



# **Attachment A**

**2019/2020 ANNUAL REPORT**

**2019/2020 Financial Statements**

# Walgett Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*That the community utilise the opportunities that arise from  
our environment, to improve their quality of life, while  
embracing its ethnic and social diversity to the benefit of all.*



# Walgett Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

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*That the community utilise the opportunities that arise from  
our environment, to improve their quality of life, while  
embracing its ethnic and social diversity to the benefit of all.*



# 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

## 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.

## Walgett Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2020

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

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

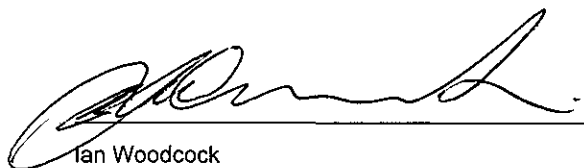
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 24 November 2020.



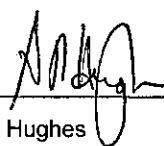
Ian Woodcock  
Mayor  
24 November 2020



Manuel Martinez  
Deputy Mayor  
24 November 2020



Michael Urquhart  
General Manager  
24 November 2020



Tony Hughes  
Responsible Accounting Officer  
24 November 2020

## Income Statement

for the year ended 30 June 2020

| Original<br>unaudited<br>budget<br>2020<br>\$ '000 |  | Notes | Actual<br>2020<br>\$ '000 | Actual<br>2019<br>\$ '000 |
|--|--|-------|---------------------------|---------------------------|
| <b>Income from continuing operations</b>           |  |       |                           |                           |
| 9,114  | Rates and annual charges   | 3a    | 9,277                     | 8,979                     |
| 6,762  | User charges and fees  | 3b    | 3,405                     | 3,819                     |
| 2,339  | Other revenues   | 3c    | 1,156                     | 1,131                     |
| 10,941   | Grants and contributions provided for operating purposes   | 3d,3e | 17,769                    | 11,073                    |
| 6,368  | Grants and contributions provided for capital purposes   | 3d,3e | 8,338                     | 8,808                     |
| 991  | Interest and investment income   | 4     | 796                       | 956                       |
| –  | Rental income  | 12e   | 263                       | –                         |
| –  | Net share of interests in joint ventures and associates using the equity method                        | 17    | –                         | 3,733                     |
| <b>36,515</b>                                      | <b>Total income from continuing operations</b>   |       | <b>41,004</b>             | <b>38,499</b>             |
| <b>Expenses from continuing operations</b>         |  |       |                           |                           |
| 9,315  | Employee benefits and on-costs   | 5a    | 8,068                     | 7,908                     |
| 132  | Borrowing costs  | 5b    | 150                       | 206                       |
| 11,542   | Materials and contracts  | 5c    | 13,349                    | 7,780                     |
| 7,637  | Depreciation and amortisation  | 5d    | 7,298                     | 7,032                     |
| 3,228  | Other expenses   | 5e    | 3,990                     | 3,961                     |
| –  | Net losses from the disposal of assets   | 6     | 597                       | 276                       |
| –  | Net share of interests in joint ventures and associates using the equity method                        | 17    | 3,070                     | –                         |
| <b>31,854</b>                                      | <b>Total expenses from continuing operations</b>   |       | <b>36,522</b>             | <b>27,163</b>             |
| <b>4,661</b>                                       | <b>Operating result from continuing operations</b>   |       | <b>4,482</b>              | <b>11,336</b>             |
| <b>4,661</b>                                       | <b>Net operating result for the year</b>   |       | <b>4,482</b>              | <b>11,336</b>             |
| 4,661  | Net operating result attributable to council   |       | 4,482                     | 11,336                    |
| <b>(1,707)</b>                                     | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | <b>(3,856)</b>            | <b>2,528</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

|  | Notes | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-------|-----------------|-----------------|
| <b>Net operating result for the year (as per Income Statement)</b>                     |       | <b>4,482</b>    | <b>11,336</b>   |
| <b>Other comprehensive income:</b>   |       |                 |                 |
| Gain (loss) on revaluation of IPP&E  | 6     | 23,821          | 3,467           |
| <b>Total items which will not be reclassified subsequently to the operating result</b> |       | <b>23,821</b>   | <b>3,467</b>    |
| <b>Total other comprehensive income for the year</b>                                   |       | <b>23,821</b>   | <b>3,467</b>    |
| <b>Total comprehensive income for the year</b>   |       | <b>28,303</b>   | <b>14,803</b>   |
| Total comprehensive income attributable to Council                                     |       | 28,303          | 14,803          |

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

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



# Statement of Financial Position

as at 30 June 2020

|   | Notes | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|-------|-----------------|-----------------|
| <b>ASSETS</b>                                     |       |                 |                 |
| <b>Current assets</b>                             |       |                 |                 |
| Cash and cash equivalents                         | 7(a)  | 12,623          | 8,941           |
| Investments                                       | 7(b)  | 9,500           | 11,000          |
| Receivables                                       | 8     | 8,829           | 6,014           |
| Inventories                                       | 9a    | 995             | 957             |
| Other   | 9b    | 169             | 125             |
| <b>Total current assets</b>                       |       | <b>32,116</b>   | <b>27,037</b>   |
| <b>Non-current assets</b>                         |       |                 |                 |
| Investments                                       | 7(b)  | 11,500          | 14,000          |
| Receivables                                       | 8     | 121             | 153             |
| Infrastructure, property, plant and equipment     | 10(a) | 312,475         | 284,297         |
| Right of use assets                               | 12a   | 66              | —               |
| Investments accounted for using the equity method | 17    | 663             | 3,733           |
| <b>Total non-current assets</b>                   |       | <b>324,825</b>  | <b>302,183</b>  |
| <b>Total assets</b>                               |       | <b>356,941</b>  | <b>329,220</b>  |
| <b>LIABILITIES</b>                                |       |                 |                 |
| <b>Current liabilities</b>                        |       |                 |                 |
| Payables  | 13    | 3,991           | 4,281           |
| Contract liabilities                              | 11    | 1,127           | —               |
| Lease liabilities                                 | 12b   | 62              | —               |
| Borrowings  | 13    | 742             | 707             |
| Provisions  | 14    | 2,149           | 2,018           |
| <b>Total current liabilities</b>                  |       | <b>8,071</b>    | <b>7,006</b>    |
| <b>Non-current liabilities</b>                    |       |                 |                 |
| Lease liabilities                                 | 12b   | 5               | —               |
| Borrowings  | 13    | 1,864           | 2,606           |
| Provisions  | 14    | 4,753           | 4,492           |
| <b>Total non-current liabilities</b>              |       | <b>6,622</b>    | <b>7,098</b>    |
| <b>Total liabilities</b>                          |       | <b>14,693</b>   | <b>14,104</b>   |
| <b>Net assets</b>                                 |       | <b>342,248</b>  | <b>315,116</b>  |
| <b>EQUITY</b>                                     |       |                 |                 |
| Accumulated surplus                               | 15    | 124,590         | 121,279         |
| Revaluation reserves                              | 15    | 217,658         | 193,837         |
| <b>Council equity interest</b>                    |       | <b>342,248</b>  | <b>315,116</b>  |
| <b>Total equity</b>                               |       | <b>342,248</b>  | <b>315,116</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 Financial Position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

for the year ended 30 June 2020

|  | Notes | as at 30/06/20                 |                                      |                         | as at 30/06/19                 |                                      |                         |
|--|-------|--------------------------------|--------------------------------------|-------------------------|--------------------------------|--------------------------------------|-------------------------|
|  |       | Accumulated surplus<br>\$ '000 | IPP&E revaluation reserve<br>\$ '000 | Total equity<br>\$ '000 | Accumulated surplus<br>\$ '000 | IPP&E revaluation reserve<br>\$ '000 | Total equity<br>\$ '000 |
| Opening balance  |       | 121,279                        | 193,837                              | 315,116                 | 109,943                        | 190,370                              | 300,313                 |
| Changes due to AASB 1058 and AASB 15 adoption          | 15    | (1,171)                        | –                                    | (1,171)                 | –                              | –                                    | –                       |
| <b>Restated opening balance</b>                        |       | <b>120,108</b>                 | <b>193,837</b>                       | <b>313,945</b>          | <b>109,943</b>                 | <b>190,370</b>                       | <b>300,313</b>          |
| Net operating result for the year                      |       | 4,482                          | –                                    | 4,482                   | 11,336                         | –                                    | 11,336                  |
| <b>Restated net operating result for the period</b>    |       | <b>4,482</b>                   | <b>–</b>                             | <b>4,482</b>            | <b>11,336</b>                  | <b>–</b>                             | <b>11,336</b>           |
| <b>Other comprehensive income</b>                      |       |                                |                                      |                         |                                |                                      |                         |
| – Gain (loss) on revaluation of IPP&E                  | 10(a) | –                              | 23,821                               | 23,821                  | –                              | 3,467                                | 3,467                   |
| <b>Other comprehensive income</b>                      |       | <b>–</b>                       | <b>23,821</b>                        | <b>23,821</b>           | <b>–</b>                       | <b>3,467</b>                         | <b>3,467</b>            |
| <b>Total comprehensive income</b>                      |       | <b>4,482</b>                   | <b>23,821</b>                        | <b>28,303</b>           | <b>11,336</b>                  | <b>3,467</b>                         | <b>14,803</b>           |
| <b>Equity – balance at end of the reporting period</b> |       | <b>124,590</b>                 | <b>217,658</b>                       | <b>342,248</b>          | <b>121,279</b>                 | <b>193,837</b>                       | <b>315,116</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<br>unaudited<br>budget<br>2020<br>\$ '000 |  | Notes | Actual<br>2020<br>\$ '000 | Actual<br>2019<br>\$ '000 |
|--|--|-------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>        |  |       |                           |                           |
| <b>Receipts:</b>                                   |  |       |                           |                           |
| 9,087  | Rates and annual charges                                     |       | 9,029                     | 9,148                     |
| 6,718  | User charges and fees  |       | 2,123                     | 4,060                     |
| 1,006  | Investment and interest revenue received                     |       | 830                       | 816                       |
| 17,779   | Grants and contributions                                     |       | 25,175                    | 16,818                    |
| –  | Bonds, deposits and retention amounts received               |       | 103                       | 19                        |
| 2,366  | Other  |       | 3,847                     | 2,579                     |
| <b>Payments:</b>                                   |  |       |                           |                           |
| (9,266)  | Employee benefits and on-costs                               |       | (8,116)                   | (8,563)                   |
| (11,497)   | Materials and contracts                                      |       | (16,130)                  | (7,818)                   |
| (133)  | Borrowing costs  |       | (147)                     | (177)                     |
| –  | Bonds, deposits and retention amounts refunded               |       | (15)                      | (17)                      |
| (3,227)  | Other  |       | (4,044)                   | (4,062)                   |
| 12,833   | <b>Net cash provided (or used in) operating activities</b>   | 16b   | 12,655                    | 12,803                    |
| <b>Cash flows from investing activities</b>        |  |       |                           |                           |
| <b>Receipts:</b>                                   |  |       |                           |                           |
| 500  | Sale of investment securities                                |       | 27,000                    | 71,500                    |
| 437  | Sale of infrastructure, property, plant and equipment        |       | –                         | 194                       |
| –  | Deferred debtors receipts                                    |       | 30                        | 30                        |
| <b>Payments:</b>                                   |  |       |                           |                           |
| (250)  | Purchase of investment securities                            |       | (23,000)                  | (81,500)                  |
| (13,423)   | Purchase of infrastructure, property, plant and equipment    |       | (12,219)                  | (12,845)                  |
| (12,736)   | <b>Net cash provided (or used in) investing activities</b>   |       | (8,189)                   | (22,621)                  |
| <b>Cash flows from financing activities</b>        |  |       |                           |                           |
| <b>Receipts:</b>                                   |  |       |                           |                           |
| 450  | Proceeds from borrowings and advances                        |       | –                         | –                         |
| <b>Payments:</b>                                   |  |       |                           |                           |
| (707)  | Repayment of borrowings and advances                         |       | (707)                     | (683)                     |
| –  | Lease liabilities (principal repayments)                     |       | (77)                      | –                         |
| (257)  | <b>Net cash flow provided (used in) financing activities</b> |       | (784)                     | (683)                     |
| (160)  | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | 3,682                     | (10,501)                  |
| 13,449   | Plus: cash and cash equivalents – beginning of year          | 16a   | 8,941                     | 19,442                    |
| 13,289   | <b>Cash and cash equivalents – end of the year</b>           | 16a   | 12,623                    | 8,941                     |
| 14,500   | plus: Investments on hand – end of year                      | 7(b)  | 21,000                    | 25,000                    |
| 27,789   | <b>Total cash, cash equivalents and investments</b>          |       | 33,623                    | 33,941                    |

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 24 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

#### 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 held in the Council's Trust Fund.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

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

General purpose operations  
Water Supply Fund  
    Walgett Water Supply Service  
    Lightning Ridge Water Supply Service  
    Collarenebri Water Supply Service  
    Villages Water Supply Service  
Sewerage Fund  
    Walgett Sewerage Service  
    Lightning Ridge Sewerage Service  
    Collarenebri Sewerage Service  
Domestic Waste Management Fund

#### (b) The Trust Fund

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

Lightning Ridge Bore Baths Committee  
Namoi Village Bingo - V Boney  
Lightning Ridge Cemetery (Bequest)  
Mooribul Day  
Walgett Meals on Wheels  
Burren Junction Hall Committee

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council's Lightning Ridge Visitor Information Centre utilises a number of volunteers to assist visitors to the area. Council remits a stipend to these volunteers in recognition of their service to Walgett Shire's tourism industry. Any shortfall between the payment of this stipend and staff wages is considered immaterial to Council's financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

**AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**  
**AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128**  
**AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

