at Council's discretion.

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

There are \$923k in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

\$ '000	Buildings	Total
<b>Opening balance at 30 June 2019</b>	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	462	462
Depreciation charge	(136)	(136)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>421</u></b>	<b><u>421</u></b>

\$ '000	2020 Current	2020 Non-current
Lease liabilities	148	254
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>148</u></b>	<b><u>254</u></b>

## (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	144	254	-	398	402

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

\$ '000	2020 Current	2020 Non-current
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\$ '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	2
Depreciation of right of use assets	136
	<b>138</b>

**(d) Statement of Cash Flows**

Total cash outflow for leases	(161)
	<b>(161)</b>

**(ii) Council as a lessor****(e) Operating leases**

Council leases out a number of properties. These leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 12) and/or IPP&E.

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

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Investment properties</b>	
Lease income (excluding variable lease payments not dependent on an index or rate)	322
<b>Other lease income</b>	
<b>Total income relating to operating leases</b>	<b>322</b>

**(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	260
1–2 years	244
2–3 years	243
3–4 years	46
<b>Total undiscounted contractual lease income receivable</b>	<b>793</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Leases (continued)

**Accounting policy**

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

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

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

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

Council has concluded that the low value exception amount to be applied is \$10,000 and below.

## Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,660	–	570	–
Goods and services – capital expenditure	2,640	–	2,284	–
Accrued expenses:				
– Borrowings	173	–	184	–
– Salaries and wages	744	–	599	–
– Other expenditure accruals	520	–	3,061	–
Security bonds, deposits and retentions	1,007	–	1,189	–
Other	3	–	6	–
Government departments and agencies	625	–	–	–
Prepaid rates	1,367	–	–	–
<b>Total payables</b>	<b>8,739</b>	<b>–</b>	<b>7,893</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	1,305	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>1,305</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	1,652	17,477	1,693	19,129
<b>Total borrowings</b>	<b>1,652</b>	<b>17,477</b>	<b>1,693</b>	<b>19,129</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>10,391</b>	<b>17,477</b>	<b>10,891</b>	<b>19,129</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Payables and borrowings (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Externally restricted assets</b>				
Water	1,310	12,588	1,991	13,102
Sewer	1,511	2,889	1,369	3,434
Domestic waste management	134	–	56	–
Payables and borrowings relating to externally restricted assets	2,955	15,477	3,416	16,536
<b>Total payables and borrowings relating to restricted assets</b>	<b>2,955</b>	<b>15,477</b>	<b>3,416</b>	<b>16,536</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>7,436</b>	<b>2,000</b>	<b>7,560</b>	<b>2,593</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b>10,391</b>	<b>17,477</b>	<b>10,976</b>	<b>19,129</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. 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	755	884
<b>Total payables and borrowings</b>	<b>755</b>	<b>884</b>

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	20,822	(1,693)	–	–	–	–	19,129
Lease liabilities	–	95	–	–	307	–	402
<b>TOTAL</b>	<b>20,822</b>	<b>(1,598)</b>	<b>–</b>	<b>–</b>	<b>307</b>	<b>–</b>	<b>19,531</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	22,450	(1,628)	–	–	–	20,822
<b>TOTAL</b>	<b>22,450</b>	<b>(1,628)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20,822</b>

\$ '000	2020	2019
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	110	110
<b>Total financing arrangements</b>	<b>110</b>	<b>110</b>

**Undrawn facilities as at balance date:**

– Credit cards/purchase cards	110	110
<b>Total undrawn financing arrangements</b>	<b>110</b>	<b>110</b>

**Additional financing arrangements information****Breaches and defaults**

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

**Security over loans**

Loans are secured over future cash flows.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Payables and borrowings (continued)

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#### **Accounting policy for payables and borrowings**

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

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

#### **Payables**

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

#### **Borrowings**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	2,396	–	2,060	–
Sick leave	40	–	43	–
Long service leave	5,471	703	4,941	674
Other leave	38	–	29	–
<b>Sub-total – aggregate employee benefits</b>	<b>7,945</b>	<b>703</b>	<b>7,073</b>	<b>674</b>
<b>Asset remediation/restoration:</b>				
Goulburn tip	–	6,505	–	6,436
Gravel pits	–	440	–	434
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>6,945</b>	<b>–</b>	<b>6,870</b>
<b>TOTAL PROVISIONS</b>	<b>7,945</b>	<b>7,648</b>	<b>7,073</b>	<b>7,544</b>

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

##### Externally restricted assets

Water	655	37	584	64
Sewer	592	30	550	55
Domestic waste management	279	14	251	25
Provisions relating to externally restricted assets	1,526	81	1,385	144
<b>Total provisions relating to restricted assets</b>	<b>1,526</b>	<b>81</b>	<b>1,385</b>	<b>144</b>
<b>Total provisions relating to unrestricted assets</b>	<b>6,419</b>	<b>7,567</b>	<b>5,688</b>	<b>7,400</b>
<b>TOTAL PROVISIONS</b>	<b>7,945</b>	<b>7,648</b>	<b>7,073</b>	<b>7,544</b>

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

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

Provisions – employees benefits	5,483	4,881
	<b>5,483</b>	<b>4,881</b>

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

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
<b>2020</b>					
At beginning of year	2,060	43	5,615	29	7,747
Additional provisions	1,566	(5)	1,340	60	2,961

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Provisions (continued)

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
Amounts used (payments)	(1,318)	(1)	(1,195)	(52)	(2,566)
Remeasurement effects	88	3	414	–	505
Other	–	–	–	1	1
<b>Total ELE provisions at end of year</b>	<b>2,396</b>	<b>40</b>	<b>6,174</b>	<b>38</b>	<b>8,648</b>
<b>2019</b>					
At beginning of year	1,760	59	4,677	22	6,518
Additional provisions	1,773	(2)	2,024	7	3,802
Amounts used (payments)	(1,547)	(17)	(1,479)	–	(3,043)
Remeasurement effects	74	3	393	–	470
<b>Total ELE provisions at end of year</b>	<b>2,060</b>	<b>43</b>	<b>5,615</b>	<b>29</b>	<b>7,747</b>

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	6,870	6,870
Unwinding of discount	75	75
<b>Total other provisions at end of year</b>	<b>6,945</b>	<b>6,945</b>
<b>2019</b>		
At beginning of year	6,639	6,639
Remeasurement effects	132	132
Unwinding of discount	99	99
<b>Total other provisions at end of year</b>	<b>6,870</b>	<b>6,870</b>

## Nature and purpose of non-employee benefit provisions

## Asset remediation

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

## Accounting policy for provisions

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

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

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

## 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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Provisions (continued)

when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**Other long-term employee benefit obligations**

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

**On-costs**

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

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

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

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

	Provision \$000	Years to remediation
Goulburn Tip	\$5,687	12
Marulan Tip	\$818	30
Gravel Pits	\$440	1 to 20

**Restoration**

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

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

**Rehabilitation**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Provisions (continued)

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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.

### Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

##### **Other reserves**

The value of equity Council holds in Southern Phone Company Limited (2019 only).

#### (ii) AASB 15 and AASB 1058

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

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

##### **Costs incurred in fulfilling customer contracts**

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

##### **Upfront fees – Council leisure centre**

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

##### **Revenue recognition from contract modifications**

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

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

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

##### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****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 1058, 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 receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract assets</b>	
– Under AASB 15	–
– Under AASB 1058	–
<b>Total Contract assets</b>	<u>–</u>
<b>Contract liabilities</b>	
– Under AASB 15	–
– Under AASB 1058	5,018
<b>Total Contract liabilities</b>	<u>5,018</u>

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

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

**Statement of Financial Position**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	8,435	–	–	8,435	

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '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
Investments	80,002	–	–	80,002	
Receivables	7,270	–	–	7,270	
Inventories	291	–	–	291	
Contract assets	2,281	–	–	2,281	
Other	325	–	–	325	
Current assets classified as 'held for sale'	468	–	–	468	
<b>Total current assets</b>	<b>99,072</b>	<b>–</b>	<b>–</b>	<b>99,072</b>	
<b>Current liabilities</b>					
Payables	8,739	–	–	8,739	
Contract liabilities	3,276	(276)	–	3,000	
Lease liabilities	148	–	–	148	
Borrowings	1,652	–	–	1,652	
Provisions	7,945	–	–	7,945	
<b>Total current liabilities</b>	<b>21,760</b>	<b>(276)</b>	<b>–</b>	<b>21,484</b>	
<b>Non-current assets</b>					
Investments	12,000	–	–	12,000	
Receivables	56	–	–	56	
Infrastructure, property, plant and equipment	1,148,421	–	–	1,148,421	
Investment property	4,158	–	–	4,158	
Right of use assets	421	–	–	421	
<b>Total non-current assets</b>	<b>1,165,056</b>	<b>–</b>	<b>–</b>	<b>1,165,056</b>	
<b>Non-current liabilities</b>					
Lease liabilities	254	–	–	254	
Borrowings	17,477	–	–	17,477	
Provisions	7,648	–	–	7,648	
<b>Total Non-current liabilities</b>	<b>25,379</b>	<b>–</b>	<b>–</b>	<b>25,379</b>	
<b>Net assets</b>	<b>1,216,989</b>	<b>276</b>	<b>–</b>	<b>1,217,265</b>	
<b>Equity</b>					
Accumulated surplus	411,335	276	–	411,611	
Revaluation reserves	805,654	–	–	805,654	
<b>Council equity interest</b>	<b>1,216,989</b>	<b>276</b>	<b>–</b>	<b>1,217,265</b>	
<b>Total equity</b>	<b>1,216,989</b>	<b>276</b>	<b>–</b>	<b>1,217,265</b>	

AASB 15 changes revenue recognition from the current “transfer of risks and rewards” model to a “transfer of control” model and AASB 1058 is expected to more closely reflect the economic reality of the underlying transaction and will replace the vast majority of AASB 1004 Contributions.

## Income Statement



## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	36,715	–	–	36,715	
User charges and fees	16,181	–	–	16,181	
Other revenues	1,670	(276)	–	1,394	
Grants and contributions provided for operating purposes	12,649	–	–	12,649	
Grants and contributions provided for capital purposes	22,390	–	–	22,390	
Interest and investment income	1,922	–	–	1,922	
Net gains from the disposal of assets	2,801	–	–	2,801	
Rental income	322	–	–	322	
<b>Total Income from continuing operations</b>	<b>94,650</b>	<b>(276)</b>	<b>–</b>	<b>94,374</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	24,567	–	–	24,567	
Borrowing costs	1,432	–	–	1,432	
Materials and contracts	13,458	–	–	13,458	
Depreciation and amortisation	18,779	–	–	18,779	
Other expenses	5,723	–	–	5,723	
Fair value decrement on investment properties	150	–	–	150	
<b>Total Expenses from continuing operations</b>	<b>64,109</b>	<b>–</b>	<b>–</b>	<b>64,109</b>	
<b>Total Operating result from continuing operations</b>	<b>30,541</b>	<b>(276)</b>	<b>–</b>	<b>30,265</b>	
Net operating result for the year	30,541	(276)	–	30,265	
<b>Total comprehensive income</b>	<b>186,944</b>	<b>–</b>	<b>–</b>	<b>186,944</b>	

AASB 15 changes revenue recognition from the current “transfer of risks and rewards” model to a “transfer of control” model and AASB 1058 is expected to more closely reflect the economic reality of the underlying transaction and will replace the vast majority of AASB 1004 Contributions.

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

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
<b>Total assets</b>	<b>1,079,700</b>	<b>–</b>	<b>1,079,700</b>
Contract liabilities	–	5,018	5,018

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total liabilities</b>	<b>44,637</b>	<b>5,018</b>	<b>49,655</b>
Accumulated surplus	385,656	(5,018)	380,638
<b>Total equity</b>	<b>1,035,063</b>	<b>(5,018)</b>	<b>1,030,045</b>

**(iii) AASB 16 Leases****Council as a lessee**

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

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

Practical expedients used on transition

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

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

**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$461,725 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 1.22%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>(651)</b>

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>(461)</b>
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**Add:**

Contracts not accounted for as operating lease commitments last year	–
Finance lease liabilities	–
Extension options reasonably certain to be exercised not included in the commitments note	–
Variable lease payments linked to an index	–

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Other	–
<b>Less:</b>	
Short-term leases included in commitments note	–
Leases for low-value assets included in commitments note	–
Other	–
<b>Lease liabilities recognised at 1 July 2019</b>	<b>(461)</b>

**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

**Adjustments to the current year figures for the year ended 30 June 2020****Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	461	461
<b>Total assets</b>	<b>–</b>	<b>461</b>	<b>461</b>
Payables – accrued interest on leases (30/6/2019)	–	(2)	(2)
Leases	–	(158)	(158)
<b>Total liabilities</b>	<b>–</b>	<b>(160)</b>	<b>(160)</b>
Accumulated surplus	–	–	–
<b>Total equity</b>	<b>–</b>	<b>–</b>	<b>621</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	8,435	8,587
<b>Balance as per the Statement of Cash Flows</b>		<b>8,435</b>	<b>8,587</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		30,541	11,495
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		18,779	17,589
Net losses/(gains) on disposal of assets		(2,801)	5,076
Non-cash capital grants and contributions		(5,935)	(3,677)
Adoption of AASB 15/1058		(5,018)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		11	(4)
– Investment property		150	128
Amortisation of premiums, discounts and prior period fair valuations			
– Financial assets at amortised cost / held to maturity (2019)		1	1
Unwinding of discount rates on reinstatement provisions		75	99
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		127	183
Increase/(decrease) in provision for impairment of receivables		13	63
Decrease/(increase) in inventories		(18)	(32)
Decrease/(increase) in other current assets		4	90
Decrease/(increase) in contract assets		(2,281)	–
Increase/(decrease) in payables		1,090	(116)
Increase/(decrease) in accrued interest payable		(11)	(6)
Increase/(decrease) in other accrued expenses payable		(2,396)	(992)
Increase/(decrease) in other liabilities		502	(146)
Increase/(decrease) in contract liabilities		3,276	–
Increase/(decrease) in provision for employee benefits		901	1,229
Increase/(decrease) in other provisions		–	132
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>37,010</b>	<b>31,112</b>
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		1,648	–
Developer contributions ‘in kind’		4,287	3,677
<b>Total non-cash investing and financing activities</b>		<b>5,935</b>	<b>3,677</b>
<b>(d) Net cash flows attributable to discontinued operations</b>			
Please refer to Note 25 for details of cash flows that relate to discontinued operations			

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	22	1,692
Other structures	145	2,394
Plant and equipment	–	783
Roads infrastructure	692	1,419
Waste water infrastructure	1,845	589
Water infrastructure	2,440	334
Other	–	323
<b>Investment property</b>		
– Buildings	–	3
<b>Total commitments</b>	<b>5,144</b>	<b>7,537</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	5,144	7,537
<b>Total payable</b>	<b>5,144</b>	<b>7,537</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	(56)	1,459
Unexpended grants	5,103	4,068
Externally restricted reserves	87	1,294
Internally restricted reserves	10	716
<b>Total sources of funding</b>	<b>5,144</b>	<b>7,537</b>

**Details of capital commitments**

Council has a number of capital projects that have been commenced but not completed. The funding for these projects has been allocated and the majority will be completed within the 2020/2021 financial year.

\$ '000	2020	2019
<b>(b) Non-cancellable operating lease commitments (2019 only)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	144	171
Later than one year and not later than 5 years	275	480
<b>Total non-cancellable operating lease commitments</b>	<b>419</b>	<b>651</b>

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

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

Council currently leases part of the building at 155 Auburn Street. The lease expires on 30 June 2023. Council pays rent plus outgoings for a share of the insurance premium and rates & annual charges to the lessor.

Council also leased a landfill compactor at the Marulan Waste Management Centre. The current lease expired on 30 September 2019.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies

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

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

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

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

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

*Description of the funding arrangements.*

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

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

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

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 330,729.52. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$347,812.40.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Contingencies (continued)

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	95.6%

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

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

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

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

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

\* Plus promotional increases

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

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

**(iv) Other guarantees**

Council has a Bank Guarantee liability of \$35,400. This is to ensure the performance obligations under Crown Land Acquisition for easements at Goulburn for Essential Energy projects.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

##### (iii) Upper Lachlan Council asset transfers

In accordance with the proclamation by the Minister for Local Government on 7th September 2006, in the event of the sale of the former Mulwaree Shire Council administration building in Clinton Street, Goulburn, 'Upper Lachlan Council is to be reimbursed 24.22% of the net profit.'

##### (iv) Legal liabilities

Council has no known contingent liabilities re legal cases at this time.

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

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

##### (ii) Infringement notices/fines

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	8,435	8,587	8,435	8,589
Receivables	7,326	7,466	7,780	7,518
Investments				
– 'Financial assets at amortised cost'	90,000	83,000	90,000	83,000
<b>Fair value through other comprehensive income</b>				
Investments				
– 'Financial assets at fair value through other comprehensive income'	–	156	–	156
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	2,002	2,012	2,002	2,012
<b>Total financial assets</b>	<b>107,763</b>	<b>101,221</b>	<b>108,217</b>	<b>101,275</b>
<b>Financial liabilities</b>				
Payables	8,739	7,893	8,680	7,945
Loans/advances	19,129	20,822	19,129	20,822
Lease liabilities	402	–	–	–
<b>Total financial liabilities</b>	<b>28,270</b>	<b>28,715</b>	<b>27,809</b>	<b>28,767</b>

Fair value is determined as follows:

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

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

Council 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

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.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 10% movement in market values	200	200	(200)	(200)
Possible impact of a 1% movement in interest rates	984	984	(984)	(984)
<b>2019</b>				
Possible impact of a 10% movement in market values	217	217	(217)	(217)
Possible impact of a 1% movement in interest rates	916	916	(916)	(916)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

## (b) Credit risk

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

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

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

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

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

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

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

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	39	901	157	167	56	1,320
<b>2019</b>						
Gross carrying amount	–	951	88	19	16	1,074

## Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	5,028	880	48	43	86	6,085
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	25.00%	0.35%
<b>ECL provision</b>	–	–	–	–	22	22
<b>2019</b>						
Gross carrying amount	5,770	303	286	22	77	6,458
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	18.00%	0.21%
<b>ECL provision</b>	–	–	–	–	14	14

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2020</b>							
Trade/other payables	0.00%	1,007	6,365	–	–	7,372	7,372
Loans and advances	6.79%	–	1,652	4,656	12,821	19,129	19,129
<b>Total financial liabilities</b>		<b>1,007</b>	<b>8,017</b>	<b>4,656</b>	<b>12,821</b>	<b>26,501</b>	<b>26,501</b>
<b>2019</b>							
Trade/other payables	0.00%	1,189	6,704	–	–	7,893	7,893
Loans and advances	6.72%	–	1,693	5,367	13,762	20,822	20,822
<b>Total financial liabilities</b>		<b>1,189</b>	<b>8,397</b>	<b>5,367</b>	<b>13,762</b>	<b>28,715</b>	<b>28,715</b>

## Loan agreement breaches

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 02/06/2020 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
<b>REVENUES</b>					
Rates and annual charges	36,446	36,715	269	1%	<b>F</b>
User charges and fees	15,053	16,181	1,128	7%	<b>F</b>
Other revenues	1,051	1,670	619	59%	<b>F</b>
This result is primarily due to unanticipated insurance claims (\$185k), legal cost recoveries (\$136k) and higher than anticipated bulk water sales from standpipes (\$185k). Also contributing to this result was the receipt of \$112k for the Alternate Fuels rebate which was inadvertently omitted from the original budget.					
Operating grants and contributions	11,393	12,649	1,256	11%	<b>F</b>
This variation is primarily due to greater than anticipated Financial Assistance Grant received (\$275k), Veolia Host Fees (\$275k) and s94 maintenance fees received from Quarries (\$330k)					
Capital grants and contributions	47,744	22,390	(25,354)	(53)%	<b>U</b>
This result was primarily due to major projects (Hockey Facility (\$9M) and Rail Trail (\$16M)) being included in the original budget but being fully dependant upon external funding being sourced for them to proceed, which didn't occur in the 2019/2020 financial year. Other major projects that commenced later than anticipated included the Performing Arts Centre and Aquatic Centre upgrade which also impacted this result. This led to less than anticipated expenditure during the year on these projects and therefore less grant funding received in the 2019/2020 financial year. Both of these projects continue into the 2020/2021 financial year.					
Interest and investment revenue	1,381	1,922	541	39%	<b>F</b>
Council maintains a conservative approach to budgeting for revenues from investments.					
Net gains from disposal of assets	–	2,801	2,801	∞	<b>F</b>
Rental income	255	322	67	26%	<b>F</b>
<b>EXPENSES</b>					
Employee benefits and on-costs	25,115	24,567	548	2%	<b>F</b>
Borrowing costs	1,387	1,432	(45)	(3)%	<b>U</b>
Materials and contracts	12,669	13,458	(789)	(6)%	<b>U</b>
Depreciation and amortisation	14,677	18,779	(4,102)	(28)%	<b>U</b>
This result is due to an error in the original budgets where incorrect assumptions were used in relation to the outcomes of the revaluation of transport assets which Council had intended to undertake a year early. An assumption was incorrectly made in previous budgets that the level of depreciation would drop due to the perception that the assets were overvalued. This assumption was not overridden when the 2019/2020 budget was prepared and adopted.					

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>Other expenses</b>	6,501	5,723	778	12% <b>F</b>
The main driver for this result was an over-inflated projection of energy costs at the newly commissioned Waste Water Treatment Plant. Due to the unknown consumption of the new plant a budget of \$850k was set with the final actual figure being just under \$300k. The result was also impacted by Council's inability to carry-out the majority of its mandatory training program due to COVID-19 restrictions.				
<b>Net losses from disposal of assets</b>	-	-	-	∞ <b>F</b>
<b>Fair value decrement on investment property</b>	-	150	(150)	∞ <b>U</b>

## STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	65,166	37,010	(28,156)	(43)% <b>U</b>
---------------------------------------------	--------	--------	----------	----------------

This result is primarily due to capital grants not being received as a result of grant funded projects being delayed/deferred. As mentioned above, two of these projects (Hockey Facility and Rail Trail) were included in the budget on the basis of 100% grant funding. The projects have been deferred pending external funding being sourced.

<b>Cash flows from investing activities</b>	(107,745)	(35,314)	72,431	(67)% <b>F</b>
---------------------------------------------	-----------	----------	--------	----------------

This result is primarily due to major capital projects being delayed/deferred. As mentioned above, two of these projects (Hockey Facility and Rail Trail) were included in the budget on the basis of 100% grant funding. The projects have been deferred pending external funding being sourced. Other projects include the Performing Arts Centre and Aquatic Centre Upgrade and the Growing Local Economies project in North Goulburn (Common Street precinct).