#### **New accounting standards adopted during the year**

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

| Functions or activities               | Income from continuing operations |               | Expenses from continuing operations |               | Operating result from continuing operations |               | Grants included in income from continuing operations |               | Carrying amount of assets |                |
|---------------------------------------|-----------------------------------|---------------|-------------------------------------|---------------|---|---------------|--|---------------|---------------------------|----------------|
|                                       | 2020                              | 2019          | 2020                                | 2019          | 2020  | 2019          | 2020   | 2019          | 2020                      | 2019           |
|                                       | \$ '000                           | \$ '000       | \$ '000                             | \$ '000       | \$ '000                                     | \$ '000       | \$ '000  | \$ '000       | \$ '000                   | \$ '000        |
| Governance                            | 12,852                            | 12,554        | 1,369                               | 208           | 11,483                                      | 12,346        | 6,681  | 6,586         | 7,885                     | 3,328          |
| Administration                        | 1,774                             | 480           | 5,024                               | 4,275         | (3,250)                                     | (3,795)       | 1,484  | 13            | 49,322                    | 6,723          |
| Public Order & Safety                 | 87                                | 21            | 505                                 | 521           | (418)                                       | (500)         | 78   | 55            | –                         | 1,496          |
| Health                                | 653                               | 47            | 106                                 | 68            | 547   | (21)          | 653  | –             | –                         | –              |
| Environment                           | 2,283                             | 1,543         | 2,403                               | 1,901         | (120)                                       | (358)         | 847  | 207           | 22,891                    | 6,303          |
| Community Services & Education        | 210                               | 268           | 578                                 | 813           | (368)                                       | (545)         | 210  | 366           | 30                        | 1,690          |
| Housing & Community Amenities         | 283                               | 434           | 348                                 | 1,001         | (65)  | (567)         | 55   | 209           | 132                       | 4,675          |
| Water Supplies                        | 8,136                             | 2,536         | 7,302                               | 2,971         | 834   | (435)         | 5,658  | 156           | 32,563                    | 31,385         |
| Sewerage Services                     | 982                               | 1,021         | 1,048                               | 665           | (66)  | 356           | –  | 10            | 26,589                    | 26,471         |
| Recreation & Culture                  | 478                               | 1,187         | 4,118                               | 3,757         | (3,640)                                     | (2,570)       | 406  | 735           | 23,974                    | 35,000         |
| Mining, manufacturing & construction  | 1,777                             | 57            | 1,046                               | 12            | 731   | 45            | –  | –             | 455                       | –              |
| Transport & Communication             | 11,007                            | 13,333        | 9,276                               | 10,206        | 1,731                                       | 3,127         | 7,416  | 8,126         | 192,344                   | 208,416        |
| Economic Affairs                      | 482                               | 1,285         | 329                                 | 765           | 153   | 520           | 152  | 961           | 93                        | –              |
| Far North West Joint Organisation     | –                                 | 3,733         | 3,070                               | –             | (3,070)                                     | 3,733         | –  | –             | 663                       | 3,733          |
| <b>Total functions and activities</b> | <b>41,004</b>                     | <b>38,499</b> | <b>36,522</b>                       | <b>27,163</b> | <b>4,482</b>                                | <b>11,336</b> | <b>23,640</b>  | <b>17,424</b> | <b>356,941</b>            | <b>329,220</b> |



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Governance**

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

#### **Administration**

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

#### **Public Order & Safety**

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

#### **Health**

Includes food control, health centres etc.

#### **Environment**

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

#### **Community Services & Education**

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

#### **Housing & Community Amenities**

Housing is owned by Council and rented to doctors and council staff who move to the Walgett Shire area. Council also provides and maintains Community Amenities at various locations within the shire to facilitate recreational and tourism functions within the shire.

#### **Water Supplies**

Council operates reticulated water supplies in Walgett, Lightning Ridge and Collarenebri. Supplies exist in the localities of Carinda, Rowena, Grawin and Cumborah.

#### **Sewerage Services**

Sewerage services are operated by Council in Walgett, Lightning Ridge and Collarenebri.

#### **Recreation & Culture**

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

#### **Mining, manufacturing & construction**

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

#### **Transport & Communication**

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

#### **Economic Affairs**

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

#### **Far North West Joint Organisation (FNWJO)**

Council is a member of the Far North West Joint Organisation with Brewarrina and Cobar Shire Councils. The FNWJO's mandate is to promote regional growth and resource sharing within the local government areas it covers.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations

|  | AASB     | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|----------|-----------------|-----------------|
| <b>(a) Rates and annual charges</b>                |          |                 |                 |
| <b>Ordinary rates</b>                              |          |                 |                 |
| Residential  | 1058 (1) | 1,361           | 1,329           |
| Farmland   | 1058 (1) | 3,861           | 3,760           |
| Business   | 1058 (1) | 340             | 328             |
| Less: pensioner rebates (mandatory)                | 1058 (1) | (91)            | (96)            |
| <b>Rates levied to ratepayers</b>                  |          | <b>5,471</b>    | <b>5,321</b>    |
| Pensioner rate subsidies received                  | 1058 (1) | 51              | 52              |
| <b>Total ordinary rates</b>                        |          | <b>5,522</b>    | <b>5,373</b>    |
| <b>Annual charges</b>                              |          |                 |                 |
| (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |          |                 |                 |
| Domestic waste management services                 | 1058 (1) | 1,361           | 1,324           |
| Water supply services                              | 1058 (1) | 1,497           | 1,423           |
| Sewerage services                                  | 1058 (1) | 933             | 900             |
| Less: pensioner rebates (mandatory)                |          | (82)            | (86)            |
| <b>Annual charges levied</b>                       |          | <b>3,709</b>    | <b>3,561</b>    |
| Pensioner subsidies received:                      |          |                 |                 |
| – Water  | 1058 (1) | 12              | 11              |
| – Sewerage   | 1058 (1) | 10              | 10              |
| – Domestic waste management                        | 1058 (1) | 24              | 24              |
| <b>Total annual charges</b>                        |          | <b>3,755</b>    | <b>3,606</b>    |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>              |          | <b>9,277</b>    | <b>8,979</b>    |

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

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

Council has used 01/07/2016 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy for rates and charges

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

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

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

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

#### 2019 accounting policy

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|   | AASB   | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|--------|-----------------|-----------------|
| <b>(b) User charges and fees</b>  |        |                 |                 |
| <b>Specific user charges</b>  |        |                 |                 |
| (per s.502 - specific 'actual use' charges)                                   |        |                 |                 |
| Water supply services   | 15 (1) | 491             | 516             |
| <b>Total specific user charges</b>  |        | <b>491</b>      | <b>516</b>      |
| <b>Other user charges and fees</b>  |        |                 |                 |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |        |                 |                 |
| Inspection services   | 15 (1) | 9               | 8               |
| Planning and building regulation  | 15 (1) | 27              | 22              |
| Private works – section 67  | 15 (1) | 12              | 13              |
| Regulatory/ statutory fees  | 15 (1) | 27              | 34              |
| Section 603 certificates  | 15 (1) | 6               | 6               |
| <b>Total fees and charges – statutory/regulatory</b>                          |        | <b>81</b>       | <b>83</b>       |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |        |                 |                 |
| Aerodrome   | 15 (1) | 5               | 8               |
| Caravan park  | 15 (1) | 18              | 4               |
| Cemeteries  | 15 (1) | 52              | 56              |
| Lease rentals   | 15 (1) | –               | 70              |
| Leaseback fees – Council vehicles   | 15 (1) | –               | 34              |
| RMS (formerly RTA) charges (state roads not controlled by Council)            | 15 (1) | 2,544           | 2,857           |
| Saleyards   | 15 (1) | 1               | 1               |
| Sundry sales  | 15 (1) | 49              | 28              |
| Swimming centres  | 15 (1) | 2               | –               |
| Tourism   | 15 (1) | 117             | 162             |
| Waste disposal tipping fees   | 15 (1) | 45              | –               |
| <b>Total fees and charges – other</b>   |        | <b>2,833</b>    | <b>3,220</b>    |
| <b>TOTAL USER CHARGES AND FEES</b>  |        | <b>3,405</b>    | <b>3,819</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”.

**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.

Council does not charge upfront fees such as membership fees for a leisure centre and so does not recognise the fee on a straightline basis over the expected life of the membership. Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|   | AASB     | 2020<br>\$ '000     | 2019<br>\$ '000     |
|---|----------|---------------------|---------------------|
| <b>(c) Other revenues</b>                               |          |                     |                     |
| Rental income – council properties                      |          | –                   | 146                 |
| Fines   | 1058 (1) | 3                   | 14                  |
| Legal fees recovery – rates and charges (extra charges) | 15 (1)   | 27                  | 76                  |
| Legal fees recovery – other                             | 15 (1)   | 2                   | –                   |
| Commissions and agency fees                             | 15 (1)   | 151                 | 117                 |
| Diesel rebate   | 1058 (1) | 73                  | 77                  |
| Insurance claims recoveries                             | 1058 (1) | 228                 | 294                 |
| Sales of gravel stores                                  | 15 (1)   | 98                  | –                   |
| Sales – general   | 15 (1)   | 67                  | 39                  |
| Maintain water and sewer aboriginal communities         | 15 (1)   | 442                 | 344                 |
| Other   | 15 (1)   | 65                  | 24                  |
| <b><u>TOTAL OTHER REVENUE</u></b>                       |          | <b><u>1,156</u></b> | <b><u>1,131</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”,

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

Fines are recognised as revenue when the penalty has been received.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|  | AASB     | Operating<br>2020<br>\$ '000 | Operating<br>2019<br>\$ '000 | Capital<br>2020<br>\$ '000 | Capital<br>2019<br>\$ '000 |
|--|----------|------------------------------|------------------------------|----------------------------|----------------------------|
| <b>(d) Grants</b>                                  |          |                              |                              |                            |                            |
| <b>General purpose (untied)</b>                    |          |                              |                              |                            |                            |
| <b>Current year allocation</b>                     |          |                              |                              |                            |                            |
| Financial assistance – general component           | 1058 (1) | 2,284                        | 2,190                        | –                          | –                          |
| Financial assistance – local roads component       | 1058 (1) | 959                          | 1,017                        | –                          | –                          |
| <b>Payment in advance - future year allocation</b> |          |                              |                              |                            |                            |
| Financial assistance – general component           | 1058 (1) | 2,386                        | 2,315                        | –                          | –                          |
| Financial assistance – local roads component       | 1058 (1) | 1,052                        | 1,011                        | –                          | –                          |
| <b>Total general purpose</b>                       |          | <b>6,681</b>                 | <b>6,533</b>                 | <b>–</b>                   | <b>–</b>                   |
| <b>Specific purpose</b>                            |          |                              |                              |                            |                            |
| Australian Opal Centre                             | 1058 (2) | 1,425                        | –                            | –                          | –                          |
| Bushfire and emergency services                    | 1058 (1) | 74                           | 4                            | –                          | –                          |
| Child care   | 1058 (1) | 33                           | 33                           | –                          | –                          |
| Community care                                     | 1058 (1) | 113                          | 146                          | –                          | –                          |
| Economic development                               | 1058 (1) | 150                          | –                            | –                          | –                          |
| Employment and training programs                   | 1058 (1) | –                            | 13                           | –                          | –                          |
| Environmental programs                             | 1058 (2) | 165                          | 30                           | 12                         | 74                         |
| Heritage and cultural                              | 1058 (1) | 12                           | 14                           | –                          | –                          |
| Levee rehabilitation                               | 1058 (2) | –                            | –                            | 671                        | –                          |
| Library  | 1058 (1) | 60                           | 19                           | –                          | –                          |
| Library – special projects                         | 1058 (1) | 20                           | 16                           | –                          | –                          |
| LIRS subsidy                                       | 1058 (1) | 59                           | 72                           | –                          | –                          |
| Recreation and culture                             | 1058 (1) | 13                           | 89                           | 294                        | 936                        |
| Regional and local infrastructure                  | 1058 (2) | –                            | –                            | 653                        | 253                        |
| Storm/flood damage                                 | 1058 (1) | 382                          | 28                           | –                          | –                          |
| Street lighting                                    | 1058 (1) | 32                           | 31                           | –                          | –                          |
| Traffic route subsidy                              | 1058 (1) | 62                           | 60                           | –                          | –                          |
| Transport (roads to recovery)                      | 1058 (1) | 1,853                        | 774                          | –                          | –                          |
| Transport (other roads and bridges funding)        | 1058 (2) | –                            | 552                          | 5,041                      | 7,158                      |
| Water supplies                                     | 1058 (2) | 4,130                        | –                            | 1,527                      | 145                        |
| Youth services                                     | 1058 (1) | 64                           | 97                           | –                          | –                          |
| Other  | 1058 (1) | 4                            | 155                          | 110                        | 192                        |
| <b>Total specific purpose</b>                      |          | <b>8,651</b>                 | <b>2,133</b>                 | <b>8,308</b>               | <b>8,758</b>               |
| <b>Total grants</b>                                |          | <b>15,332</b>                | <b>8,666</b>                 | <b>8,308</b>               | <b>8,758</b>               |
| <b>Grant revenue is attributable to:</b>           |          |                              |                              |                            |                            |
| – Commonwealth funding                             |          | 2,004                        | 774                          | 1,253                      | 3,689                      |
| – State funding                                    |          | 13,328                       | 7,892                        | 7,055                      | 5,069                      |
|  |          | <b>15,332</b>                | <b>8,666</b>                 | <b>8,308</b>               | <b>8,758</b>               |