<b>Cash flows from financing activities</b>	17,730	(1,848)	(19,578)	(110)% <b>U</b>
---------------------------------------------	--------	---------	----------	-----------------

This result is primarily due to borrowings not taken up as a result of loan funded projects being delayed/deferred. The projects that were to be loan funded were the Goulburn Performing Arts Centre (\$6.3M), Aquatic Centre Upgrade (\$8.9M) and the Waste Management Centre upgrade (\$4.28M)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

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

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).

The fair value of an asset (or liability) should reflect market conditions at the measurement date. This has become more challenging due to the uncertainty of the economic impact of COVID 19. Some key factors and risks to consider when measuring fair value using a valuation technique including the economic activity level and the credit and liquidity risk in the current environment is quite uncertain.

- The cost approach is particularly suited to assets such as specialised buildings, specialised plant and infrastructure held for their service potential, and specialised or unique heritage assets where there are no observable market selling prices. The cost approach assumes fair value reflects the amount that would be required to replace the service capacity of the asset. No significant changes to the fair value are expected under the cost approach except where assets have been destroyed or damaged. Councils Non specialised buildings, specialised plant and Infrastructure assets of \$ 1,125,859,000 are valued under the Cost approach.
- The market approach is mainly used for land and non-specialised buildings. Comparable transactions and market evidence from the outbreak to the relevant date of valuation are extremely limited. Our valuation was based on the information available to us as at the time of valuation. Whilst all reasonable steps were taken to estimate the effect on the properties, due to significant uncertainty in the property and capital markets and the rapid unfolding of these events, it is difficult to quantify and assess the impact that the outbreak had on market values. Councils Investment properties and Assets Held for sale of \$4,626,000 are valued under the market approach.
- Assets valued under the income approach are those predominantly to generate cash flows from the provision of goods and services. The recessionary environment created by COVID-19 may have significant impacts on demand for goods and services. Valuation inputs that may be subject to significant changes and uncertainty include projected cash flows, risk free interest rates and risk margins. Councils Financial Assets of \$2,002,000 are valued under the income approach.

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

	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	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'	30/06/20	–	–	2,002	2,002
<b>Investment property</b>					
Investment property	30/06/20	–	–	4,158	4,158
<b>Total investment property</b>		<b>–</b>	<b>–</b>	<b>4,158</b>	<b>4,158</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/20	–	–	9,680	9,680
Office equipment	30/06/20	–	–	2,163	2,163

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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

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	
Furniture and fittings	30/06/20	–	–	317	317
Operational land	30/06/18	–	–	21,595	21,595
Community land	30/06/16	–	–	19,079	19,079
Land under roads (post 30/6/08)	30/06/20	–	–	104	104
Land improvements – depreciable	30/06/18	–	–	1,604	1,604
Buildings – non-specialised	30/06/18	–	–	45,238	45,238
Other structures	30/06/18	–	–	4,599	4,599
Roads	30/06/20	–	–	454,977	454,977
Bridges	30/06/20	–	–	107,854	107,854
Footpaths	30/06/20	–	–	36,208	36,208
Stormwater drainage	30/06/20	–	–	106,154	106,154
Water supply network	30/06/20	–	–	197,491	197,491
Sewerage network	30/06/20	–	–	109,524	109,524
Recreation and Open Space	30/06/18	–	–	6,526	6,526
Swimming Pools	30/06/18	–	–	714	714
Library books	30/06/20	–	–	392	392
Other	30/06/18	–	–	597	597
Tip assets	30/06/18	–	–	2,267	2,267
Quarry assets	30/06/19	–	–	192	192
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>1,127,275</b>	<b>1,127,275</b>
<b>Non-current assets classified as 'held for sale'</b>					
Land held for sale	30/06/18	–	–	450	450
Buildings held for sale	30/06/18	–	–	18	18
<b>Total NCA's classified as 'held for sale'</b>		<b>–</b>	<b>–</b>	<b>468</b>	<b>468</b>

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	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'	30/06/19	–	–	2,012	2,012
<b>Investment property</b>					
Investment property	30/06/19	–	–	4,300	4,300
<b>Total investment property</b>		<b>–</b>	<b>–</b>	<b>4,300</b>	<b>4,300</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/19	–	–	7,687	7,687
Office equipment	30/06/19	–	–	2,226	2,226
Furniture and fittings	30/06/19	–	–	363	363
Operational land	30/06/18	–	–	21,595	21,595
Community land	30/06/16	–	–	18,673	18,673
Land under roads (post 30/6/08)	30/06/18	–	–	83	83
Land improvements – depreciable	30/06/18	–	–	1,661	1,661
Buildings – non-specialised	30/06/18	–	–	42,987	42,987
Other structures	30/06/18	–	–	3,862	3,862
Roads	30/06/15	–	–	418,393	418,393
Bridges	30/06/15	–	–	30,756	30,756
Footpaths	30/06/15	–	–	13,622	13,622



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Stormwater drainage	30/06/15	–	–	65,717	65,717
Water supply network	30/06/19	–	–	209,740	209,740
Sewerage network	30/06/19	–	–	115,615	115,615
Recreation and Open Space	30/06/18	–	–	2,363	2,363
Swimming Pools	30/06/18	–	–	770	770
Library books	30/06/19	–	–	390	390
Other	30/06/18	–	–	373	373
Tip assets	30/06/18	–	–	2,451	2,451
Quarry assets	30/06/19	–	–	206	206
<b>Total infrastructure, property, plant and equipment</b>		–	–	<b>959,533</b>	<b>959,533</b>
<b>Non-current assets classified as 'held for sale'</b>					
Land held for sale	30/06/18	–	–	855	855
Buildings held for sale	30/06/18	–	–	149	149
<b>Total NCA's classified as 'held for sale'</b>		–	–	<b>1,004</b>	<b>1,004</b>

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

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

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

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

**Financial assets**

Council holds a Floating Rate Note (Bendigo & Adelaide Bank). This is recorded at a valuation provided by Trustees Australia annually and matures on 21 August 2020.

Council held one ordinary and one preference share with Southern Phone Company Limited which were valued in 2018/2019 by Ernst & Young of 200 George St, Sydney. Both shares were sold during the 2019/2020 financial year and settled on 18 December 2019.

**Investment property**

Council obtains independent valuations of its investment property on an annual basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 3 of the hierarchy. The fair value of the investment property is determined by an independent, qualified valuer on an annual basis who has experience in the location of the property. Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2020 the valuation of the investment property was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144. There has been no change to the valuation process during the reporting period.

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

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

- Plant and Equipment: Trucks, tractors, ride-on mowers, street sweepers, earthmoving equipment and motor vehicles.
- Office Equipment: Refrigerators, electronic whiteboards, flat-screen monitors and computer equipment.
- Furniture & Fittings: Chairs, desks and display systems.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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

#### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by JLT AssetVal Pty Ltd, Nick Franks (BSc. MRICS AAPI).

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

#### Community Land

Valuations of all Council's Community Land and Council managed land are based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. While Community Land has been re-valued as at 30 June 2016 in line with the Valuer General, there has been no change to the valuation process during the reporting period.

#### Land under Roads

Council has elected to recognise Land under Roads where the road was acquired on or after 30/06/2008. 'Land under roads' have been valued using the square metres rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

#### Land Improvements - Depreciable

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

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

#### Buildings – Non Specialised

Buildings – Non Specialised were valued by JLT AssetVal Pty Ltd, Nick Franks (BSc. MRICS AAPI), in June 2018 using a combination of sales comparison approach, income capitalisation approach and cost approach. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

#### Other Structures

This asset class comprises Boardwalks, Viewing platforms, Floodlighting Systems, Irrigation System, Pedestrian Bridges, Retaining Walls, Monuments, Statues, Fences, Wash bays, Cemetery walls and beams. The cost approach has been utilised. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Fair Value Measurement (continued)

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#### Roads

This asset class comprises the Road Carriageway, Kerb and Gutter, Signs, and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. Cost Approach using Level 3 inputs was used to value the road carriageway and other road infrastructure assets. Valuations for the road infrastructure assets were carried out by APV Valuers and Asset Management as at 30 June 2020.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

#### Bridges

Bridges were valued by APV Valuers and Asset Management as at 30 June 2020, using the cost approach. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails. 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. There has been no change to the valuation process during the reporting period.

#### Footpaths

Footpaths were valued by APV Valuers and Asset Management as at 30 June 2020, using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a combination of video condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections. There has been no change to the valuation process during the reporting period.

#### Stormwater Drainage

Stormwater drainage assets were valued by APV Valuers and Asset Management as at 30 June 2020, using the cost approach. Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with DLG Circular 09-09. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

#### Water Supply Network

Water Supply and Sewerage infrastructure assets were re-valued at fair value as at 30 June 2017. These assets are indexed each year in line with the Reference Rates Manual as published by the NSW Office of Water. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition. This asset class is categorised as Level 3 as there are inputs used in the valuation of these assets (such as estimates of pattern of consumption, residual value, asset condition and useful life), that require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

#### Recreation and Open Space

This asset class comprises of Playground equipment, BBQ's, Shade shelters and Outdoor fitness facilities. These assets may be located on parks, reserves and also within road reserves. 'Recreation and Open Space' assets were valued in-house using the cost approach by experienced Council engineers and asset management staff. These assets have been transferred from other 'Depreciable Land' and 'Other Structures' at 30 June 2016. Cost approach has been utilised. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

#### Swimming Pool

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

This asset class comprises of Swimming pools only, it does not include related plant and equipment, buildings other structures and car parks. 'Swimming Pool' assets were valued in-house using the cost approach by experienced Council engineers and asset management staff. These assets have been transferred from 'Other Structures' at 30 June 2016. Cost approach has been utilised. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

**Library Books**

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. 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. There has been no change to the valuation process during the reporting period.

**Other Assets**

Assets within this class comprise of all assets not classified elsewhere such as artwork. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. There has been no change to the valuation process during the reporting period.

**Reinstatement, Rehabilitation & Restoration Assets - Tips & Quarries**

Council owns and manages tips and quarries in its local government area, and it has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site. Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community Land
<b>2019</b>					
<b>Opening balance</b>	7,417	2,011	386	21,935	18,852
Transfers from/(to) another asset class	–	–	–	–	(110)
Purchases (GBV)	1,509	813	31	–	–
Disposals (WDV)	(267)	(1)	–	(340)	(69)
Depreciation and impairment	(972)	(597)	(54)	–	–
<b>Closing balance</b>	<b>7,687</b>	<b>2,226</b>	<b>363</b>	<b>21,595</b>	<b>18,673</b>
<b>2020</b>					
<b>Opening balance</b>	7,687	2,226	363	21,595	18,673
Purchases (GBV)	1,962	535	11	–	331
Disposals (WDV)	(283)	–	–	–	–
Depreciation and impairment	(1,027)	(677)	(57)	–	–
Other movement (Tfr from WIP)	–	79	–	–	–
<b>Closing balance</b>	<b>8,339</b>	<b>2,163</b>	<b>317</b>	<b>21,595</b>	<b>19,004</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

\$ '000	Land under Roads	Land improvement	Building non-specialised	Other structures	Roads
<b>2019</b>					
<b>Opening balance</b>	83	1,724	43,978	3,647	420,464
Purchases (GBV)	–	–	812	328	6,874
Disposals (WDV)	–	–	(233)	–	(777)
Depreciation and impairment	–	(63)	(1,584)	(173)	(7,199)
Revaluation increments to Equity	–	–	–	–	(2,922)
Other movement (Tfr from WIP)	–	–	14	60	1,953
<b>Closing balance</b>	<b>83</b>	<b>1,661</b>	<b>42,987</b>	<b>3,862</b>	<b>418,393</b>
<b>2020</b>					
<b>Opening balance</b>	83	1,661	42,987	3,862	418,393
Purchases (GBV)	21	–	2,057	562	4,756
Disposals (WDV)	–	–	(1,679)	–	(462)
Depreciation and impairment	–	(57)	–	(217)	(7,467)
Revaluation increments to Equity	–	–	–	–	37,607
Other movement (Tfr from WIP)	–	–	1,873	392	2,150
<b>Closing balance</b>	<b>104</b>	<b>1,604</b>	<b>45,238</b>	<b>4,599</b>	<b>454,977</b>