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|   | AASB     | Operating<br>2020<br>\$ '000 | Operating<br>2019<br>\$ '000 | Capital<br>2020<br>\$ '000 | Capital<br>2019<br>\$ '000 |
|---|----------|------------------------------|------------------------------|----------------------------|----------------------------|
| <b>(e) Contributions</b>                        |          |                              |                              |                            |                            |
| <b>Other contributions:</b>                     |          |                              |                              |                            |                            |
| <b>Cash contributions</b>                       |          |                              |                              |                            |                            |
| Business development                            | 1058 (1) | 2                            | 24                           | —                          | —                          |
| Recreation and culture                          | 1058 (1) | 3                            | 2                            | 20                         | —                          |
| Roads and bridges                               | 1058 (1) | —                            | —                            | 10                         | —                          |
| RMS contributions (regional roads, block grant) | 1058 (1) | 2,432                        | 2,381                        | —                          | —                          |
| <b>Total other contributions – cash</b>         |          | <b>2,437</b>                 | <b>2,407</b>                 | <b>30</b>                  | <b>—</b>                   |
| <b>Non-cash contributions</b>                   |          |                              |                              |                            |                            |
| Recreation and culture                          | 1058 (1) | —                            | —                            | —                          | 50                         |
| <b>Total other contributions – non-cash</b>     |          | <b>—</b>                     | <b>—</b>                     | <b>—</b>                   | <b>50</b>                  |
| <b>Total other contributions</b>                |          | <b>2,437</b>                 | <b>2,407</b>                 | <b>30</b>                  | <b>50</b>                  |
| <b>Total contributions</b>                      |          | <b>2,437</b>                 | <b>2,407</b>                 | <b>30</b>                  | <b>50</b>                  |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>           |          | <b>17,769</b>                | <b>11,073</b>                | <b>8,338</b>               | <b>8,808</b>               |

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Grant income

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

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

#### Capital grants

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

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

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

#### 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)

|   | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|-----------------|-----------------|
| <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  | 393             | 2,209           |
| <b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)   | –               | 3,626           |
| <b>Add:</b> operating grants received for the provision of goods and services in a future period  | 988             | 4               |
| <b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)   | –               | (5,446)         |
| <b>Unexpended and held as externally restricted assets (operating grants)</b>   | <b>1,381</b>    | <b>393</b>      |
| Unexpended operational grants relate to projects that are either in progress or have had a delayed start due to external factors impacting the proposed projects. |                 |                 |
| <b>Capital grants</b>   |                 |                 |
| Unexpended at the close of the previous reporting period  | 1,273           | 1,252           |
| <b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)   | –               | 7,324           |
| <b>Add:</b> capital grants received for the provision of goods and services in a future period  | 677             | –               |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)   | (102)           | (7,303)         |
| <b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income  | (721)           | –               |
| <b>Unexpended and held as externally restricted assets (capital grants)</b>   | <b>1,127</b>    | <b>1,273</b>    |
| Unexpended capital grants held relate to major projects in progress at the end of the financial year.   |                 |                 |
| <b>Contributions</b>  |                 |                 |
| Unexpended at the close of the previous reporting period  | 2               | 2               |
| <b>Add:</b> contributions recognised as income in the current period but not yet spent  | 2               | 2               |
| <b>Less:</b> contributions recognised in a previous reporting period now spent  | (2)             | (2)             |
| <b>Unexpended and held as externally restricted assets (contributions)</b>  | <b>2</b>        | <b>2</b>        |



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Interest on financial assets measured at amortised cost</b>   |                 |                 |
| – Overdue rates and annual charges (incl. special purpose rates) | 70              | 61              |
| – Cash and investments   | 726             | 895             |
| <b>Total Interest and investment income</b>                      | <b>796</b>      | <b>956</b>      |

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

|   |     |     |
|---|-----|-----|
| Overdue rates and annual charges (general fund) | 29  | 24  |
| General Council cash and investments            | 620 | 624 |

**Restricted investments/funds – external:**

|                                      |    |     |
|--------------------------------------|----|-----|
| Water fund operations                | 55 | 111 |
| Sewerage fund operations             | 56 | 129 |
| Domestic waste management operations | 36 | 68  |

**Total interest and investment revenue****796 956****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

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>(a) Employee benefits and on-costs</b>                                      |                 |                 |
| Salaries and wages   | 6,249           | 6,176           |
| Employee leave entitlements (ELE)  | 1,361           | 1,404           |
| Superannuation   | 679             | 660             |
| Workers' compensation insurance  | 172             | 79              |
| Fringe benefit tax (FBT)   | 103             | 72              |
| <b>Total employee costs</b>  | <b>8,564</b>    | <b>8,391</b>    |
| Less: capitalised costs  | (496)           | (483)           |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>   | <b>8,068</b>    | <b>7,908</b>    |
| Number of 'full-time equivalent' employees (FTE) at year end                   | 105             | 103             |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | 119             | 117             |

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

|  | Notes | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-------|-----------------|-----------------|
| <b>(b) Borrowing costs</b>                             |       |                 |                 |
| <b>(i) Interest bearing liability costs</b>            |       |                 |                 |
| Interest on leases                                     |       | 1               | –               |
| Interest on loans                                      |       | 142             | 174             |
| <b>Total interest bearing liability costs</b>          |       | <b>143</b>      | <b>174</b>      |
| <b>Total interest bearing liability costs expensed</b> |       | <b>143</b>      | <b>174</b>      |
| <b>(ii) Other borrowing costs</b>                      |       |                 |                 |
| – Remediation liabilities                              | 14    | 7               | 32              |
| <b>Total other borrowing costs</b>                     |       | <b>7</b>        | <b>32</b>       |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                  |       | <b>150</b>      | <b>206</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)

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>(c) Materials and contracts</b>                             |                 |                 |
| Raw materials and consumables                                  | 8,361           | 4,575           |
| Contractor and consultancy costs                               | 15,721          | 15,726          |
| Auditors remuneration <sup>2</sup>                             | 98              | 63              |
| <b>Legal expenses:</b>   |                 |                 |
| – Legal expenses: debt recovery                                | 27              | 128             |
| – Legal expenses: other  | 98              | 6               |
| Expenses from short-term leases (2020 only)                    | 25              | –               |
| <b>Operating leases expense (2019 only):</b>                   |                 |                 |
| – Operating lease rentals: minimum lease payments <sup>1</sup> | –               | 31              |
| <b>Total materials and contracts</b>                           | <b>24,330</b>   | <b>20,529</b>   |
| Less: capitalised costs  | (10,981)        | (12,749)        |
| <b>TOTAL MATERIALS AND CONTRACTS</b>                           | <b>13,349</b>   | <b>7,780</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:**

|           |          |           |
|-----------|----------|-----------|
| Computers | –        | 31        |
| Other     | –        | 31        |
|           | <b>–</b> | <b>62</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                   | 98        | 63        |
| <b>Remuneration for audit and other assurance services</b> | <b>98</b> | <b>63</b> |

**Total Auditor-General remuneration****Non NSW Auditor-General audit firms**

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| <b>Total Auditor remuneration</b> | <b>98</b> | <b>63</b> |
|-----------------------------------|-----------|-----------|

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|   | Notes | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|-------|-----------------|-----------------|
| <b>(d) Depreciation, amortisation and impairment of non-financial assets</b>    |       |                 |                 |
| <b>Depreciation and amortisation</b>  |       |                 |                 |
| Plant and equipment   |       | 654             | 841             |
| Office equipment  |       | 90              | 28              |
| <b>Infrastructure:</b>  | 10(a) |                 |                 |
| – Buildings – non-specialised   |       | 108             | 110             |
| – Buildings – specialised   |       | 269             | 374             |
| – Other structures  |       | 933             | 991             |
| – Roads   |       | 3,490           | 3,462           |
| – Stormwater drainage   |       | 195             | 193             |
| – Water supply network  |       | 736             | 728             |
| – Sewerage network  |       | 190             | 180             |
| <b>Right of use assets</b>  | 12    | 78              | –               |
| Other assets  |       | 408             | 12              |
| <b>Reinstatement, rehabilitation and restoration assets:</b>                    |       |                 |                 |
| – Tip assets  | 10(a) | 141             | 110             |
| – Quarry assets   | 10(a) | 6               | 3               |
| <b>Total gross depreciation and amortisation costs</b>                          |       | <b>7,298</b>    | <b>7,032</b>    |
| <b>Total depreciation and amortisation costs</b>                                |       | <b>7,298</b>    | <b>7,032</b>    |
| <b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b> |       | <b>7,298</b>    | <b>7,032</b>    |

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

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

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

**Impairment of non-financial assets**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>(e) Other expenses</b>  |                 |                 |
| Advertising  | 87              | 53              |
| Training costs (other than salaries and wages)                               | 77              | 53              |
| Travel expenses  | 27              | 31              |
| Bad and doubtful debts   | (73)            | 522             |
| Bank charges   | 20              | 19              |
| Contributions/levies to other levels of government                           |                 |                 |
| – CMCC noxious weeds   | 108             | 105             |
| – Emergency services levy (includes FRNSW, SES, and RFS levies)              | 310             | 254             |
| – Regional library   | 146             | 144             |
| – Water NSW  | 52              | 23              |
| – Other contributions/levies   | 12              | 1               |
| Councillor expenses – mayoral fee  | 20              | 17              |
| Councillor expenses – councillors' fees                                      | 116             | 107             |
| Councillors' expenses (incl. mayor) – other (excluding fees above)           | 60              | 39              |
| Donations, contributions and assistance to other organisations (Section 356) | –               | 3               |
| – Community and tourism programs (Section 356)                               | 420             | 441             |
| – Donations, contributions and assistance (Section 356)                      | 80              | 84              |
| – Far North West Joint Organisation (Section 356)                            | 12              | 12              |
| – Opal & Fossil (Section 356)  | 625             | –               |
| Electricity and heating  | 391             | 367             |
| Insurance  | 663             | 646             |
| Office expenses (including computer expenses)                                | 56              | 50              |
| Printing and stationery  | 66              | 123             |
| Street lighting  | 171             | 213             |
| Subscriptions and publications   | 42              | 10              |
| Swimming pools   | 208             | 392             |
| Telephone and communications   | 132             | 177             |
| Tourism expenses (excluding employee costs)                                  | 105             | 38              |
| Valuation fees   | 57              | 37              |
| <b>Total other expenses</b>  | <b>3,990</b>    | <b>3,961</b>    |
| <b>TOTAL OTHER EXPENSES</b>  | <b>3,990</b>    | <b>3,961</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

|  | Notes | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-------|-----------------|-----------------|
| <b>Plant and equipment</b>   | 10(a) |                 |                 |
| Proceeds from disposal – plant and equipment                             |       | –               | 194             |
| Less: carrying amount of plant and equipment assets sold/written off     |       | –               | (319)           |
| <b>Net gain/(loss) on disposal</b>                                       |       | <b>–</b>        | <b>(125)</b>    |
| <b>Infrastructure</b>  | 10(a) |                 |                 |
| Less: carrying amount of infrastructure assets sold/written off          |       | –               | (34)            |
| <b>Net gain/(loss) on disposal</b>                                       |       | <b>–</b>        | <b>(34)</b>     |
| <b>Investments</b>   | 7(b)  |                 |                 |
| Proceeds from disposal/redemptions/maturities – investments              |       | 27,000          | 71,500          |
| Less: carrying amount of investments sold/redeemed/matured               |       | (27,000)        | (71,500)        |
| <b>Net gain/(loss) on disposal</b>                                       |       | <b>–</b>        | <b>–</b>        |
| <b>Other Structures assets</b>   |       |                 |                 |
| Less: carrying amount of Other structures assets sold/written off        | 10(a) | (421)           | (42)            |
| <b>Net gain/(loss) on disposal</b>                                       |       | <b>(421)</b>    | <b>(42)</b>     |
| <b>Roads, bridges and footpath assets</b>                                |       |                 |                 |
| Less: carrying amount of Roads, bridges and footpaths assets written off |       | (176)           | (75)            |
| <b>Net gain/(loss) on disposal</b>                                       |       | <b>(176)</b>    | <b>(75)</b>     |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                             |       | <b>(597)</b>    | <b>(276)</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

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Cash and cash equivalents</b>       |                 |                 |
| Cash on hand and at bank               | 1,111           | 1,430           |
| Cash-equivalent assets                 |                 |                 |
| – Deposits at call                     | 8,512           | 4,511           |
| – Short-term deposits                  | 3,000           | 3,000           |
| <b>Total cash and cash equivalents</b> | <b>12,623</b>   | <b>8,941</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

|  | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Investments</b>   |                            |                                |                            |                                |
| a. 'Financial assets at fair value through profit and loss'    |                            |                                |                            |                                |
| b. 'Financial assets at amortised cost'                        | 9,500                      | 11,500                         | 11,000                     | 14,000                         |
| <b>Total Investments</b>                                       | <b>9,500</b>               | <b>11,500</b>                  | <b>11,000</b>              | <b>14,000</b>                  |
| <b>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS AND INVESTMENTS</b> | <b>22,123</b>              | <b>11,500</b>                  | <b>19,941</b>              | <b>14,000</b>                  |
| <b>Financial assets at amortised cost</b>                      |                            |                                |                            |                                |
| Long term deposits   | 9,500                      | 11,500                         | 11,000                     | 14,000                         |
| <b>Total</b>   | <b>9,500</b>               | <b>11,500</b>                  | <b>11,000</b>              | <b>14,000</b>                  |

**Accounting policy for investments****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).

**Classification**

Council classifies its financial assets in the following categories: loans and receivables and financial assets at amortised cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as financial assets held at amortised cost, re-evaluates this designation at each reporting date.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

**(b) Financial assets at amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

## Notes to the Financial Statements

for the year ended 30 June 2020

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

- 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.

**Recognition and de-recognition**

Council does not hold any financial assets as available for sale. All financial assets are recognised at cost on the date of investment and Council has the positive intention and ability to hold all financial assets/investments until maturity. Council recognises any such assets at face value at the maturity date.