\$ '000	Bridges	Footpaths	Stormwater drainage	Water supply network	Sewerage network
<b>2019</b>					
<b>Opening balance</b>	30,006	13,400	64,856	206,908	87,709
Purchases (GBV)	226	395	1,595	3,163	6,222
Disposals (WDV)	–	(12)	–	(9)	(129)
Depreciation and impairment	(443)	(203)	(941)	(3,146)	(1,605)
Revaluation increments to Equity	–	(4)	–	2,824	363
Other movement (Tfr from WIP)	967	46	207	–	23,055
<b>Closing balance</b>	<b>30,756</b>	<b>13,622</b>	<b>65,717</b>	<b>209,740</b>	<b>115,615</b>
<b>2020</b>					
<b>Opening balance</b>	30,756	13,622	65,717	209,740	115,615
Purchases (GBV)	44	750	882	3,763	3,417
Disposals (WDV)	(85)	–	(1)	–	–
Depreciation and impairment	(454)	(208)	(977)	(2,935)	(2,239)
Revaluation increments to Equity	77,593	22,031	40,161	(13,465)	(7,524)
Other movement (Tfr from WIP)	–	13	372	388	255
<b>Closing balance</b>	<b>107,854</b>	<b>36,208</b>	<b>106,154</b>	<b>197,491</b>	<b>109,524</b>

\$ '000	Recreation and open space	Swimming pools	Library books	Other assets	Tip assets
<b>2019</b>					
<b>Opening balance</b>	2,298	796	427	281	2,635
Purchases (GBV)	246	28	110	111	–
Depreciation and impairment	(198)	(54)	(147)	(19)	(184)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

\$ '000	Recreation and open space	Swimming pools	Library books	Other assets	Tip assets
Other movement (Tfr from WIP)	17	–	–	–	–
<b>Closing balance</b>	<b>2,363</b>	<b>770</b>	<b>390</b>	<b>373</b>	<b>2,451</b>
<b>2020</b>					
<b>Opening balance</b>	<b>2,363</b>	<b>770</b>	<b>390</b>	<b>373</b>	<b>2,451</b>
Purchases (GBV)	2,612	–	119	266	–
Depreciation and impairment	(236)	(56)	(117)	(42)	(184)
Other movement (Tfr from WIP)	1,787	–	–	–	–
<b>Closing balance</b>	<b>6,526</b>	<b>714</b>	<b>392</b>	<b>597</b>	<b>2,267</b>

\$ '000	Quarry assets	Investment at fair value	Investment properties	NCA Held for sale	Total
<b>2019</b>					
<b>Opening balance</b>	213	2,011	4,150	1,181	<b>937,368</b>
Transfers from/(to) another asset class	–	–	110	–	–
Purchases (GBV)	–	–	168	–	<b>22,631</b>
Disposals (WDV)	–	–	–	–	<b>(1,837)</b>
Depreciation and impairment	(7)	–	–	–	<b>(17,589)</b>
FV gains – Income Statement <sup>1</sup>	–	1	(128)	–	<b>(127)</b>
Revaluation increments to Equity	–	–	–	–	<b>261</b>
Other movement (Tfr from WIP)	–	–	–	–	<b>26,319</b>
<b>Closing balance</b>	<b>206</b>	<b>2,012</b>	<b>4,300</b>	<b>1,181</b>	<b>967,026</b>
<b>2020</b>					
<b>Opening balance</b>	206	2,012	4,300	1,181	<b>967,026</b>
Purchases (GBV)	–	–	8	–	<b>22,096</b>
Disposals (WDV)	–	–	–	(713)	<b>(3,223)</b>
Depreciation and impairment	(14)	–	–	–	<b>(16,964)</b>
FV gains – Income Statement <sup>1</sup>	–	(10)	(150)	–	<b>(160)</b>
Revaluation increments to Equity	–	–	–	–	<b>156,403</b>
Other movement (Tfr from WIP)	–	–	–	–	<b>7,309</b>
<b>Closing balance</b>	<b>192</b>	<b>2,002</b>	<b>4,158</b>	<b>468</b>	<b>1,132,487</b>

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

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

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

	Valuation technique/s	Unobservable inputs
<b>Financial assets</b>		
At Fair Value through Profit or Loss	Level 3	Unit price
<b>Investment properties</b>		
Investment Property	Level 3	Rental yield and price per hectare
<b>Infrastructure, property, plant and equipment</b>		
Operational Land	Level 3	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Remaining useful life</li> <li>Residual value</li> </ul>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Community Land	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Land under Roads (post 30/6/08)	Level 3	<ul style="list-style-type: none"> <li>• Unimproved capital value (price per square metre)</li> </ul>
Land Improvements - depreciable	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Buildings - Non Specialised	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Other Structures	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Roads	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Bridges	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Footpaths	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Stormwater Drainage	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Water Supply Network	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Sewerage Network	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Recreation and Open Space	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Swimming Pools	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Library Books	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Other	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Tip Assets	Level 3	<ul style="list-style-type: none"> <li>• Discount Rate</li> <li>• CPI</li> </ul>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Quarry Assets	Level 3	<ul style="list-style-type: none"> <li>• Discount Rate</li> <li>• CPI</li> </ul>
Plant and Equipment	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Office Equipment	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Furniture and Fittings	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
<b>Non-current assets classified as 'held for sale'</b>		
2 Dossie Street	Level 3	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>

## (4) Highest and best use

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



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

Note 24. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	1,098	1,076
Post-employment benefits	99	96
<b>Total</b>	<b>1,197</b>	<b>1,172</b>

(b) Other transactions with KMP and their related parties

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

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						
<b>2020</b>						
Supply of Recycling Contract	1	616	–	30 days	–	–
Supply of plant and road construction	2	4,115	–	30 days	–	–
Council employee wages	3	467	–	Award wages	–	–
Commercial Waste	4	177	–	30 days	–	–
Donation	5	1	–	Donation policy	–	–
Donation – Fee waiver	6	3	–	Donation policy	–	–
Inspection Fees	7	1	–	30 days	–	–
Development application fee	8	12	–	30 days	–	–
Hire of Sporting Facilities	9	–	–	30 days	–	–
<b>2019</b>						

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Related party disclosures (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000	Ref					
Supply of Recycling Contract	1	484	–	30 days	–	–
Supply of plant and road construction	2	5,377	–	30 days	–	–
Council employee wages	3	475	–	Award wages	–	–
Commercial Waste	4	218	–	30 days	–	–
Donation	5	1	–	Donation policy	–	–
Donation – Fee waiver	6	7	–	Donation policy	–	–
Inspection Fees	7	1	–	30 days	–	–
Development application fee	8	12	–	30 days	–	–
Hire of Sporting Facilities	9	1	–	30 days	–	–

1 Council has appointed its recycling contract to a company of which a Councillor is a board member, the Councillor has declared his involvement and is excluded from all meetings.

2 Council engages three local companies for various plant hire and road making activities. The company directors are a related party to a Councillor, the Councillor has declared an interest and follows the code of conduct. All contracts are awarded through the tender process.

3 Four members of Council staff are related parties to KMP and Councillors. The interest is declared.

4 Council provides a debtor account for the purposes of a commercial waste service to related parties of Councillors. Interest has been declared and all fees are charged as per the adopted fees and charges. Payment terms are 30 days.

5 Council provided a donation/sponsorship to several community groups where Councillors are related parties. Interest had been declared and payments made through the executive donations procedure.

6 Council provided a donation to a charity group equal to the value of the Council facility hire fee of which a Councillor is a related party. Interest was declared and payment was made through the executive donations procedure.

7 Council conducts Health Inspection checks at the place of employment of a Councillor. There is a charge for this inspection as per adopted fees and charges and they are provided 30 day payment terms.

8 Council has received a development application where a Councillor is a member of the organisation. Interest has been declared.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

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- 9 Council has hired sporting facilities to related parties during the year. All charges are per the adopted fees and charges, where debtor accounts are provided 30 day payment terms are in place unless payment is required upon booking.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Statement of developer contributions

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

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

## Summary of contributions and levies

\$ '000	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,598	248	–	15	(993)	–	868	–
Roads	179	–	–	1	(62)	–	118	–
Traffic facilities	(1,449)	229	–	2	(288)	–	(1,506)	–
Open space	1,110	22	–	6	(740)	–	398	–
Community facilities	79	3	–	1	–	–	83	–
Other	164	–	–	1	(36)	–	129	–
Urban and civic improvements	17	–	–	–	–	–	17	–
Rural addressing	66	–	–	–	–	–	66	–
Rural waste	293	–	–	2	(73)	–	222	–
<b>S7.11 contributions – under a plan</b>	<b>2,057</b>	<b>502</b>	<b>–</b>	<b>28</b>	<b>(2,192)</b>	<b>–</b>	<b>395</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>1,460</b>	<b>387</b>	<b>–</b>	<b>10</b>	<b>(88)</b>	<b>–</b>	<b>1,769</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>3,517</b>	<b>889</b>	<b>–</b>	<b>38</b>	<b>(2,280)</b>	<b>–</b>	<b>2,164</b>	<b>–</b>
S7.11 not under plans	2,990	678	2,743	20	(1,886)	–	1,802	–
S64 contributions	13,378	2,309	1,543	89	(521)	–	15,255	–
<b>Total contributions</b>	<b>19,885</b>	<b>3,876</b>	<b>4,286</b>	<b>147</b>	<b>(4,687)</b>	<b>–</b>	<b>19,221</b>	<b>–</b>

## S7.11 Contributions – under a plan

## CONTRIBUTION PLAN - New Mulwaree Plan

## 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						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
Drainage	132	1	–	1	–	–	134	–	
Roads	179	–	–	1	(62)	–	118	–	
Open space	73	–	–	–	–	–	73	–	
Community facilities	1	–	–	–	–	–	1	–	
Urban and civic improvements	17	–	–	–	–	–	17	–	
Rural addressing	65	–	–	–	–	–	65	–	
Rural waste	61	–	–	2	–	–	63	–	
Other	164	–	–	1	(36)	–	129	–	
<b>Total</b>	<b>692</b>	<b>1</b>	<b>–</b>	<b>5</b>	<b>(98)</b>	<b>–</b>	<b>600</b>	<b>–</b>	
<b>CONTRIBUTION PLAN - Old Mulwaree Plan</b>									
Rural addressing	1	–	–	–	–	–	1	–	
Rural waste	232	–	–	–	(73)	–	159	–	
<b>Total</b>	<b>233</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(73)</b>	<b>–</b>	<b>160</b>	<b>–</b>	
<b>CONTRIBUTION PLAN - New Goulburn Citywide Plan</b>									
Drainage	839	200	–	6	(213)	–	832	–	
Traffic facilities	218	17	–	1	(56)	–	180	–	
Open space	34	–	–	–	–	–	34	–	
Community facilities	78	3	–	1	–	–	82	–	
<b>Total</b>	<b>1,169</b>	<b>220</b>	<b>–</b>	<b>8</b>	<b>(269)</b>	<b>–</b>	<b>1,128</b>	<b>–</b>	
<b>CONTRIBUTION PLAN - Marys Mount</b>									
Drainage	986	47	–	6	(780)	–	259	–	
Traffic facilities	(582)	180	–	–	(119)	–	(521)	–	
Open space	987	22	–	6	(740)	–	275	–	
<b>Total</b>	<b>1,391</b>	<b>249</b>	<b>–</b>	<b>12</b>	<b>(1,639)</b>	<b>–</b>	<b>13</b>	<b>–</b>	
<b>CONTRIBUTION PLAN - Ducks Lane</b>									
Drainage	115	–	–	1	–	–	116	–	
Traffic facilities	(1,351)	12	–	–	(113)	–	(1,452)	–	
<b>Total</b>	<b>(1,236)</b>	<b>12</b>	<b>–</b>	<b>1</b>	<b>(113)</b>	<b>–</b>	<b>(1,336)</b>	<b>–</b>	