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

|  | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total cash, cash equivalents and investments | 22,123                     | 11,500                         | 19,941                     | 14,000                         |
| <b>attributable to:</b>                      |                            |                                |                            |                                |
| External restrictions                        | 4,756                      | 11,500                         | 6,933                      | 8,435                          |
| Internal restrictions                        | 14,299                     | –                              | 7,119                      | 5,565                          |
| Unrestricted                                 | 3,068                      | –                              | 5,889                      | –                              |
|  | 22,123                     | 11,500                         | 19,941                     | 14,000                         |

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

**Details of restrictions****External restrictions – included in liabilities**

|   |              |              |
|---|--------------|--------------|
| Specific purpose unexpended grants – general fund (2020 only) | 1,127        | –            |
| Specific purpose unexpended loans – general                   | 1,308        | 1,337        |
| <b>External restrictions – included in liabilities</b>        | <b>2,435</b> | <b>1,337</b> |

**External restrictions – other**

|   |               |               |
|---|---------------|---------------|
| Specific purpose unexpended grants (recognised as revenue) – general fund | 1,339         | 1,666         |
| Specific purpose unexpended grants (recognised as revenue) – water fund   | 42            | –             |
| Water supplies  | 2,966         | 2,949         |
| Sewerage services   | 7,014         | 6,897         |
| Other   | 2             | 2             |
| Domestic waste management   | 2,458         | 2,517         |
| <b>External restrictions – other</b>                                      | <b>13,821</b> | <b>14,031</b> |

|                                    |               |               |
|------------------------------------|---------------|---------------|
| <b>Total external restrictions</b> | <b>16,256</b> | <b>15,368</b> |
|------------------------------------|---------------|---------------|



## Notes to the Financial Statements

for the year ended 30 June 2020

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

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Internal restrictions</b>                     |                 |                 |
| Plant and vehicle replacement                    | 3,755           | 3,148           |
| Infrastructure replacement                       | 1,292           | 1,581           |
| Employees leave entitlement                      | 685             | 635             |
| Carry over works                                 | 274             | 29              |
| Rehabilitation                                   | 250             | 250             |
| General manager contract provisions              | 18              | 18              |
| FAG advance                                      | 3,438           | 3,354           |
| Shire Signage                                    | 176             | 200             |
| Local Environmental Plan Update                  | 88              | 20              |
| Lightning Ridge Urban Expansion Plan             | 17              | 17              |
| Regional Infrastructure Program                  | 27              | 27              |
| Council Elections                                | 58              | 34              |
| RMCC Contract Warranty                           | 350             | 350             |
| Tourism, Marketing & Promotion                   | 460             | 407             |
| Arts Projects                                    | 50              | 30              |
| Economic Development                             | 1,051           | 495             |
| Corporate Restructure                            | 11              | 11              |
| Matching Government Grants                       | 96              | 96              |
| Property Maintenance                             | 155             | 138             |
| Postponed Major Projects                         | 931             | 942             |
| Lightning Ridge VIC Disability Facilities        | 146             | 146             |
| Council Administration Centre Facilities Upgrade | 221             | 245             |
| Walgett Animal Pound                             | 219             | 175             |
| Other  | 531             | 336             |
| <b>Total internal restrictions</b>               | <b>14,299</b>   | <b>12,684</b>   |
| <b>TOTAL RESTRICTIONS</b>                        | <b>30,555</b>   | <b>28,052</b>   |

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables

|   | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Purpose</b>                                      |                            |                                |                            |                                |
| Rates and annual charges                            | 1,297                      | 13                             | 1,094                      | 26                             |
| Interest and extra charges                          | 82                         | –                              | 69                         | 9                              |
| User charges and fees                               | 2,595                      | –                              | 876                        | –                              |
| Accrued revenues                                    |                            |                                |                            |                                |
| – Interest on investments                           | 245                        | –                              | 283                        | –                              |
| Deferred debtors                                    | 30                         | 108                            | 30                         | 138                            |
| Government grants and subsidies                     | 4,569                      | –                              | 3,681                      | –                              |
| Net GST receivable                                  | 307                        | –                              | 415                        | –                              |
| Other debtors                                       | 95                         | –                              | 13                         | –                              |
| <b>Total</b>  | <b>9,220</b>               | <b>121</b>                     | <b>6,461</b>               | <b>173</b>                     |
| <b>Less: provision of impairment</b>                |                            |                                |                            |                                |
| Rates and annual charges                            | (285)                      | –                              | (341)                      | (20)                           |
| User charges and fees                               | (106)                      | –                              | (106)                      | –                              |
| <b>Total provision for impairment – receivables</b> | <b>(391)</b>               | <b>–</b>                       | <b>(447)</b>               | <b>(20)</b>                    |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>8,829</b>               | <b>121</b>                     | <b>6,014</b>               | <b>153</b>                     |

#### Externally restricted receivables

##### Water supply

|                                  |     |   |     |   |
|----------------------------------|-----|---|-----|---|
| – Rates and availability charges | 473 | – | 445 | – |
| – Other                          | 31  | – | 35  | – |

##### Sewerage services

|                                  |     |   |     |   |
|----------------------------------|-----|---|-----|---|
| – Rates and availability charges | 136 | – | 129 | – |
|----------------------------------|-----|---|-----|---|

##### Domestic waste management

|  |     |   |     |   |
|--|-----|---|-----|---|
|  | 172 | – | 151 | – |
|--|-----|---|-----|---|

##### Total external restrictions

|  |     |   |     |   |
|--|-----|---|-----|---|
|  | 812 | – | 760 | – |
|--|-----|---|-----|---|

##### Unrestricted receivables

|  |       |     |       |     |
|--|-------|-----|-------|-----|
|  | 8,017 | 121 | 5,254 | 153 |
|--|-------|-----|-------|-----|

##### TOTAL NET RECEIVABLES

|  |       |     |       |     |
|--|-------|-----|-------|-----|
|  | 8,829 | 121 | 6,014 | 153 |
|--|-------|-----|-------|-----|

|   | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|-----------------|-----------------|
| <b>Movement in provision for impairment of receivables</b>                    |                 |                 |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 467             | 184             |
| + new provisions recognised during the year                                   | –               | 283             |
| – previous impairment losses reversed   | (76)            | –               |
| <b>Balance at the end of the year</b>   | <b>391</b>      | <b>467</b>      |

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the receivables are over 2 years past due and all other avenues for recovery have been exhausted, 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 any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Inventories and other assets

|                                  | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| (a) Inventories                  |                            |                                |                            |                                |
| (i) Inventories at cost          |                            |                                |                            |                                |
| Real estate for resale           | 132                        | —                              | 132                        | —                              |
| Stores and materials             | 863                        | —                              | 825                        | —                              |
| <b>Total inventories at cost</b> | <b>995</b>                 | <b>—</b>                       | <b>957</b>                 | <b>—</b>                       |
| <b>TOTAL INVENTORIES</b>         | <b>995</b>                 | <b>—</b>                       | <b>957</b>                 | <b>—</b>                       |

### (b) Other assets

|                           |            |          |            |          |
|---------------------------|------------|----------|------------|----------|
| Prepayments               | 169        | —        | 125        | —        |
| <b>TOTAL OTHER ASSETS</b> | <b>169</b> | <b>—</b> | <b>125</b> | <b>—</b> |

|   | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Total unrestricted assets</b>          | <b>1,164</b>               | <b>—</b>                       | <b>1,082</b>               | <b>—</b>                       |
| <b>TOTAL INVENTORIES AND OTHER ASSETS</b> | <b>1,164</b>               | <b>—</b>                       | <b>1,082</b>               | <b>—</b>                       |

### (i) Other disclosures

|   | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| (a) Details for real estate development |                            |                                |                            |                                |
| Residential                             | 132                        | —                              | 132                        | —                              |
| <b>Total real estate for resale</b>     | <b>132</b>                 | <b>—</b>                       | <b>132</b>                 | <b>—</b>                       |

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

#### Represented by:

|                                     |            |          |            |          |
|-------------------------------------|------------|----------|------------|----------|
| Acquisition costs                   | 132        | —        | 132        | —        |
| <b>Total costs</b>                  | <b>132</b> | <b>—</b> | <b>132</b> | <b>—</b> |
| <b>Total real estate for resale</b> | <b>132</b> | <b>—</b> | <b>132</b> | <b>—</b> |

#### Movements:

|   |            |          |            |          |
|---|------------|----------|------------|----------|
| Real estate assets at beginning of the year | 132        | —        | 132        | —        |
| <b>Total real estate for resale</b>         | <b>132</b> | <b>—</b> | <b>132</b> | <b>—</b> |

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets (continued)

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

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

|                        | 2020<br>\$ '000 | 2019<br>\$ '000 |
|------------------------|-----------------|-----------------|
| Real estate for resale | 132             | 132             |
|                        | <u>132</u>      | <u>132</u>      |

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

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

**Land held for resale**

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|  | as at 30/06/19                   |                                     |                                | Asset movements during the reporting period |                                 |  |                                 |                          |   | as at 30/06/20                   |                                     |                                |
|--|----------------------------------|-------------------------------------|--------------------------------|---|---------------------------------|--|---------------------------------|--------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
|  | Gross carrying amount<br>\$ '000 | Accumulated depreciation<br>\$ '000 | Net carrying amount<br>\$ '000 | Additions renewals <sup>1</sup><br>\$ '000  | Additions new assets<br>\$ '000 | Carrying value of disposals<br>\$ '000 | Depreciation expense<br>\$ '000 | WIP transfers<br>\$ '000 | Revaluation increments to equity (ARR)<br>\$ '000 | Gross carrying amount<br>\$ '000 | Accumulated depreciation<br>\$ '000 | Net carrying amount<br>\$ '000 |
| Capital work in progress   | 3,597                            | –                                   | 3,597                          | 434   | 7,842                           | (421)                                  | –                               | (2,039)                  | –   | 9,413                            | –                                   | 9,413                          |
| Plant and equipment  | 12,359                           | (6,691)                             | 5,668                          | –   | 287                             | –                                      | (654)                           | –                        | –   | 12,646                           | (7,345)                             | 5,301                          |
| Office equipment   | 1,448                            | (1,259)                             | 189                            | –   | 19                              | –                                      | (90)                            | –                        | –   | 1,467                            | (1,349)                             | 118                            |
| <b>Land:</b>   |                                  |                                     |                                |   |                                 |  |                                 |                          |   |                                  |                                     |                                |
| – Operational and Community Land   | 5,766                            | –                                   | 5,766                          | –   | 63                              | –                                      | –                               | –                        | –   | 5,829                            | –                                   | 5,829                          |
| <b>Infrastructure:</b>   |                                  |                                     |                                |   |                                 |  |                                 |                          |   |                                  |                                     |                                |
| – Buildings – non-specialised  | 5,167                            | (935)                               | 4,232                          | –   | –                               | –                                      | (108)                           | –                        | –   | 5,167                            | (1,043)                             | 4,124                          |
| – Buildings – specialised  | 19,862                           | (9,277)                             | 10,585                         | 39  | 84                              | –                                      | (269)                           | –                        | –   | 19,985                           | (9,546)                             | 10,439                         |
| – Other structures   | 35,701                           | (19,985)                            | 15,716                         | –   | 55                              | –                                      | (933)                           | 181                      | –   | 35,937                           | (20,918)                            | 15,019                         |
| – Roads inc Bulk earthworks  | 240,236                          | (72,512)                            | 167,724                        | 1,939                                       | 277                             | (176)                                  | (3,490)                         | 1,073                    | 19,696  | 259,297                          | (72,254)                            | 187,043                        |
| – Stormwater drainage  | 16,730                           | (5,404)                             | 11,326                         | –   | 95                              | –                                      | (195)                           | 64                       | 3,687   | 18,725                           | (3,748)                             | 14,977                         |
| – Water supply network   | 45,026                           | (17,869)                            | 27,157                         | –   | 284                             | –                                      | (736)                           | 97                       | 255   | 45,839                           | (18,782)                            | 27,057                         |
| – Sewerage network   | 30,070                           | (10,648)                            | 19,422                         | –   | –                               | –                                      | (190)                           | 17                       | 183   | 30,372                           | (10,940)                            | 19,432                         |
| <b>Other assets:</b>   |                                  |                                     |                                |   |                                 |  |                                 |                          |   |                                  |                                     |                                |
| – Other  | 12,792                           | (3,790)                             | 9,002                          | 48  | 413                             | –                                      | (408)                           | 607                      | –   | 13,859                           | (4,197)                             | 9,662                          |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b> |                                  |                                     |                                |   |                                 |  |                                 |                          |   |                                  |                                     |                                |
| – Quarry assets  | 203                              | (36)                                | 167                            | 62  | –                               | –                                      | (6)                             | –                        | –   | 265                              | (42)                                | 223                            |
| – Tip assets   | 4,020                            | (274)                               | 3,746                          | 233   | –                               | –                                      | (141)                           | –                        | –   | 4,253                            | (415)                               | 3,838                          |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>432,977</b>                   | <b>(148,680)</b>                    | <b>284,297</b>                 | <b>2,755</b>                                | <b>9,419</b>                    | <b>(597)</b>                           | <b>(7,220)</b>                  | <b>–</b>                 | <b>23,821</b>                                     | <b>463,054</b>                   | <b>(150,579)</b>                    | <b>312,475</b>                 |