## 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						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
<b>CONTRIBUTION PLAN - Clyde Street</b>									
Drainage	(540)	–	–	–	–	–	(540)	–	
Traffic facilities	203	20	–	1	–	–	224	–	
Open space	6	–	–	–	–	–	6	–	
<b>Total</b>	<b>(331)</b>	<b>20</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>(310)</b>	<b>–</b>	
<b>CONTRIBUTION PLAN - Common Street</b>									
Drainage	66	–	–	1	–	–	67	–	
Traffic facilities	63	–	–	–	–	–	63	–	
Open space	10	–	–	–	–	–	10	–	
<b>Total</b>	<b>139</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>140</b>	<b>–</b>	
<b>S7.12 Levies – under a plan</b>									
<b>CONTRIBUTION PLAN - S94A Levies</b>									
Roads	1,460	387	–	10	(88)	–	1,769	–	
<b>Total</b>	<b>1,460</b>	<b>387</b>	<b>–</b>	<b>10</b>	<b>(88)</b>	<b>–</b>	<b>1,769</b>	<b>–</b>	
<b>S7.11 Contributions – not under a plan</b>									
<b>S7.11 CONTRIBUTIONS – NOT UNDER A PLAN</b>									
Drainage	–	–	505	–	–	–	–	–	
Roads	2,990	678	1,307	20	(1,886)	–	1,802	–	
Open space	–	–	931	–	–	–	–	–	
<b>Total</b>	<b>2,990</b>	<b>678</b>	<b>2,743</b>	<b>20</b>	<b>(1,886)</b>	<b>–</b>	<b>1,802</b>	<b>–</b>	

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	24,866	2,460	9,389
User charges and fees	6,127	7,791	2,263
Interest and investment revenue	783	520	619
Other revenues	1,411	205	54
Grants and contributions provided for operating purposes	12,623	26	–
Grants and contributions provided for capital purposes	16,128	1,580	4,682
Net gains from disposal of assets	2,768	22	11
Rental income	322	–	–
<b>Total income from continuing operations</b>	<b>65,028</b>	<b>12,604</b>	<b>17,018</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	21,154	1,789	1,624
Borrowing costs	269	942	221
Materials and contracts	5,077	3,924	4,457
Depreciation and amortisation	13,523	2,980	2,276
Other expenses	4,773	494	456
Fair value decrement on investment property	150	–	–
<b>Total expenses from continuing operations</b>	<b>44,946</b>	<b>10,129</b>	<b>9,034</b>
<b>Operating result from continuing operations</b>	<b>20,082</b>	<b>2,475</b>	<b>7,984</b>
<b>Net operating result for the year</b>	<b>20,082</b>	<b>2,475</b>	<b>7,984</b>
<b>Net operating result attributable to each council fund</b>	<b>20,082</b>	<b>2,475</b>	<b>7,984</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>3,954</b>	<b>895</b>	<b>3,302</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,655	2,608	3,172
Investments	25,200	24,722	30,080
Receivables	5,093	1,412	765
Inventories	291	–	–
Contract assets	2,281	–	–
Other	266	–	59
Non-current assets classified as 'held for sale'	468	–	–
<b>Total current assets</b>	<b>36,254</b>	<b>28,742</b>	<b>34,076</b>
<b>Non-current assets</b>			
Investments	3,780	3,708	4,512
Receivables	56	–	–
Infrastructure, property, plant and equipment	830,544	200,670	117,207
Investment property	4,158	–	–
Right of use assets	421	–	–
Other	(883)	–	883
<b>Total non-current assets</b>	<b>838,076</b>	<b>204,378</b>	<b>122,602</b>
<b>TOTAL ASSETS</b>	<b>874,330</b>	<b>233,120</b>	<b>156,678</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	7,434	339	966
Income received in advance	(457)	457	–
Contract liabilities	3,216	60	–
Lease liabilities	148	–	–
Borrowings	593	514	545
Provisions	6,698	655	592
<b>Total current liabilities</b>	<b>17,632</b>	<b>2,025</b>	<b>2,103</b>
<b>Non-current liabilities</b>			
Lease liabilities	254	–	–
Borrowings	2,000	12,588	2,889
Provisions	7,581	37	30
<b>Total non-current liabilities</b>	<b>9,835</b>	<b>12,625</b>	<b>2,919</b>
<b>TOTAL LIABILITIES</b>	<b>27,467</b>	<b>14,650</b>	<b>5,022</b>
<b>Net assets</b>	<b>846,863</b>	<b>218,470</b>	<b>151,656</b>
<b>EQUITY</b>			
Accumulated surplus	218,660	89,699	102,976
Revaluation reserves	628,203	128,771	48,680
<b>Council equity interest</b>	<b>846,863</b>	<b>218,470</b>	<b>151,656</b>
<b>Total equity</b>	<b>846,863</b>	<b>218,470</b>	<b>151,656</b>

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Result by fund (continued)

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

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

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	Sewer Fund
Lender (by purpose)	General Fund
Date of minister's approval	8 July 2019
Date raised	30 June 2019
Term (years)	15
Dates of maturity	30 June 2034
Rate of interest	2.00%
Amount originally raised	\$1,000,000
Total repaid during year (principal and interest)	\$77,331
<b>Principal outstanding at end of year</b>	<b>\$922,669</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>5,511</b>	<b>7.93%</b>	6.20%	9.45%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>69,470</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>56,821</b>	<b>61.86%</b>	70.33%	53.48%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>91,860</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>30,639</b>	<b>3.81x</b>	3.32x	3.49x	>1.50x
Current liabilities less specific purpose liabilities	<b>8,041</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>25,722</b>	<b>7.84x</b>	7.29x	2.08x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>3,280</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,325</b>	<b>3.49%</b>	2.94%	3.02%	<10.00%
Rates, annual and extra charges collectible	<b>37,953</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>98,435</b>	<b>22.79</b>	22.14	17.85	>3.00
Monthly payments from cash flow of operating and financing activities	<b>4,320</b>	<b>mths</b>	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>2.85%</b>	(1.29)%	<b>8.12%</b>	12.73%	<b>26.77%</b>	26.05%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>53.80%</b>	62.57%	<b>87.26%</b>	85.54%	<b>72.49%</b>	83.78%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>3.81x</b>	3.32x	<b>14.19x</b>	11.45x	<b>16.20x</b>	16.04x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>7.14x</b>	6.48x	<b>5.11x</b>	5.71x	<b>26.24x</b>	18.55x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>3.28%</b>	2.41%	<b>4.35%</b>	4.23%	<b>3.86%</b>	4.02%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>9.77</b>	20.77	<b>44.87</b>	∞	<b>63.43</b>	∞	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>		<b>mths</b>		mths

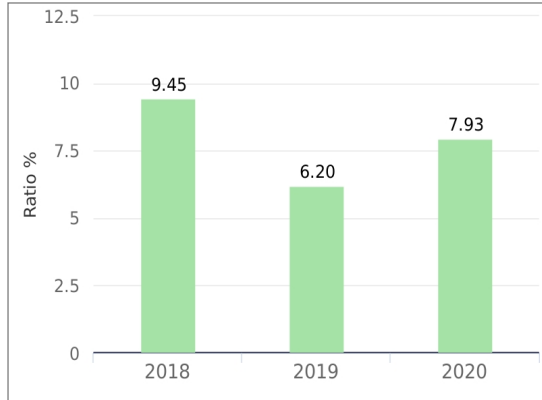
(1) - (2) Refer to Notes at Note 31a above.

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

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 7.93%

This ratio has been relatively steady for a number of years. The slight drop in the 2018/2019 financial year was primarily due to the impact of discounting Council's Employee Leave Entitlement.

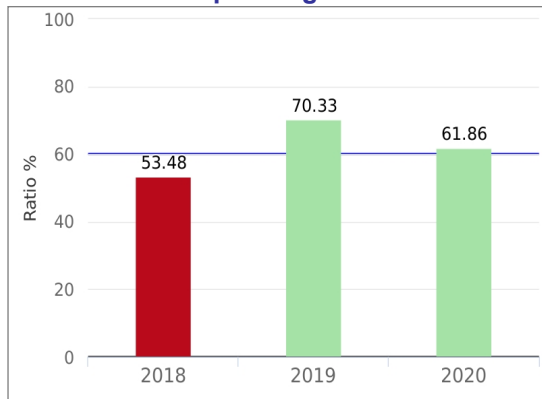
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 61.86%

This ratio was negatively impacted in the 2017/2018 financial year due to the large amount of capital grants and contributions (both cash and in-kind) Council received. Outside of the 2017/2018 financial year this ratio has met or exceeded the benchmark.

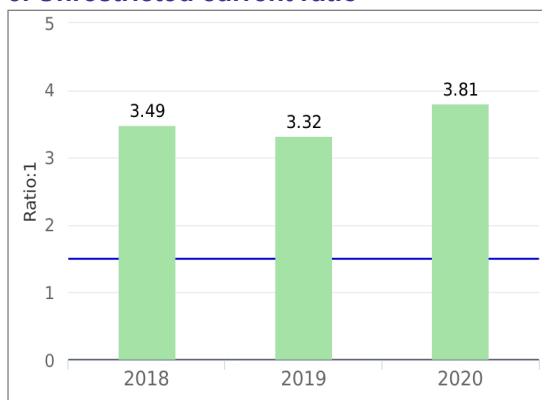
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.81x

This ratio continues to be at a healthy level to ensure Council's obligations can be met in the short-term.

Benchmark: — > 1.50x

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

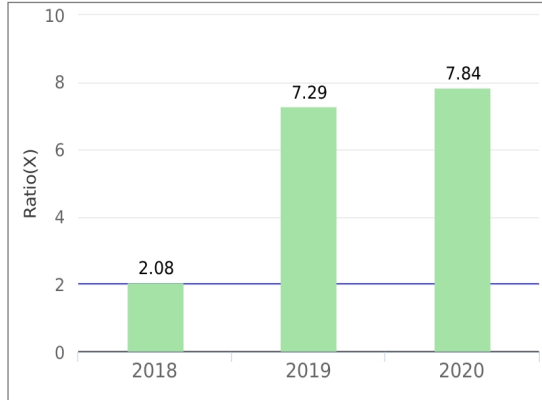
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.84x

Council has undertaken minimal borrowing over the past 8-9 years and during this time has paid out a number of loans. The sharp drop in 2018 was due to two loans being paid out early instead of refinancing. Both of these loans related to the Water and Sewer Funds of Council.

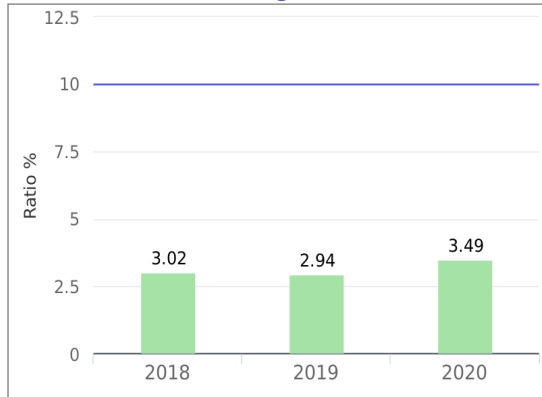
Benchmark: — > 2.00x

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 3.49%

Council has continued the consistent application of its debt recovery policy whilst being mindful of its rating hardship policy. An easing on debt recovery action occurred during the last quarter of 2019/2020 financial year due to the global pandemic.

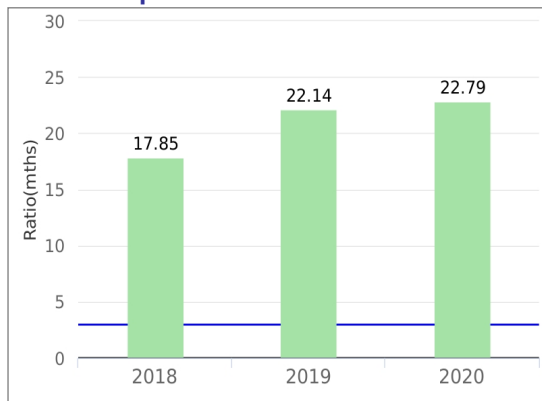
Benchmark: — < 10.00%

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 22.79 mths

This ratio remains high however this will be impacted moving forward as our major projects including the Performing Arts Centre and Aquatic Centre Upgrades progress.

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. Council information and contact details

### Note 28. Council information and contact details

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**Principal place of business:**

184-194 Bourke Street  
Goulburn NSW 2580

#### Contact details

**Mailing Address:**

Locked Bag 22  
Goulburn NSW 2580

**Telephone:** 02 4823 4444

**Opening hours:**

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

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

**Email:** [council@goulburn.nsw.gov.au](mailto:council@goulburn.nsw.gov.au)

#### Officers

**General Manager**

Warwick Bennett

**Responsible Accounting Officer**

Brendan Hollands

**Auditors**

Audit Office of NSW  
15/1 Margaret Street  
Sydney NSW 2000

#### Elected members

**Mayor**

Cr Bob Kirk

**Councillors**

Cr Andrew Banfield  
Cr Leah Ferrara  
Cr Carol James  
Cr Margaret O'Neill  
Cr Sam Rowland  
Cr Denzil Sturgiss  
Cr Alfie Walker  
Cr Peter Walker



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Goulburn Mulwaree Council

To the Councillors of Goulburn Mulwaree Council

### Opinion

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

In my opinion:

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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



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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 October 2020  
SYDNEY

Cr Bob Kirk  
 Mayor  
 Goulburn Mulwaree Council  
 Locked Bag 22  
 GOULBURN NSW 2580

Contact: Dominika Ryan  
 Phone no: 02 9275 7336  
 Our ref: D2023829/1731

26 October 2020

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2020  
 Goulburn Mulwaree Council**

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	36.7	35.2	↑ 4.3
Grants and contributions revenue	35.0	23.1	↑ 51.5
Operating result from continuing operations	30.5	11.5	↑ 165.2
Net operating result before capital grants and contributions	8.2	(1.2)	↑ 783.3

The Council's operating result from continuing operations (including depreciation and amortisation expense of \$18.7 million) was \$19.8 million higher than the 2018–19 result. This was primarily due to:

- \$11.9 million increase in grants and contributions
- \$5.1 million decrease in net losses from disposal of assets.

The net operating result before capital grants and contributions (\$8.2 million) was \$9.4 million higher than the 2018–19 result.

Rates and annual charges revenue (\$36.7 million) increased by \$1.5 million (4.3 per cent) in 2019–20. This was due to the IPART annual rate increase of 2.7 per cent and an increase in rateable properties by 2.4 per cent (27,904 rateable properties in 2019-20 compared to 27,238 properties last year).

Grants and contributions revenue (\$35.0 million) increased by \$11.9 million (51.5 per cent) in 2019–20. This was mainly due to \$9.4 million increase in specific purpose grants particularly sewerage services (\$2.0 million) and recreation and culture (\$4.3 million).

## STATEMENT OF CASH FLOWS

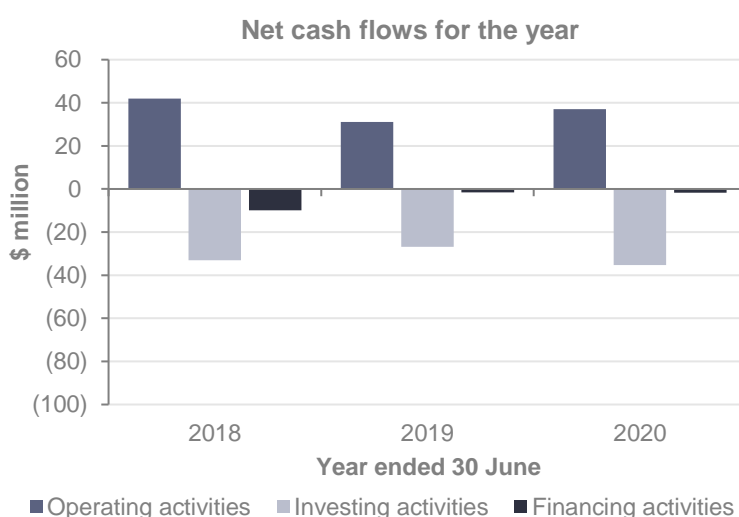
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash decreased slightly by \$152,000.

Cash inflows from operating activities increased from \$31.1 million in 2018-19 to \$37.0 million in 2019-20 mainly due to higher revenue from grants and contributions.

The increase in cash outflows from investing activities of \$8.4 million was primarily due to the Council's significant investment in infrastructure, property, plant and equipment during the current year.

Cash outflow from financing activities remained largely steady.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	78.2	75.4	<ul style="list-style-type: none"> <li>• External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.</li> </ul>
Internal restrictions	20.1	17.2	
Unrestricted	2.2	1.2	
<b>Cash and investments</b>	<b>100.5</b>	<b>93.8</b>	<ul style="list-style-type: none"> <li>• Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> <li>• Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>

- The balance for cash and investments overall increased by \$6.7 million (7.1 per cent) due to the increase is due to contributions that were received during the year and not yet utilised, therefore are held as investments. In addition, there are some capital projects for performing art centre and historical villa, road works that is in process.

## PERFORMANCE

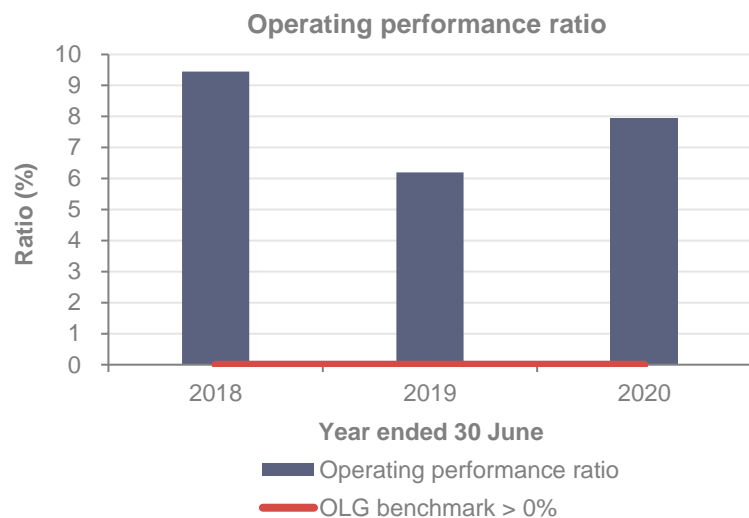
### Performance measures

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

#### Operating performance ratio

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

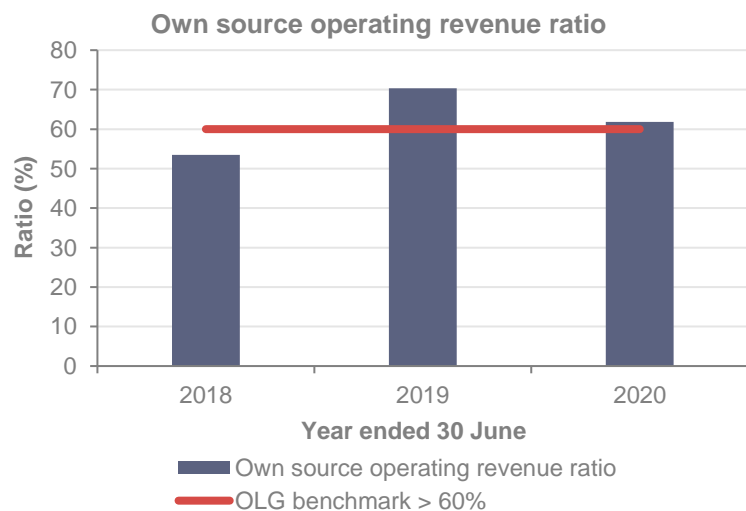
The Council's ratio continues to exceed the OLG benchmark.



#### Own source operating revenue ratio

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

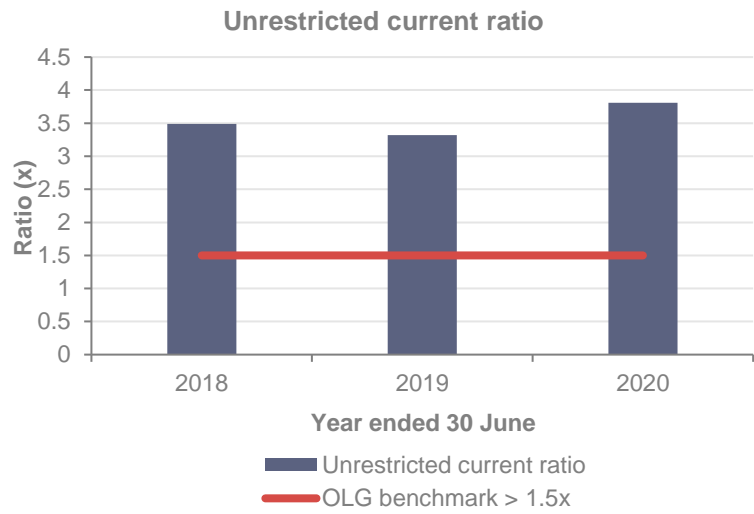
The Council's own source operating ratio of 61.9 per cent for the current reporting period exceeded the OLG benchmark. It was slightly lower than last year due to significantly higher grants and contributions and net gains from disposal of assets in 2019-20.



### Unrestricted current ratio

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

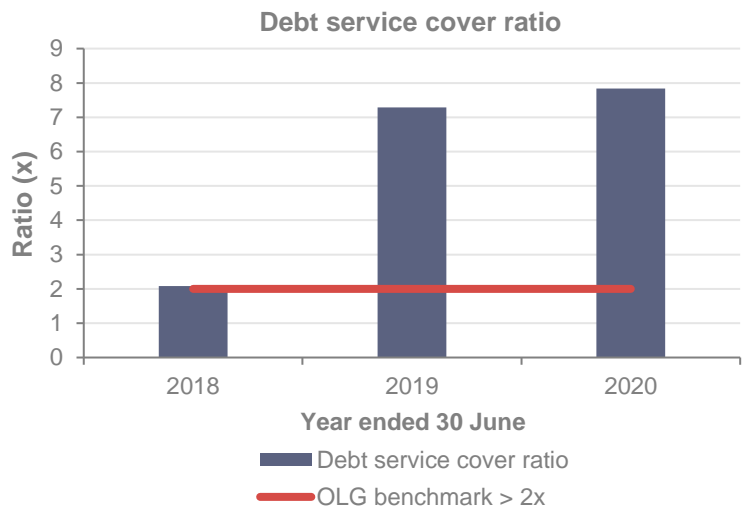
The Council's ratio continues to be at an appropriate level to ensure its obligations can be met in the short-term.