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|  | as at 30/06/18                   |                                     |                                | Asset movements during the reporting period |                                 |  |                                 |                          |                                      |   | as at 30/06/19                   |                                     |                                |
|--|----------------------------------|-------------------------------------|--------------------------------|---|---------------------------------|--|---------------------------------|--------------------------|--------------------------------------|---|----------------------------------|-------------------------------------|--------------------------------|
|  | Gross carrying amount<br>\$ '000 | Accumulated depreciation<br>\$ '000 | Net carrying amount<br>\$ '000 | Additions renewals <sup>1</sup><br>\$ '000  | Additions new assets<br>\$ '000 | Carrying value of disposals<br>\$ '000 | Depreciation expense<br>\$ '000 | WIP transfers<br>\$ '000 | Adjustments and transfers<br>\$ '000 | Revaluation increments to equity (ARR)<br>\$ '000 | Gross carrying amount<br>\$ '000 | Accumulated depreciation<br>\$ '000 | Net carrying amount<br>\$ '000 |
| Capital work in progress   | 4,268                            | –                                   | 4,268                          | 1,475                                       | 1,443                           | (34)                                   | –                               | (3,555)                  | –                                    | –   | 3,597                            | –                                   | 3,597                          |
| Plant and equipment  | 12,469                           | (6,379)                             | 6,090                          | 738   | –                               | (319)                                  | (841)                           | –                        | –                                    | –   | 12,359                           | (6,691)                             | 5,668                          |
| Office equipment   | 1,448                            | (1,231)                             | 217                            | –   | –                               | –                                      | (28)                            | –                        | –                                    | –   | 1,448                            | (1,259)                             | 189                            |
| <b>Land:</b>   |                                  |                                     |                                |   |                                 |  |                                 |                          |                                      |   |                                  |                                     |                                |
| – Operational land   | 2,964                            | –                                   | 2,964                          | –   | 13                              | –                                      | –                               | –                        | –                                    | 2,789   | 5,766                            | –                                   | 5,766                          |
| <b>Infrastructure:</b>   |                                  |                                     |                                |   |                                 |  |                                 |                          |                                      |   |                                  |                                     |                                |
| – Buildings – non-specialised  | 5,275                            | (1,076)                             | 4,199                          | –   | –                               | –                                      | (110)                           | –                        | 143                                  | –   | 5,167                            | (935)                               | 4,232                          |
| – Buildings – specialised  | 18,800                           | (8,193)                             | 10,607                         | 264   | –                               | –                                      | (374)                           | –                        | –                                    | 88  | 19,862                           | (9,277)                             | 10,585                         |
| – Other structures   | 34,886                           | (18,982)                            | 15,904                         | 63  | 620                             | (42)                                   | (991)                           | 497                      | (172)                                | (163)   | 35,701                           | (19,985)                            | 15,716                         |
| – Roads inc Bulk Earthworks  | 232,078                          | (69,167)                            | 162,911                        | 2,286                                       | 6,008                           | (75)                                   | (3,462)                         | 43                       | –                                    | 13  | 240,236                          | (72,512)                            | 167,724                        |
| – Stormwater drainage  | 14,376                           | (5,211)                             | 9,165                          | –   | 49                              | –                                      | (193)                           | 2,305                    | –                                    | –   | 16,730                           | (5,404)                             | 11,326                         |
| – Water supply network   | 44,162                           | (16,860)                            | 27,302                         | –   | 73                              | –                                      | (728)                           | 82                       | –                                    | 428   | 45,026                           | (17,869)                            | 27,157                         |
| – Sewerage network   | 29,550                           | (10,300)                            | 19,250                         | –   | 9                               | –                                      | (180)                           | 31                       | –                                    | 312   | 30,070                           | (10,648)                            | 19,422                         |
| <b>Other assets:</b>   |                                  |                                     |                                |   |                                 |  |                                 |                          |                                      |   |                                  |                                     |                                |
| – Other  | 11,986                           | (3,790)                             | 8,196                          | 13  | 179                             | –                                      | (12)                            | 597                      | 29                                   | –   | 12,792                           | (3,790)                             | 9,002                          |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b> |                                  |                                     |                                |   |                                 |  |                                 |                          |                                      |   |                                  |                                     |                                |
| – Tip assets   | 2,970                            | (164)                               | 2,806                          | 1,050                                       | –                               | –                                      | (110)                           | –                        | –                                    | –   | 4,020                            | (274)                               | 3,746                          |
| – Quarry assets  | 178                              | (33)                                | 145                            | 25  | –                               | –                                      | (3)                             | –                        | –                                    | –   | 203                              | (36)                                | 167                            |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>415,410</b>                   | <b>(141,386)</b>                    | <b>274,024</b>                 | <b>5,914</b>                                | <b>8,394</b>                    | <b>(470)</b>                           | <b>(7,032)</b>                  | <b>–</b>                 | <b>–</b>                             | <b>3,467</b>                                      | <b>432,977</b>                   | <b>(148,680)</b>                    | <b>284,297</b>                 |

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

| <b>Plant and equipment</b>        | <b>Years</b> | <b>Other equipment</b>               | <b>Years</b> |
|-----------------------------------|--------------|--------------------------------------|--------------|
| Office equipment                  | 3 to 10      | Playground equipment                 | 2 to 15      |
| Office furniture                  | 5 to 10      | Benches, seats etc.                  | 5 to 10      |
| Computer equipment                | 3            |                                      |              |
| Vehicles                          | 3 to 8       | <b>Buildings</b>                     |              |
| Heavy plant/road making equipment | 3 to 8       | Buildings: masonry                   | 50 to 100    |
| Other plant and equipment         | 3 to 20      | Buildings: other                     | 20 to 40     |
| <b>Water and sewer assets</b>     |              | <b>Stormwater assets</b>             |              |
| Dams and reservoirs               | 40 to 100    | Drains                               | 100          |
| Bores                             | 20 to 40     | Culverts                             | 100          |
| Reticulation pipes: PVC           | 54 to 80     | Flood control structures             | 80 to 100    |
| Reticulation pipes: other         | 25 to 75     |                                      |              |
| Pumps and telemetry               | 15 to 65     |                                      |              |
| <b>Transportation assets</b>      |              | <b>Other infrastructure assets</b>   |              |
| Sealed roads: surface             | 8 to 10      | Bulk earthworks                      | Infinite     |
| Sealed roads: structure           | 100          | Swimming pools                       | 50           |
| Unsealed roads                    | 100          | Unsealed roads                       | 100          |
| Bridge: concrete                  | 100          | Other open space/recreational assets | 20           |
| Bridge: other                     | 50           | Other infrastructure                 | 20           |
| Road pavements                    | 50           |                                      |              |
| Kerb, gutter and footpaths        | 50           |                                      |              |

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Land under roads

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

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

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

#### Crown reserves

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

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

#### Rural Fire Service assets

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".

The Rural Fire Services land and buildings within the Walgett Local Government Area are accounted for in these statements under the signed agreement with Council's Zone RFS.

Walgett Shire Council does not account for the "red" fleet assets under this agreement.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|                                   | as at 30/06/20                   |   |                                | as at 30/06/19                   |   |                                |
|-----------------------------------|----------------------------------|---|--------------------------------|----------------------------------|---|--------------------------------|
|                                   | Gross carrying amount<br>\$ '000 | Accumulated depn. and impairment<br>\$ '000 | Net carrying amount<br>\$ '000 | Gross carrying amount<br>\$ '000 | Accumulated depn. and impairment<br>\$ '000 | Net carrying amount<br>\$ '000 |
| <b>Water supply</b>               |                                  |   |                                |                                  |   |                                |
| WIP                               | 1,994                            | –   | 1,994                          | 799                              | –   | 799                            |
| Infrastructure                    | 45,839                           | 18,782                                      | 27,057                         | 45,026                           | 17,869                                      | 27,157                         |
| <b>Total water supply</b>         | <b>47,833</b>                    | <b>18,782</b>                               | <b>29,051</b>                  | <b>45,825</b>                    | <b>17,869</b>                               | <b>27,956</b>                  |
| <b>Sewerage services</b>          |                                  |   |                                |                                  |   |                                |
| WIP                               | 7                                | –   | 7                              | 23                               | –   | 23                             |
| Infrastructure                    | 30,372                           | 10,940                                      | 19,432                         | 30,070                           | 10,648                                      | 19,422                         |
| <b>Total sewerage services</b>    | <b>30,379</b>                    | <b>10,940</b>                               | <b>19,439</b>                  | <b>30,093</b>                    | <b>10,648</b>                               | <b>19,445</b>                  |
| <b>Domestic waste management</b>  |                                  |   |                                |                                  |   |                                |
| WIP                               | 18                               | –   | 18                             | –                                | –   | –                              |
| Buildings                         | 48                               | –   | 48                             | 24                               | –   | 24                             |
| Other structures                  | 293                              | 54  | 239                            | 293                              | 47  | 246                            |
| Other assets                      | 773                              | 447   | 326                            | 736                              | 368   | 368                            |
| Remediation Assets                | 3,463                            | 347   | 3,116                          | 3,216                            | 219   | 2,997                          |
| <b>Total DWM</b>                  | <b>4,595</b>                     | <b>848</b>                                  | <b>3,747</b>                   | <b>4,269</b>                     | <b>634</b>                                  | <b>3,635</b>                   |
| <b>TOTAL RESTRICTED IPP&amp;E</b> | <b>82,807</b>                    | <b>30,570</b>                               | <b>52,237</b>                  | <b>80,187</b>                    | <b>29,151</b>                               | <b>51,036</b>                  |

## Note 11. Contract assets and liabilities

|  | Notes | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|-------|----------------------------|--------------------------------|
| <b>Contract liabilities</b>  |       |                            |                                |
| <b>Grants and contributions received in advance:</b>               |       |                            |                                |
| Unexpended capital grants (to construct Council controlled assets) | (i)   | 1,127                      | –                              |
| <b>Total grants received in advance</b>                            |       | <b>1,127</b>               | <b>–</b>                       |
| <b>Total contract liabilities</b>                                  |       | <b>1,127</b>               | <b>–</b>                       |

## Notes

Council has received funding to construct assets. 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

|  | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|
| <b>(i) Contract liabilities relating to restricted assets</b>        |                            |                                |
| <b>Externally restricted assets</b>                                  |                            |                                |
| Unspent grants held as contract liabilities (excl. Water & Sewer)    | 1,127                      | —                              |
| <b>Contract liabilities relating to externally restricted assets</b> | <b>1,127</b>               | <b>—</b>                       |
| <b>Total contract liabilities relating to restricted assets</b>      | <b>1,127</b>               | <b>—</b>                       |
| <b>Total contract liabilities</b>                                    | <b>1,127</b>               | <b>—</b>                       |
|  |                            | <b>2020<br/>\$ '000</b>        |

**(ii) Revenue recognised (during the financial year) from opening contract liability balances****Grants and contributions received in advance:**

|   |     |
|---|-----|
| Capital grants (to construct Council controlled assets) | 721 |
|---|-----|

**Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period**

721

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases

Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method. The comparative information has been restated and is reported under AASB 16 and related interpretations.

## (i) Council as a lessee

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

## Terms and conditions of leases

Leases are on a short-term basis with the building lease being renewable in the 2020/21 financial year and the lease over IT equipment (photocopiers) expiring in the same period.

## Buildings

Council has leased land and a buildings for their Lightning Ridge Centrelink Agency. The lease is for 2 years with 2 options to renew for a further 3 years each option.

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

## Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The lease is for 3 years with no renewal option, the payments are fixed with an annual CPI increase. Usage costs are additional to the lease contract under a maintenance agreement.

## Extension options

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

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

There are \$124,294 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.

|   | Plant &<br>Equipment<br>\$ '000 | Ready to use<br>\$ '000 | Total<br>\$ '000 |
|---|---------------------------------|-------------------------|------------------|
| (a) Right of use assets   |                                 |                         |                  |
| Adoption of AASB 16 at 1 July 2019 – first time lease recognition | 116                             | 28                      | 144              |
| Depreciation charge   | (57)                            | (21)                    | (78)             |
| <b>RIGHT OF USE ASSETS</b>  | <b>59</b>                       | <b>7</b>                | <b>66</b>        |

|                                | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--------------------------------|----------------------------|--------------------------------|
| (b) Lease liabilities          |                            |                                |
| Lease liabilities              | 62                         | 5                              |
| <b>TOTAL LEASE LIABILITIES</b> | <b>62</b>                  | <b>5</b>                       |

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

## (i) The maturity analysis

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

|            | < 1 year<br>\$ '000 | 1 – 5 years<br>\$ '000 | > 5 years<br>\$ '000 | Total<br>\$ '000 | Total per<br>Statement of<br>Financial<br>Position<br>\$ '000 |
|------------|---------------------|------------------------|----------------------|------------------|---|
| Cash flows | 62                  | 5                      | –                    | 67               | 67  |

|  | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|
|--|----------------------------|--------------------------------|

## (ii) Lease liabilities relating to restricted assets

|   |    |   |
|---|----|---|
| Total lease liabilities relating to unrestricted assets | 62 | 5 |
|---|----|---|

|                                |           |          |
|--------------------------------|-----------|----------|
| <u>Total lease liabilities</u> | <u>62</u> | <u>5</u> |
|--------------------------------|-----------|----------|

|  |                 |
|--|-----------------|
|  | 2020<br>\$ '000 |
|--|-----------------|

## (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          | 1          |
| Depreciation of right of use assets    | 78         |
| Expenses relating to short-term leases | 25         |
|  | <u>104</u> |

## (d) Statement of Cash Flows

|                               |              |
|-------------------------------|--------------|
| Total cash outflow for leases | (180)        |
|                               | <u>(180)</u> |

## Leases at significantly below market value – concessionary / peppercorn leases

All Council leases at market value which are for:

- Residential housing
- Commercial premises

## Accounting policy

Council has implemented AASB16 for Council property leases from 1 July 2019.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Leases (continued)

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

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

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

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

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

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

#### **Exceptions to lease accounting**

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

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

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

### (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 in IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

|  | 2020<br>\$ '000 |
|--|-----------------|
| <b>(i) Operating lease income</b>                |                 |
| <b>Other lease income</b>                        |                 |
| Room/Facility Hire                               | 78              |
| Leaseback fees - council vehicles                | 35              |
| Other  | 150             |
| <b>Total income relating to operating leases</b> | <b>263</b>      |