### Debt service cover ratio

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

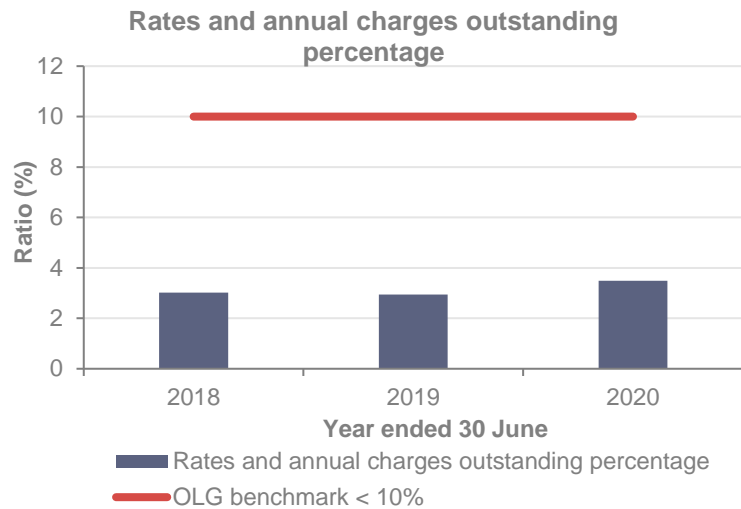
The Council's current year ratio though slightly impacted by the implementation of AASB 16 'Leases', exceeded the OLG benchmark.



## Rates and annual charges outstanding percentage

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

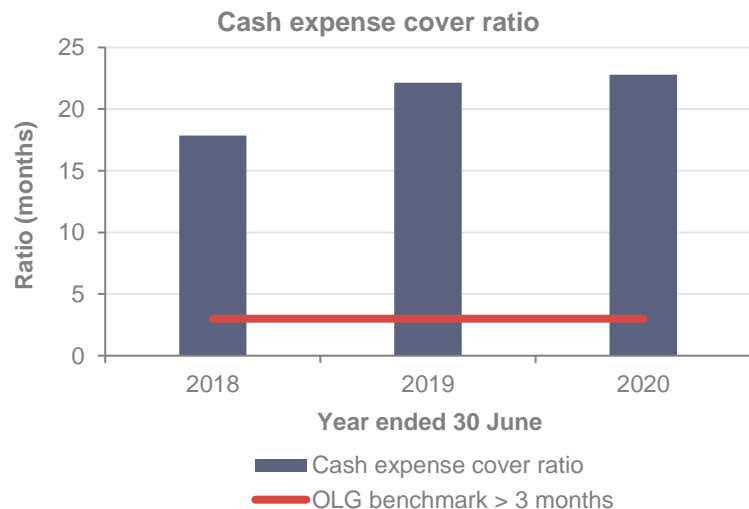
The Council met the OLG benchmark for the current reporting period.



## Cash expense cover ratio

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

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



## Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2019-20 amounted to \$12.6 million, a decrease of \$7.3 million from prior year balance of \$19.9 million. The decrease was primarily due to the decrease in capital work in progress and sewerage network renewals by \$4.1 million and \$3.0 million respectively.

## OTHER MATTERS

### Impact of new accounting standards

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

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

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and

amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

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

The Council recognised a \$5.0 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

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

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$462,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 14.

### **Legislative compliance**

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

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

The Council's:

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



Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Warwick Bennett, General Manager

# Goulburn Mulwaree Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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## Special Purpose Financial Statements

for the year ended 30 June 2020

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Income Statement – Sewerage Business Activity	5
Income Statement – Domestic Waste Management	6
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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).

## Goulburn Mulwaree 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:

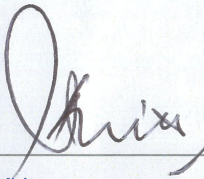
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

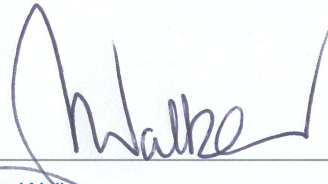
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

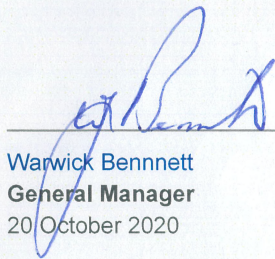
Signed in accordance with a resolution of Council made on 20 October 2020.



Cr Bob Kirk  
Mayor  
20 October 2020



Cr Peter Walker  
Councillor  
20 October 2020



Warwick Bennett  
General Manager  
20 October 2020



Brendan Hollands  
Responsible Accounting Officer  
20 October 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	2,460	2,388
User charges	7,680	7,469
Fees	111	95
Interest	520	869
Grants and contributions provided for non-capital purposes	26	–
Profit from the sale of assets	22	–
Other income	205	95
<b>Total income from continuing operations</b>	<b>11,024</b>	<b>10,916</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,789	1,596
Borrowing costs	942	972
Materials and contracts	3,924	2,964
Depreciation, amortisation and impairment	2,980	3,187
Loss on sale of assets	–	474
Other expenses	494	333
<b>Total expenses from continuing operations</b>	<b>10,129</b>	<b>9,526</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>895</b>	<b>1,390</b>
Grants and contributions provided for capital purposes	1,580	1,846
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,475</b>	<b>3,236</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,475</b>	<b>3,236</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(246)	(382)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,229</b>	<b>2,854</b>
<b>Plus accumulated surplus</b>	<b>87,224</b>	<b>83,521</b>
<b>Plus/less: other adjustments - Asset Revaluation Reserve realised on disposal of IPP&amp;E</b>	<b>–</b>	<b>467</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	246	382
<b>Closing accumulated surplus</b>	<b>89,699</b>	<b>87,224</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>1.1%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>367</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,229	2,854
Less: capital grants and contributions (excluding developer contributions)	(1,580)	(1,846)
<b>Surplus for dividend calculation purposes</b>	<b>649</b>	<b>1,008</b>
<b>Potential dividend calculated from surplus</b>	<b>324</b>	<b>504</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	9,389	9,183
User charges	1,886	1,672
Liquid trade waste charges	375	364
Fees	2	10
Interest	619	884
Profit from the sale of assets	11	–
Other income	54	119
<b>Total income from continuing operations</b>	<b>12,336</b>	<b>12,232</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,624	1,731
Borrowing costs	221	275
Materials and contracts	4,457	3,225
Depreciation, amortisation and impairment	2,276	1,640
Loss on sale of assets	–	1,557
Other expenses	456	617
<b>Total expenses from continuing operations</b>	<b>9,034</b>	<b>9,045</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>3,302</b>	<b>3,187</b>
Grants and contributions provided for capital purposes	4,682	2,369
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>7,984</b>	<b>5,556</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>7,984</b>	<b>5,556</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(908)	(876)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>7,076</b>	<b>4,680</b>
<b>Plus accumulated surplus</b>	<b>94,992</b>	<b>88,007</b>
<b>Plus/less: other adjustments - Asset Revaluation Reserve realised on disposal of IPP&amp;E</b>	<b>–</b>	<b>1,429</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	908	876
<b>Closing accumulated surplus</b>	<b>102,976</b>	<b>94,992</b>
<b>Return on capital %</b>	<b>3.0%</b>	<b>2.8%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	7,076	4,680
Less: capital grants and contributions (excluding developer contributions)	(4,682)	(2,369)
<b>Surplus for dividend calculation purposes</b>	<b>2,394</b>	<b>2,311</b>
<b>Potential dividend calculated from surplus</b>	<b>1,197</b>	<b>1,155</b>

## Income Statement – Domestic Waste Management

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
Access charges	4,030	3,679
Interest	51	87
Grants and contributions provided for non-capital purposes	7	183
Other income	50	39
<b>Total income from continuing operations</b>	<b>4,138</b>	<b>3,988</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	876	815
Materials and contracts	2,954	3,393
Depreciation, amortisation and impairment	1	1
Other expenses	5	2
<b>Total expenses from continuing operations</b>	<b>3,836</b>	<b>4,211</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>302</b>	<b>(223)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>302</b>	<b>(223)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>302</b>	<b>(223)</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(83)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>219</b>	<b>(223)</b>
<b>Plus accumulated surplus</b>	<b>1,899</b>	<b>2,122</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	83	–
<b>Closing accumulated surplus</b>	<b>2,201</b>	<b>1,899</b>
<b>Return on capital %</b>	<b>1,776.5%</b>	<b>(1,238.9)%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>158</b>

## Income Statement – Commercial Waste

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>Income from continuing operations</b>		
User charges	1,380	1,346
<b>Total income from continuing operations</b>	<b>1,380</b>	<b>1,346</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	183	241
Materials and contracts	859	849
Depreciation, amortisation and impairment	12	8
Other expenses	2	2
<b>Total expenses from continuing operations</b>	<b>1,056</b>	<b>1,100</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>324</b>	<b>246</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>324</b>	<b>246</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>324</b>	<b>246</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(89)	(68)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>235</b>	<b>178</b>
<b>Plus accumulated surplus</b>	<b>794</b>	<b>548</b>
– Corporate taxation equivalent	89	68
<b>Plus adjustments for amounts unpaid:</b>		
<b>Closing accumulated surplus</b>	<b>1,118</b>	<b>794</b>
<b>Return on capital %</b>	<b>320.8%</b>	<b>229.9%</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,608	2,790
Investments	24,722	25,996
Receivables	1,412	1,664
<b>Total current assets</b>	<b>28,742</b>	<b>30,450</b>
<b>Non-current assets</b>		
Investments	3,708	1,624
Infrastructure, property, plant and equipment	200,670	213,211
<b>Total non-current assets</b>	<b>204,378</b>	<b>214,835</b>
<b>TOTAL ASSETS</b>	<b>233,120</b>	<b>245,285</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	60	85
Payables	339	1,094
Income received in advance	457	420
Borrowings	514	477
Provisions	655	584
<b>Total current liabilities</b>	<b>2,025</b>	<b>2,660</b>
<b>Non-current liabilities</b>		
Borrowings	12,588	13,102
Provisions	37	64
<b>Total non-current liabilities</b>	<b>12,625</b>	<b>13,166</b>
<b>TOTAL LIABILITIES</b>	<b>14,650</b>	<b>15,826</b>
<b>NET ASSETS</b>	<b>218,470</b>	<b>229,459</b>
<b>EQUITY</b>		
Accumulated surplus	89,699	87,224
Revaluation reserves	128,771	142,235
<b>TOTAL EQUITY</b>	<b>218,470</b>	<b>229,459</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,172	2,882
Investments	30,080	26,848
Receivables	765	1,001
Internal Loan Receivable from General Fund	59	58
<b>Total current assets</b>	<b>34,076</b>	<b>30,789</b>
<b>Non-current assets</b>		
Investments	4,512	1,678
Infrastructure, property, plant and equipment	117,207	123,195
Internal Loan Receivable from General Fund	883	942
<b>Total non-current assets</b>	<b>122,602</b>	<b>125,815</b>
<b>TOTAL ASSETS</b>	<b>156,678</b>	<b>156,604</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	966	862
Borrowings	545	507
Provisions	592	550
<b>Total current liabilities</b>	<b>2,103</b>	<b>1,919</b>
<b>Non-current liabilities</b>		
Borrowings	2,889	3,434
Provisions	30	55
<b>Total non-current liabilities</b>	<b>2,919</b>	<b>3,489</b>
<b>TOTAL LIABILITIES</b>	<b>5,022</b>	<b>5,408</b>
<b>NET ASSETS</b>	<b>151,656</b>	<b>151,196</b>
<b>EQUITY</b>		
Accumulated surplus	102,976	94,992
Revaluation reserves	48,680	56,204
<b>TOTAL EQUITY</b>	<b>151,656</b>	<b>151,196</b>



## Statement of Financial Position – Domestic Waste Management

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	214	201
Investments	1,996	1,877
Receivables	94	76
Other	8	22
<b>Total current assets</b>	<b>2,312</b>	<b>2,176</b>
<b>Non-current assets</b>		
Investments	299	117
Infrastructure, property, plant and equipment	17	18
<b>Total non-current assets</b>	<b>316</b>	<b>135</b>
<b>TOTAL ASSETS</b>	<b>2,628</b>	<b>2,311</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	69	65
Payables	65	71
Provisions	279	251
<b>Total current liabilities</b>	<b>413</b>	<b>387</b>
<b>Non-current liabilities</b>		
Provisions	14	25
<b>Total non-current liabilities</b>	<b>14</b>	<b>25</b>
<b>TOTAL LIABILITIES</b>	<b>427</b>	<b>412</b>
<b>NET ASSETS</b>	<b>2,201</b>	<b>1,899</b>
<b>EQUITY</b>		
Accumulated surplus	2,201	1,899
<b><u>TOTAL EQUITY</u></b>	<b><u>2,201</u></b>	<b><u>1,899</u></b>

## Statement of Financial Position – Commercial Waste

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	1,017	687
<b>Total current assets</b>	<b>1,017</b>	<b>687</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	101	107
<b>Total non-current assets</b>	<b>101</b>	<b>107</b>
<b>TOTAL ASSETS</b>	<b>1,118</b>	<b>794</b>
<b>NET ASSETS</b>	<b>1,118</b>	<b>794</b>
<b>EQUITY</b>		
Accumulated surplus	1,118	794
<b>TOTAL EQUITY</b>	<b>1,118</b>	<b>794</b>

## Goulburn Mulwaree 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)

##### a. Water Supply

Provide potable water for the Local Government Area.

##### b. Sewerage Services

Provide waste water services for the Local Government Area.

##### Category 2

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

##### a. Domestic Waste Management

Collection and disposal of domestic waste in accordance with section 504 of the Local Government Act.

##### b. Commercial Waste

continued on next page ...

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

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

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Collection and disposal of commercial waste on a user pays basis.

#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

#### 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.

#### 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.

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.

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

#### (iv) Dividends

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Goulburn Mulwaree Council**

To the Councillors of Goulburn Mulwaree Council

## **Opinion**

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

The Declared Business Activities of the Council are:

- water supply
- sewerage
- domestic waste management
- commercial waste.

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

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

## **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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

A handwritten signature in cursive script that reads "D Ryan".

Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 October 2020  
SYDNEY



# Goulburn Mulwaree Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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**Special Schedules**

for the year ended 30 June 2020

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## Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	20,628	19,874
Plus or minus adjustments <sup>2</sup>	b	280	213
<b>Notional general income</b>	c = a + b	<b>20,908</b>	<b>20,087</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	544	542
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>21,452</b>	<b>20,629</b>
Plus (or minus) last year's carry forward total	l	9	38
<b>Sub-total</b>	n = (l + m)	<b>9</b>	<b>38</b>
<b>Total permissible income</b>	o = k + n	<b>21,461</b>	<b>20,667</b>
Less notional general income yield	p	21,381	20,628
<b>Catch-up or (excess) result</b>	q = o - p	<b>80</b>	<b>39</b>
Less unused catch-up <sup>5</sup>	s	(8)	(30)
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>72</b>	<b>9</b>

**Notes**

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



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Goulburn Mulwaree Council**

To the Councillors of Goulburn Mulwaree Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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

A handwritten signature in cursive script that reads "D Ryan".

Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 October 2020  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>(a) Report on Infrastructure Assets - Values</b>													
<b>Buildings</b>	Buildings – non-specialised	2,099	1,844	1,231	2,910	–	83,210	10.0%	33.0%	27.0%	30.0%	0.0%	
	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>2,099</b>	<b>1,844</b>	<b>1,231</b>	<b>2,910</b>	<b>45,238</b>	<b>83,210</b>	<b>10.0%</b>	<b>33.0%</b>	<b>27.0%</b>	<b>30.0%</b>	<b>0.0%</b>	
<b>Other structures</b>	Other structures	6	6	5	6	4,599	5,706	30.0%	30.0%	40.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>4,599</b>	<b>5,706</b>	<b>30.0%</b>	<b>30.0%</b>	<b>40.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Roads</b>	Sealed roads	5,918	6,269	3,838	4,338	–	598,578	34.0%	48.0%	12.0%	6.0%	0.0%	
	Unsealed roads	211	224	136	154	–	29,970	27.0%	61.0%	2.0%	10.0%	0.0%	
	Bridges	1,402	1,486	907	1,028	–	143,233	23.0%	45.0%	31.0%	1.0%	0.0%	
	Footpaths	435	461	282	319	–	43,680	33.0%	66.0%	1.0%	0.0%	0.0%	
	Other road assets	73	77	47	53	–	7,165	48.0%	39.0%	11.0%	2.0%	0.0%	
	<b>Sub-total</b>	<b>8,039</b>	<b>8,517</b>	<b>5,210</b>	<b>5,892</b>	<b>599,039</b>	<b>822,626</b>	<b>31.9%</b>	<b>48.8%</b>	<b>14.4%</b>	<b>4.9%</b>	<b>0.0%</b>	
<b>Water supply network</b>	Water supply network	3,506	4,303	4,001	3,277	–	310,845	20.0%	44.0%	35.0%	1.0%	0.0%	
	<b>Sub-total</b>	<b>3,506</b>	<b>4,303</b>	<b>4,001</b>	<b>3,277</b>	<b>197,491</b>	<b>310,845</b>	<b>20.0%</b>	<b>44.0%</b>	<b>35.0%</b>	<b>1.0%</b>	<b>0.0%</b>	
<b>Sewerage network</b>	Sewerage network	14,210	2,868	2,703	2,786	–	182,807	27.0%	30.0%	40.0%	3.0%	0.0%	
	<b>Sub-total</b>	<b>14,210</b>	<b>2,868</b>	<b>2,703</b>	<b>2,786</b>	<b>109,524</b>	<b>182,807</b>	<b>27.0%</b>	<b>30.0%</b>	<b>40.0%</b>	<b>3.0%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	965	100	472	360	–	144,139	36.0%	35.0%	25.0%	4.0%	0.0%	
	<b>Sub-total</b>	<b>965</b>	<b>100</b>	<b>472</b>	<b>360</b>	<b>106,154</b>	<b>144,139</b>	<b>36.0%</b>	<b>35.0%</b>	<b>25.0%</b>	<b>4.0%</b>	<b>0.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools Open Space and recreation	798	485	1,140	4,686	7,240	5,881	22.0%	28.0%	50.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>798</b>	<b>485</b>	<b>1,140</b>	<b>4,686</b>	<b>7,240</b>	<b>5,881</b>	<b>22.0%</b>	<b>28.0%</b>	<b>50.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>TOTAL - ALL ASSETS</b>		<b>29,623</b>	<b>18,123</b>	<b>14,762</b>	<b>19,917</b>	<b>1,069,285</b>	<b>1,555,214</b>	<b>28.1%</b>	<b>43.4%</b>	<b>23.4%</b>	<b>5.1%</b>	<b>0.0%</b>	

(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)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

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2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required



## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>12,204</b>	<b>74.11%</b>	246.56%	60.21%	>=100.00%
Depreciation, amortisation and impairment	<b>16,468</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>29,623</b>	<b>2.77%</b>	1.71%	2.62%	<2.00%
Net carrying amount of infrastructure assets	<b>1,069,285</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>19,917</b>	<b>134.92%</b>	101.80%	96.47%	>100.00%
Required asset maintenance	<b>14,762</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>18,123</b>	<b>1.17%</b>	5.73%	2.12%	
Gross replacement cost	<b>1,555,214</b>				

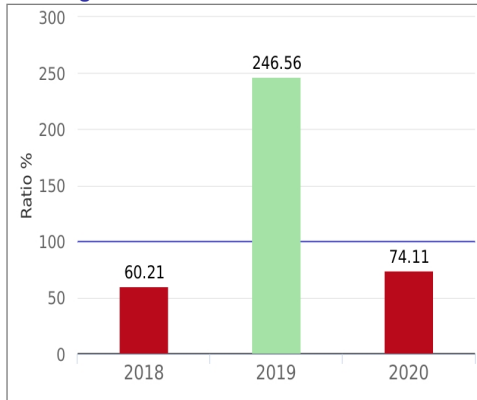
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

**Buildings and infrastructure renewals ratio**



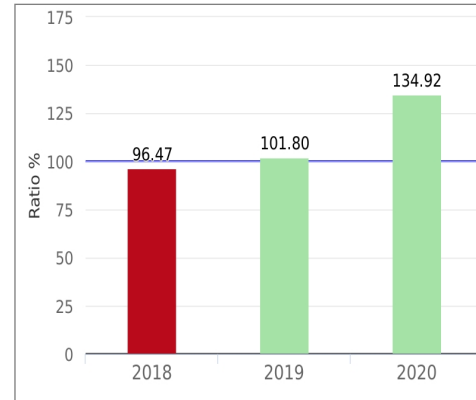
**Buildings and infrastructure renewals ratio**

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

Commentary on result	
19/20 ratio	74.11%

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**



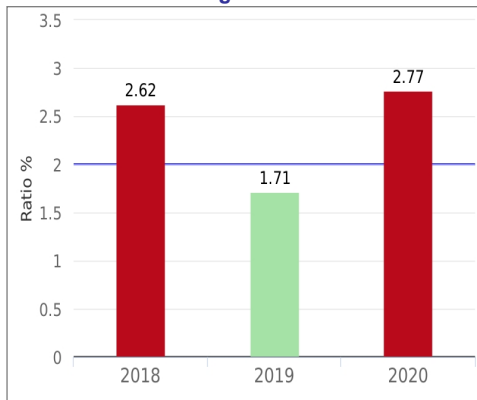
**Asset maintenance ratio**

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	134.92%

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

**Infrastructure backlog ratio**



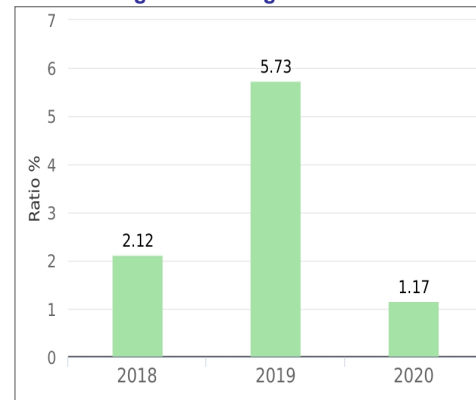
**Infrastructure backlog ratio**

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

Commentary on result	
19/20 ratio	2.77%

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	1.17%

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>60.95%</b>	66.34%	<b>100.61%</b>	86.85%	<b>105.72%</b>	1,743.26%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>1.56%</b>	2.19%	<b>1.78%</b>	0.70%	<b>12.97%</b>	1.13%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>171.93%</b>	110.45%	<b>81.90%</b>	93.15%	<b>103.07%</b>	91.34%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>1.03%</b>	8.08%	<b>1.38%</b>	1.46%	<b>1.57%</b>	2.44%	

(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.