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Payables and borrowings

|   | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Payables</b>                             |                            |                                |                            |                                |
| Goods and services – operating expenditure  | 1,890                      | –                              | 2,131                      | –                              |
| Goods and services – capital expenditure    | 1,368                      | –                              | 1,413                      | –                              |
| Accrued expenses:                           |                            |                                |                            |                                |
| – Borrowings                                | 9                          | –                              | 13                         | –                              |
| – Salaries and wages                        | 96                         | –                              | 234                        | –                              |
| – Other expenditure accruals                | 2                          | –                              | –                          | –                              |
| Advances                                    | 87                         | –                              | –                          | –                              |
| Security bonds, deposits and retentions     | 189                        | –                              | 101                        | –                              |
| ATO – net GST payable                       | –                          | –                              | 9                          | –                              |
| Other                                       | 8                          | –                              | 56                         | –                              |
| Prepaid rates                               | 342                        | –                              | 324                        | –                              |
| <b>Total payables</b>                       | <b>3,991</b>               | <b>–</b>                       | <b>4,281</b>               | <b>–</b>                       |
| <b>Borrowings</b>                           |                            |                                |                            |                                |
| Loans – secured <sup>1</sup>                | 742                        | 1,864                          | 707                        | 2,606                          |
| <b>Total borrowings</b>                     | <b>742</b>                 | <b>1,864</b>                   | <b>707</b>                 | <b>2,606</b>                   |
| <b><u>TOTAL PAYABLES AND BORROWINGS</u></b> | <b><u>4,733</u></b>        | <b><u>1,864</u></b>            | <b><u>4,988</u></b>        | <b><u>2,606</u></b>            |

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

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

|  | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>(a) Payables and borrowings relating to restricted assets</b>     |                            |                                |                            |                                |
| <b>Externally restricted assets</b>                                  |                            |                                |                            |                                |
| Water  | 125                        | –                              | 38                         | –                              |
| Payables and borrowings relating to externally restricted assets     | 125                        | –                              | 38                         | –                              |
| <b>Total payables and borrowings relating to restricted assets</b>   | <b>125</b>                 | <b>–</b>                       | <b>38</b>                  | <b>–</b>                       |
| <b>Total payables and borrowings relating to unrestricted assets</b> | <b>4,608</b>               | <b>1,864</b>                   | <b>4,950</b>               | <b>2,606</b>                   |
| <b><u>TOTAL PAYABLES AND BORROWINGS</u></b>                          | <b><u>4,733</u></b>        | <b><u>1,864</u></b>            | <b><u>4,988</u></b>        | <b><u>2,606</u></b>            |

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

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

|                   | as at 30/06/19             |                       | Non-cash changes     |                               |   |                                    | as at 30/06/20             |
|-------------------|----------------------------|-----------------------|----------------------|-------------------------------|---|------------------------------------|----------------------------|
|                   | Opening Balance<br>\$ '000 | Cash flows<br>\$ '000 | New loans<br>\$ '000 | Fair value changes<br>\$ '000 | Acquisition due to change in accounting policy<br>\$ '000 | Other non-cash movement<br>\$ '000 | Closing balance<br>\$ '000 |
| Loans – secured   | 3,313                      | (707)                 | –                    | –                             | –   | –                                  | 2,606                      |
| Lease liabilities | –                          | (77)                  | –                    | –                             | 144   | –                                  | 67                         |
| <b>TOTAL</b>      | <b>3,313</b>               | <b>(784)</b>          | <b>–</b>             | <b>–</b>                      | <b>144</b>  | <b>–</b>                           | <b>2,673</b>               |

|                 | as at 30/06/18             |                       | Non-cash changes     |                               |                                    | as at 30/06/19             |
|-----------------|----------------------------|-----------------------|----------------------|-------------------------------|------------------------------------|----------------------------|
|                 | Opening Balance<br>\$ '000 | Cash flows<br>\$ '000 | New loans<br>\$ '000 | Fair value changes<br>\$ '000 | Other non-cash movement<br>\$ '000 | Closing balance<br>\$ '000 |
| Loans – secured | 3,996                      | (683)                 | –                    | –                             | –                                  | 3,313                      |
| <b>TOTAL</b>    | <b>3,996</b>               | <b>(683)</b>          | <b>–</b>             | <b>–</b>                      | <b>–</b>                           | <b>3,313</b>               |

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

## (c) Financing arrangements

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

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Credit cards/purchase cards         | 23        | 23        |
| <b>Total financing arrangements</b> | <b>23</b> | <b>23</b> |

## Drawn facilities as at balance date:

|   |          |          |
|---|----------|----------|
| – Credit cards/purchase cards             | 4        | 8        |
| <b>Total drawn financing arrangements</b> | <b>4</b> | <b>8</b> |

## Undrawn facilities as at balance date:

|   |           |           |
|---|-----------|-----------|
| – Credit cards/purchase cards               | 19        | 15        |
| <b>Total undrawn financing arrangements</b> | <b>19</b> | <b>15</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 held by Walgett Shire Council with banks are secured by future cash flows.

## Bank overdraft

Walgett Shire Council does not have a bank overdraft arrangement.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Accounting policy for payables and borrowings

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

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

#### Payables

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

#### Borrowings

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions

|  | 2020<br>Current<br>\$ '000 | 2020<br>Non-current<br>\$ '000 | 2019<br>Current<br>\$ '000 | 2019<br>Non-current<br>\$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| <b>Provisions</b>                                |                            |                                |                            |                                |
| <b>Employee benefits</b>                         |                            |                                |                            |                                |
| Annual leave                                     | 1,021                      | –                              | 950                        | –                              |
| Sick leave                                       | 105                        | –                              | 120                        | –                              |
| Long service leave                               | 1,003                      | 111                            | 934                        | 152                            |
| Other leave (time in lieu.)                      | 20                         | –                              | 14                         | –                              |
| <b>Sub-total – aggregate employee benefits</b>   | <b>2,149</b>               | <b>111</b>                     | <b>2,018</b>               | <b>152</b>                     |
| <b>Asset remediation/restoration:</b>            |                            |                                |                            |                                |
| Asset remediation/restoration (future works)     | –                          | 4,642                          | –                          | 4,340                          |
| <b>Sub-total – asset remediation/restoration</b> | <b>–</b>                   | <b>4,642</b>                   | <b>–</b>                   | <b>4,340</b>                   |
| <b><u>TOTAL PROVISIONS</u></b>                   | <b><u>2,149</u></b>        | <b><u>4,753</u></b>            | <b><u>2,018</u></b>        | <b><u>4,492</u></b>            |

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

##### Externally restricted assets

|   |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
| Domestic waste management                               | –                   | 3,497               | –                   | 3,472               |
| Provisions relating to externally restricted assets     | –                   | 3,497               | –                   | 3,472               |
| <b>Total provisions relating to restricted assets</b>   | <b>–</b>            | <b>3,497</b>        | <b>–</b>            | <b>3,472</b>        |
| <b>Total provisions relating to unrestricted assets</b> | <b>2,149</b>        | <b>1,256</b>        | <b>2,018</b>        | <b>1,020</b>        |
| <b><u>TOTAL PROVISIONS</u></b>                          | <b><u>2,149</u></b> | <b><u>4,753</u></b> | <b><u>2,018</u></b> | <b><u>4,492</u></b> |

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

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

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

|                                 |            |              |
|---------------------------------|------------|--------------|
| Provisions – employees benefits | 904        | 1,000        |
|                                 | <u>904</u> | <u>1,000</u> |

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Provisions (continued)

## (c) Description of and movements in provisions

|                                     | ELE provisions          |                       |                                  |                                    | Total<br>\$ '000 |
|-------------------------------------|-------------------------|-----------------------|----------------------------------|------------------------------------|------------------|
|                                     | Annual leave<br>\$ '000 | Sick leave<br>\$ '000 | Long service<br>leave<br>\$ '000 | Other (Time<br>in Lieu)<br>\$ '000 |                  |
| <b>2020</b>                         |                         |                       |                                  |                                    |                  |
| At beginning of year                | 950                     | 120                   | 1,086                            | 14                                 | 2,170            |
| Additional provisions               | 71                      | –                     | 28                               | 6                                  | 105              |
| Amounts used (payments)             | (569)                   | (15)                  | (186)                            | –                                  | (770)            |
| Remeasurement effects               | 569                     | –                     | 186                              | –                                  | 755              |
| Total ELE provisions at end of year | 1,021                   | 105                   | 1,114                            | 20                                 | 2,260            |
| <b>2019</b>                         |                         |                       |                                  |                                    |                  |
| At beginning of year                | 1,071                   | 114                   | 1,070                            | 26                                 | 2,281            |
| Additional provisions               | 122                     | 2                     | 17                               | –                                  | 141              |
| Amounts used (payments)             | (688)                   | –                     | (227)                            | (12)                               | (927)            |
| Remeasurement effects               | 444                     | 4                     | 226                              | –                                  | 674              |
| Other                               | 1                       | –                     | –                                | –                                  | 1                |
| Total ELE provisions at end of year | 950                     | 120                   | 1,086                            | 14                                 | 2,170            |

|                                       | Other provisions                |                  |
|---------------------------------------|---------------------------------|------------------|
|                                       | Asset<br>remediation<br>\$ '000 | Total<br>\$ '000 |
| <b>2020</b>                           |                                 |                  |
| At beginning of year                  | 4,340                           | 4,340            |
| Remeasurement effects                 | 233                             | 233              |
| Unwinding of discount                 | 7                               | 7                |
| Other                                 | 61                              | 61               |
| Total other provisions at end of year | 4,641                           | 4,641            |
| <b>2019</b>                           |                                 |                  |
| At beginning of year                  | 3,232                           | 3,232            |
| – Revised life                        | 1,076                           | 1,076            |
| Unwinding of discount                 | 32                              | 32               |
| Total other provisions at end of year | 4,340                           | 4,340            |

## 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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#### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

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

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

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

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

##### Restoration

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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#### Rehabilitation

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (i) 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' asset and released through profit and loss on the same basis as the revenue is recognised.

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

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

#### Principal v agent

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

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

#### Licences

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

#### Prepaid rates

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

#### Grants – operating

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

#### Grants – capital

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

#### Changes in presentation

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

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000   | Balance at<br>1 July 2019 |
|---|---------------------------|
| <b>Opening contract balances at 1 July 2019</b> |                           |
| <b>Contract liabilities</b>                     |                           |
| – Under AASB 1058                               | 1,171                     |
| <b>Total Contract liabilities</b>               | <b>1,171</b>              |

**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<br>amount per<br>Statement of<br>Financial<br>Position under<br>AASB 15 and<br>AASB 1058 | Reclassific-<br>ation | Remeasur-e<br>ment | Carrying<br>amount under<br>previous<br>revenue<br>standards | Notes |
|---|---|-----------------------|--------------------|--|-------|
| <b>Current assets</b>                         |   |                       |                    |  |       |
| Cash and cash equivalents                     | 12,623  | –                     | –                  | 12,623   |       |
| Investments                                   | 9,500   | –                     | –                  | 9,500  |       |
| Receivables                                   | 8,829   | –                     | –                  | 8,829  |       |
| Inventories                                   | 995   | –                     | –                  | 995  |       |
| Other   | 169   | –                     | –                  | 169  |       |
| <b>Total current assets</b>                   | <b>32,116</b>   | <b>–</b>              | <b>–</b>           | <b>32,116</b>  |       |
| <b>Current liabilities</b>                    |   |                       |                    |  |       |
| Payables                                      | 3,991   | –                     | –                  | 3,991  |       |
| Contract liabilities                          | 1,127   | –                     | (1,127)            | –  |       |
| Lease liabilities                             | 62  | –                     | –                  | 62   |       |
| Borrowings                                    | 742   | –                     | –                  | 742  |       |
| Provisions                                    | 2,149   | –                     | –                  | 2,149  |       |
| <b>Total current liabilities</b>              | <b>8,071</b>  | <b>–</b>              | <b>(1,127)</b>     | <b>6,944</b>   |       |
| <b>Non-current assets</b>                     |   |                       |                    |  |       |
| Investments                                   | 11,500  | –                     | –                  | 11,500   |       |
| Receivables                                   | 121   | –                     | –                  | 121  |       |
| Infrastructure, property, plant and equipment | 312,475   | –                     | –                  | 312,475  |       |
| Leased assets                                 | 66  | –                     | –                  | 66   |       |
| Investments accounted for using equity method | 663   | –                     | –                  | 663  |       |
| <b>Total non-current assets</b>               | <b>324,825</b>  | <b>–</b>              | <b>–</b>           | <b>324,825</b>   |       |
| <b>Non-current liabilities</b>                |   |                       |                    |  |       |
| Lease liabilities                             | 5   | –                     | –                  | 5  |       |
| Borrowings                                    | 1,864   | –                     | –                  | 1,864  |       |
| Provisions                                    | 4,753   | –                     | –                  | 4,753  |       |

## Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000                              | Carrying<br>amount per<br>Statement of<br>Financial<br>Position under<br>AASB 15 and<br>AASB 1058 | Reclassific-<br>ation | Remeasur-e<br>ment | Carrying<br>amount under<br>previous<br>revenue<br>standards | Notes |
|--------------------------------------|---|-----------------------|--------------------|--|-------|
| <b>Total Non-current liabilities</b> | 6,622   | –                     | –                  | 6,622  |       |
| <b>Net assets</b>                    | 342,248   | –                     | 1,127              | 343,375  |       |
| <b>Equity</b>                        |   |                       |                    |  |       |
| Accumulated surplus                  | 124,590   | –                     | 1,127              | 125,717  |       |
| Revaluation reserves                 | 217,658   | –                     | –                  | 217,658  |       |
| <b>Council equity interest</b>       | 342,248   | –                     | 1,127              | 343,375  |       |
| <b>Total equity</b>                  | 342,248   | –                     | 1,127              | 343,375  |       |

The significant difference between previous standards and AASB 15/AASB 1058 is the recognition of the contract liability and contract asset on capital grants income for funding received in advance. Previously income was recognised as an unspent grant and placed into an external restriction. Current standards call for the unspent grant to be recognised as a contract liability and the work not completed to be recognised as a contract asset.

**Income Statement**

| \$ '000   | Income<br>Statement and<br>comprehen-<br>sive income<br>under AASB 15<br>and AASB<br>1058 | Reclassific-<br>ation | Remeasur-<br>ement | Income<br>Statement and<br>comprehen-<br>sive income<br>under previous<br>revenue<br>standards | Notes |
|---|---|-----------------------|--------------------|--|-------|
| <u>Income from continuing operations</u>  |   |                       |                    |  |       |
| Rates and annual charges  | 9,277   | –                     | –                  | 9,277  |       |
| User charges and fees   | 3,405   | –                     | –                  | 3,405  |       |
| Other revenues  | 1,156   | –                     | –                  | 1,156  |       |
| Grants and contributions provided for operating purposes                        | 17,769  | –                     | –                  | 17,769   |       |
| Grants and contributions provided for capital purposes                          | 8,338   | –                     | (44)               | 8,294  |       |
| Interest and investment income  | 796   | –                     | –                  | 796  |       |
| Rental income   | 263   | –                     | –                  | 263  |       |
| <b>Total Income from continuing operations</b>                                  | 41,004  | –                     | (44)               | 40,960   |       |
| <u>Expenses from continuing operations</u>                                      |   |                       |                    |  |       |
| Employee benefits and on-costs  | 8,068   | –                     | –                  | 8,068  |       |
| Borrowing costs   | 150   | –                     | –                  | 150  |       |
| Materials and contracts   | 13,349  | –                     | –                  | 13,349   |       |
| Depreciation and amortisation   | 7,298   | –                     | –                  | 7,298  |       |
| Other expenses  | 3,990   | –                     | –                  | 3,990  |       |
| Net losses from the disposal of assets  | 597   | –                     | –                  | 597  |       |
| Net share of interests in joint ventures and associates using the equity method | 3,070   | –                     | –                  | 3,070  |       |

continued on next page ...



## Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000  | Income Statement and comprehensive income under AASB 15 and AASB 1058 | Reclassification | Remeasurement | Income Statement and comprehensive income under previous revenue standards | Notes |
|--|---|------------------|---------------|--|-------|
| <b>Total Expenses from continuing operations</b>         | 36,522  | —                | —             | 36,522   |       |
| <b>Total Operating result from continuing operations</b> | 4,482   | —                | (44)          | 4,438  |       |
| Net operating result for the year                        | 4,482   | —                | (44)          | 4,438  |       |
| <b>Total comprehensive income</b>                        | 28,303  | —                | (44)          | 28,259   |       |

Under previous standards income from grants was recognised through the income statement upon receipt with any unspent balance of the income placed into an external restriction. Under AASB 15/ AASB 1058 unspent grant income is held as a liability until the work commissioned is completed.

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

| \$ '000   | Original Balance<br>1 July, 2019 | Impact Increase/<br>(decrease) | Restated Balance<br>1 July, 2019 |
|---|----------------------------------|--------------------------------|----------------------------------|
| <b>Total assets</b>                                       | 329,220                          | —                              | 329,220                          |
| Contract liabilities - Capital Grants Received in Advance | —                                | 1,171                          | 1,171                            |
| <b>Total liabilities</b>                                  | 14,104                           | 1,171                          | 15,275                           |
| Accumulated surplus                                       | 121,279                          | (1,171)                        | 120,108                          |
| <b>Total equity</b>                                       | 315,116                          | (1,171)                        | 313,945                          |

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

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

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

**Practical expedients used on transition**

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

- 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.
- Hindsight was used 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 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 1.42% per the document *Incremental borrowing rates for AASB 16 lease valuation* published by *NSW Treasury*.

| \$ '000   | Balance at<br>1 July 2019 |
|---|---------------------------|
| <b>Operating lease commitments at 30 June 2019 per Council financial statements</b>               | 62                        |
| <br><b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>           |                           |
| <b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b> | 60                        |
| <b>Add:</b>   |                           |
| Contracts not accounted for as operating lease commitments last year                              | 109                       |
| <b>Less:</b>  |                           |
| Short-term leases included in commitments note  | (25)                      |
| <b>Lease liabilities recognised at 1 July 2019</b>  | <u>144</u>                |

**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

## Statement of Financial Position

| \$ '000                  | Original<br>Balance<br>1 July, 2019 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>1 July, 2019 |
|--------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Rights-of-use assets     | –                                   | 144                               | 144                                 |
| <b>Total assets</b>      | <b>329,220</b>                      | <b>144</b>                        | <b>329,364</b>                      |
| Leases                   | –                                   | 144                               | 144                                 |
| <b>Total liabilities</b> | <b>14,104</b>                       | <b>144</b>                        | <b>14,248</b>                       |
| Accumulated surplus      | 121,279                             | –                                 | 121,279                             |
| <b>Total equity</b>      | <b>315,116</b>                      | <b>–</b>                          | <b>315,116</b>                      |

## Changes in accounting estimates

## Nature and effect of changes in accounting estimates on current year

Council made no changes in accounting estimates during the year.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Statement of cash flow information

|   | Notes | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|-------|-----------------|-----------------|
| <b>(a) Reconciliation of cash and cash equivalents</b>  |       |                 |                 |
| Total cash and cash equivalents per Statement of Financial Position                           | 7(a)  | 12,623          | 8,941           |
| <b>Balance as per the Statement of Cash Flows</b>   |       | <b>12,623</b>   | <b>8,941</b>    |
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b>  |       |                 |                 |
| <b>Net operating result from Income Statement</b>   |       | 4,482           | 11,336          |
| <b>Adjust for non-cash items:</b>   |       |                 |                 |
| Depreciation and amortisation   |       | 7,298           | 7,032           |
| Net losses/(gains) on disposal of assets  |       | 597             | 276             |
| Non-cash capital grants and contributions   |       | —               | (50)            |
| Adoption of AASB 15/1058  |       | (1,171)         | —               |
| Unwinding of discount rates on reinstatement provisions                                       |       | 7               | 32              |
| Share of net (profits)/losses of associates/joint ventures using the equity method            |       | 3,070           | (3,733)         |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |       |                 |                 |
| Decrease/(increase) in receivables  |       | (2,737)         | (3,496)         |
| Increase/(decrease) in provision for impairment of receivables                                |       | (76)            | 283             |
| Decrease/(increase) in inventories  |       | (38)            | (96)            |
| Decrease/(increase) in other current assets   |       | (44)            | (125)           |
| Increase/(decrease) in payables   |       | (241)           | 1,017           |
| Increase/(decrease) in accrued interest payable   |       | (4)             | (3)             |
| Increase/(decrease) in other accrued expenses payable   |       | (136)           | (467)           |
| Increase/(decrease) in other liabilities  |       | 136             | (168)           |
| Increase/(decrease) in contract liabilities   |       | 1,127           | —               |
| Increase/(decrease) in provision for employee benefits  |       | 90              | (111)           |
| Increase/(decrease) in other provisions   |       | 295             | 1,076           |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> |       | <b>12,655</b>   | <b>12,803</b>   |
| <b>(c) Non-cash investing and financing activities</b>  |       |                 |                 |
| Other dedications   |       | —               | 50              |
| <b>Total non-cash investing and financing activities</b>                                      |       | <b>—</b>        | <b>50</b>       |

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities

|                    | Council's share of net income |                 | Council's share of net assets |                 |
|--------------------|-------------------------------|-----------------|-------------------------------|-----------------|
|                    | 2020<br>\$ '000               | 2019<br>\$ '000 | 2020<br>\$ '000               | 2019<br>\$ '000 |
| Joint arrangements | (3,070)                       | 3,733           | 663                           | 3,733           |
| <b>Total</b>       | <b>(3,070)</b>                | <b>3,733</b>    | <b>663</b>                    | <b>3,733</b>    |

## Joint arrangements

## (i) County Councils

## County Councils as joint ventures

Council is a member of the following county council (which is a body incorporated under the Local Government Act 1993):

- Castlereagh Macquarie County Council

Council is of the opinion that it does not control the above county council and accordingly these entities have not been consolidated or otherwise included within these financial statements.

## Accounting policy for joint arrangements

## Interests in joint arrangements

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

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

## Legal status of Joint Organisation

The FNWJO is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008. The Charter of the FNWJO can be found here: <https://www.farnorthwestjo.nsw.gov.au/f.ashx/%24341338%24Far-North-West-JO-Charter.pdf>

The FNWJO was formed in July 2018 and has the same financial year end date as the Council.

## What the Joint Organisation does

The principle purpose of the FNWJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

## Joint Organisation participants

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

FNWJO comprises the Councils of the Shires of Bourke, Cobar and Walgett in north western NSW. The Board of the FNWJO comprises 3 voting members being the Mayors of the three member Councils, and non-voting members being the General Managers of the Shires of Bourke and Walgett, as well as 3 appointed members from the State Government and Cabinet (non-voting). Greg Lamont was appointed as the Executive Officer of the Board (non-voting) in 2019-20.

## Council's powers of control or influence over the Joint Organisation

Walgett Shire Council, as a member of the FNWJO, has a one third voting right in respect to the decisions of the Board.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities (continued)

In accordance with the Charter each member of the FNWJO contributes annual fees towards the operation of the joint organisation. In 2019/2020 the contribution made by Walgett Shire Council was \$12,100.

**Council's liability obligations in relation to the Joint Organisation**

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

**Liability for operational losses or winding up of the FNWJO**

The FNWJO has engaged an Executive Officer on a standard Local Government employment contract for 3 years. The contract in the initial year (2019/20) is \$75,000. A provision has been provided for ELE funded from the initial start-up of the FNWJO and will cover the 3 year period.

All grant funding received and distributed through the FNWJO will have a 5% administration fee that will remain with the JO.

The FNWJO has signed a contract in place to provide an Air Service to the towns of Bourke, Cobar, Lightning Ridge and Walgett. The contract is Commercial-in-confidence and contains a clause to safeguard Councils from any long term liability which is contained within the termination clause of the contract. The air service will be supported by funding provided to the FNWJO from the State Government.

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

**Equity Method****Far North West Joint Organisation****Summarised Statement of Financial Position**

|                         | <b>2020</b>   | <b>2019</b>   |
|-------------------------|---------------|---------------|
|                         | <b>\$'000</b> | <b>\$'000</b> |
| Current assets          | 8,711         | 12,227        |
| Non-current assets      | -             | -             |
| Current liabilities     | 2,557         | 1,028         |
| Non-current liabilities | 4168          | -             |
| Net assets              | 1,986         | 11,199        |

**Summarised Statement of Income**

|  |       |        |
|--|-------|--------|
| Revenue                                    | 8,282 | 14,185 |
| Expenses                                   | 6,296 | 2,986  |
| Profit / (Loss) from continuing operations | 1,986 | 11,199 |

**Summarised Statement of Cashflows**

|  |         |        |
|--|---------|--------|
| Cash flows from operating activities                   | 8,188   | 11,186 |
| Cash Flows from investing activities                   | 146     | 13     |
| Cash flows from financing activities                   | (6,000) | -      |
| Net Increase / (Decrease) in cash and cash equivalents | 2,334   | 11,199 |

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

|   |     |       |
|---|-----|-------|
| Walgett Shire Council's share of 33.33% of Net Assets | 663 | 3,733 |
| Carrying amount                                       | 663 | 3,733 |

**Accounting policy for Joint arrangements**

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

Under this method, the investment is initially recognized as a cost and the carrying amount is increased or decreased to recognize the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17. Interests in other entities (continued)

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If the Council's share of losses of a joint arrangement equals or exceeds its interest in the joint arrangement, the Council discontinues recognizing its share of further losses. The Council's share in the joint arrangements gains or losses arising from transactions between itself and its joint arrangement are eliminated.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Commitments

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

## (a) Capital commitments (exclusive of GST)

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

**Property, plant and equipment**

|                          |              |              |
|--------------------------|--------------|--------------|
| Other                    | –            | 3,734        |
| Road infrastructure      | 1,059        | –            |
| <b>Total commitments</b> | <b>1,059</b> | <b>3,734</b> |

**These expenditures are payable as follows:**

|                      |              |              |
|----------------------|--------------|--------------|
| Within the next year | 1,059        | 3,734        |
| <b>Total payable</b> | <b>1,059</b> | <b>3,734</b> |

**Sources for funding of capital commitments:**

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Unrestricted general funds      | –            | 3,734        |
| Future grants and contributions | 1,059        | –            |
| <b>Total sources of funding</b> | <b>1,059</b> | <b>3,734</b> |

**Details of capital commitments**

Reconstruction and sealing of Shire Road 103 Bugilbone Road, and Goangra Bridge funded by grants.

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

## (b) Non-cancellable operating lease commitments (2019 only)

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

|  |          |           |
|--|----------|-----------|
| Within the next year                                     | –        | 24        |
| Later than one year and not later than 5 years           | –        | 48        |
| <b>Total non-cancellable operating lease commitments</b> | <b>–</b> | <b>72</b> |

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### (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 for 4 years to 30 June 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

##### *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 \$36,427.72. The last valuation of the Scheme was performed by Mr Richard Boyfield on 30 June 2019, and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$13,000. Council's expected contribution to the plan for the next annual reporting period is \$45,115.88

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies (continued)

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

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

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

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 June 2020 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

**(iii) StateCover Limited**

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

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

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

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

**(iv) Other liabilities**

Council has pending legal matters that do not qualify for inclusion in the 2019/2020 Annual Financial Statements although they are significant enough to mention in order to inform statement users of their potential impact.

Council's potential cost in respect to these matters may be approximately \$835,000..

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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#### **ASSETS NOT RECOGNISED**

##### **(i) Land under roads**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Financial risk management

#### Risk management

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

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

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

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

|  | Carrying value<br>2020<br>\$ '000 | Carrying value<br>2019<br>\$ '000 | Fair value<br>2020<br>\$ '000 | Fair value<br>2019<br>\$ '000 |
|--|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| <b>Financial assets</b>                |                                   |                                   |                               |                               |
| <b>Measured at amortised cost</b>      |                                   |                                   |                               |                               |
| Cash and cash equivalents              | 12,623                            | 8,941                             | 12,623                        | 8,941                         |
| Receivables                            | 8,950                             | 6,167                             | 8,950                         | 6,167                         |
| Investments                            |                                   |                                   |                               |                               |
| – 'Financial assets at amortised cost' | 21,000                            | 25,000                            | 21,000                        | 25,000                        |
| <b>Total financial assets</b>          | <b>42,573</b>                     | <b>40,108</b>                     | <b>42,573</b>                 | <b>40,108</b>                 |
| <b>Financial liabilities</b>           |                                   |                                   |                               |                               |
| Payables                               | 3,991                             | 4,281                             | 3,991                         | 4,281                         |
| Loans/advances                         | 2,606                             | 3,313                             | 2,606                         | 3,313                         |
| Lease liabilities                      | 67                                | –                                 | 67                            | –                             |
| <b>Total financial liabilities</b>     | <b>6,664</b>                      | <b>7,594</b>                      | <b>6,664</b>                  | <b>7,594</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** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified '**at fair value through profit and loss**' 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's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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 20. 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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

|  | Increase of values/rates |                   | Decrease of values/rates |                   |
|--|--------------------------|-------------------|--------------------------|-------------------|
|  | Profit<br>\$ '000        | Equity<br>\$ '000 | Profit<br>\$ '000        | Equity<br>\$ '000 |
| <b>2020</b>  |                          |                   |                          |                   |
| Possible impact of a 1% movement in interest rates | 325                      | 325               | (325)                    | (325)             |
| <b>2019</b>  |                          |                   |                          |                   |
| Possible impact of a 1% movement in interest rates | 339                      | 339               | (339)                    | (339)             |

## (b) Credit risk

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## Credit risk profile

## Receivables – rates and annual charges

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

|                       | Not yet<br>overdue<br>\$ '000 | < 1 year<br>overdue<br>\$ '000 | 1 - 2 years<br>overdue<br>\$ '000 | 2 - 5 years<br>overdue<br>\$ '000 | > 5 years<br>overdue<br>\$ '000 | Total<br>\$ '000 |
|-----------------------|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|
| <b>2020</b>           |                               |                                |                                   |                                   |                                 |                  |
| Gross carrying amount | –                             | 663                            | 257                               | 340                               | 50                              | 1,310            |
| <b>2019</b>           |                               |                                |                                   |                                   |                                 |                  |
| Gross carrying amount | –                             | 199                            | 572                               | 282                               | 67                              | 1,120            |

## Receivables - non-rates and annual charges

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

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

|                        | Not yet<br>overdue<br>\$ '000 | 0 - 30 days<br>overdue<br>\$ '000 | 31 - 60 days<br>overdue<br>\$ '000 | 61 - 90 days<br>overdue<br>\$ '000 | > 91 days<br>overdue<br>\$ '000 | Total<br>\$ '000 |
|------------------------|-------------------------------|-----------------------------------|------------------------------------|------------------------------------|---------------------------------|------------------|
| <b>2020</b>            |                               |                                   |                                    |                                    |                                 |                  |
| Gross carrying amount  | 6,837                         | 134                               | 22                                 | 35                                 | 1,003                           | 8,031            |
| Expected loss rate (%) | 0.00%                         | 0.00%                             | 0.00%                              | 0.00%                              | 10.60%                          | 1.32%            |
| <b>ECL provision</b>   | –                             | –                                 | –                                  | –                                  | 106                             | 106              |
| <b>2019</b>            |                               |                                   |                                    |                                    |                                 |                  |
| Gross carrying amount  | 5,105                         | 14                                | 136                                | 13                                 | 246                             | 5,514            |
| Expected loss rate (%) | 0.00%                         | 0.00%                             | 0.00%                              | 0.00%                              | 43.00%                          | 1.92%            |
| <b>ECL provision</b>   | –                             | –                                 | –                                  | –                                  | 106                             | 106              |

## (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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

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

|                                    | Weighted<br>average<br>interest<br>rate<br>% | Subject<br>to no<br>maturity<br>\$ '000 | payable in:<br>≤ 1 Year<br>\$ '000 | 1 - 5<br>Years<br>\$ '000 | > 5 Years<br>\$ '000 | Total cash<br>outflows<br>\$ '000 | Actual<br>carrying<br>values<br>\$ '000 |
|------------------------------------|--|---|------------------------------------|---------------------------|----------------------|-----------------------------------|---|
| <b>2020</b>                        |  |   |                                    |                           |                      |                                   |   |
| Trade/other payables               | 0.00%  | 189                                     | 4,061                              | —                         | —                    | 4,250                             | 3,649                                   |
| Loans and advances                 | 3.45%  | —                                       | 742                                | 1,356                     | 508                  | 2,606                             | 2,606                                   |
| Lease liabilities                  | 1.42%  | —                                       | 62                                 | 5                         | —                    | 67                                | 67                                      |
| <b>Total financial liabilities</b> |  | <b>189</b>                              | <b>4,865</b>                       | <b>1,361</b>              | <b>508</b>           | <b>6,923</b>                      | <b>6,322</b>                            |
| <b>2019</b>                        |  |   |                                    |                           |                      |                                   |   |
| Trade/other payables               | 0.00%  | 101                                     | 3,856                              | —                         | —                    | 3,957                             | 3,957                                   |
| Loans and advances                 | 5.03%  | —                                       | 707                                | 2,099                     | 507                  | 3,313                             | 3,313                                   |
| <b>Total financial liabilities</b> |  | <b>101</b>                              | <b>4,563</b>                       | <b>2,099</b>              | <b>507</b>           | <b>7,270</b>                      | <b>7,270</b>                            |

## Loan agreement breaches

There have been no breaches to loan agreements which have occurred during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25/06/2019 and is unaudited.

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

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

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

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

| \$ '000   | 2020<br>Budget | 2020<br>Actual | 2020<br>----- Variance ----- |                |
|---|----------------|----------------|------------------------------|----------------|
| <b>REVENUES</b>   |                |                |                              |                |
| <b>Rates and annual charges</b>   | <b>9,114</b>   | <b>9,277</b>   | <b>163</b>                   | <b>2% F</b>    |
| <b>User charges and fees</b>  | <b>6,762</b>   | <b>3,405</b>   | <b>(3,357)</b>               | <b>(50)% U</b> |
| The Council's service contract on State Highways was suspended while safety controls were under review, continuing drought and current market conditions have all impacted on Council's income in this area.  |                |                |                              |                |
| <b>Other revenues</b>   | <b>2,339</b>   | <b>1,156</b>   | <b>(1,183)</b>               | <b>(51)% U</b> |
| Various factors including changing business practices, the impact of the current economic environment including the restriction on debt recovery have impacted on Council's other revenues.   |                |                |                              |                |
| <b>Operating grants and contributions</b>   | <b>10,941</b>  | <b>17,769</b>  | <b>6,828</b>                 | <b>62% F</b>   |
| Council received additional operating funding in the 2019/20 financial year. This included funding for major works on assets owned by State Departments that Council has facilitated.   |                |                |                              |                |
| <b>Capital grants and contributions</b>   | <b>6,368</b>   | <b>8,338</b>   | <b>1,970</b>                 | <b>31% F</b>   |
| Additional emergency funding was received to improve the LGA's access to potable water including the construction of 2 new bores.   |                |                |                              |                |
| <b>Interest and investment revenue</b>  | <b>991</b>     | <b>796</b>     | <b>(195)</b>                 | <b>(20)% U</b> |
| General global conditions including the slow-down in financial markets early in the financial year have reduced Council's income from interest and investment revenue.  |                |                |                              |                |
| <b>Rental income</b>  | <b>–</b>       | <b>263</b>     | <b>263</b>                   | <b>∞ F</b>     |
| <b>EXPENSES</b>   |                |                |                              |                |
| <b>Employee benefits and on-costs</b>   | <b>9,315</b>   | <b>8,068</b>   | <b>1,247</b>                 | <b>13% F</b>   |
| Staff vacancies have not been able to be filled in a timely manner, resulting in the use of contracted personnel.   |                |                |                              |                |
| <b>Borrowing costs</b>  | <b>132</b>     | <b>150</b>     | <b>(18)</b>                  | <b>(14)% U</b> |
| Projected loans were not required to be sourced reducing Council's borrowing costs.   |                |                |                              |                |
| <b>Materials and contracts</b>  | <b>11,542</b>  | <b>13,349</b>  | <b>(1,807)</b>               | <b>(16)% U</b> |
| Some operational projects were budgeted as capital expenditure reducing the capitalised expenditure for the financial year. The continued use of contracted personnel to fill long-term staff vacancies has also impacted on this expenditure item. |                |                |                              |                |
| <b>Depreciation and amortisation</b>  | <b>7,637</b>   | <b>7,298</b>   | <b>339</b>                   | <b>4% F</b>    |



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations (continued)

| \$ '000 | 2020<br>Budget | 2020<br>Actual | 2020<br>----- Variance ----- |  |
|---------|----------------|----------------|------------------------------|--|
|---------|----------------|----------------|------------------------------|--|

**Other expenses** 3,228 3,990 (762) (24)% U

Council's contribution to the Australian Opal and Fossil Centre facilitated by funding received through the Far North West Joint Organisation combined with a reduction in the bad debt recognition for the 2019/20 financial year were unbudgeted items that were recognised during the financial year..

**Net losses from disposal of assets** – 597 (597) ∞ U

Unidentified assets written off during the renewal process.

**Joint ventures and associates – net losses** – 3,070 (3,070) ∞ U

Council's share of the second year of operations of the Far North West Joint Organisation not identified as a potential loss in Council's budget.

## STATEMENT OF CASH FLOWS

**Cash flows from operating activities** 12,833 12,655 (178) (1)% U

Recognition changes due to the adoption of AASB15, AASB16 and AASB1058 not able to be identified at the time of budgeting.

**Cash flows from investing activities** (12,736) (8,189) 4,547 (36)% F

Some work budgeted as capital investments have seen been reclassified as operational combined with delays in commencing or completing capital works have reduced the loss from capital investments.

**Cash flows from financing activities** (257) (784) (527) 205% U

Delays in commencing some capital projects meant that budgeted loans to finance the work have also been delayed.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

| 2020   | Fair value measurement hierarchy |   |  |  | Total          |
|--|----------------------------------|---|--|--|----------------|
|  | Date of latest valuation         | Level 1<br>Quoted prices in active mkts | Level 2<br>Significant observable inputs | Level 3<br>Significant unobservable inputs |                |
| <b>\$ '000</b>   |                                  |   |  |  |                |
| <b>Recurring fair value measurements</b>                   |                                  |   |  |  |                |
| <b>Infrastructure, property, plant and equipment</b>       |                                  |   |  |  |                |
| Plant and equipment  | 30/06/18                         | –                                       | 5,301                                    | –  | 5,301          |
| Office equipment   | 30/06/18                         | –                                       | 118                                      | –  | 118            |
| Operational and community land                             | 30/06/18                         | –                                       | 5,829                                    | –  | 5,829          |
| Buildings – non-specialised                                | 30/06/18                         | –                                       | 4,124                                    | –  | 4,124          |
| Buildings specialised                                      | 30/06/18                         | –                                       | –  | 10,439                                     | 10,439         |
| Other structures   | 30/06/18                         | –                                       | –  | 15,019                                     | 15,019         |
| Roads bridges and footpaths inc Bulk Earthworks            | 30/06/20                         | –                                       | –  | 187,043                                    | 187,043        |
| Stormwater drainage  | 30/06/20                         | –                                       | –  | 14,977                                     | 14,977         |
| Water supply network                                       | 30/06/17                         | –                                       | –  | 27,057                                     | 27,057         |
| Sewerage network   | 30/06/17                         | –                                       | –  | 19,432                                     | 19,432         |
| Other assets   | 30/06/16                         | –                                       | –  | 9,662                                      | 9,662          |
| Tip Assets   | 30/06/20                         | –                                       | –  | 3,838                                      | 3,838          |
| Quarry Assets  | 30/06/20                         | –                                       | –  | 223  | 223            |
| <b>Total infrastructure, property, plant and equipment</b> |                                  | <b>–</b>                                | <b>15,372</b>                            | <b>287,690</b>                             | <b>303,062</b> |

## Notes to the Financial Statements

for the year ended 30 June 2020

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

| 2019   | Fair value measurement hierarchy |  |  |  | Total   |
|--|----------------------------------|--|--|--|---------|
|  | Date of latest valuation         | Level 1<br>Quoted prices in active mkt | Level 2<br>Significant observable inputs | Level 3<br>Significant unobservable inputs |         |
| \$ '000  |                                  |  |  |  |         |
| <b>Recurring fair value measurements</b>                   |                                  |  |  |  |         |
| <b>Infrastructure, property, plant and equipment</b>       |                                  |  |  |  |         |
| Plant and equipment  | 30/06/18                         | —                                      | 5,668                                    | —  | 5,668   |
| Office equipment   | 30/06/18                         | —                                      | 189                                      | —  | 189     |
| Operational and community land                             | 30/06/18                         | —                                      | 5,766                                    | —  | 5,766   |
| Buildings – non-specialised                                | 30/06/18                         | —                                      | 4,232                                    | —  | 4,232   |
| Buildings specialised                                      | 30/06/18                         | —                                      | —  | 10,585                                     | 10,585  |
| Other structures   | 30/06/18                         | —                                      | —  | 15,716                                     | 15,716  |
| Roads bridges and footpaths inc Bulk Earthworks            | 30/06/15                         | —                                      | —  | 167,724                                    | 167,724 |
| Stormwater drainage  | 30/06/15                         | —                                      | —  | 11,326                                     | 11,326  |
| Water supply network                                       | 30/06/17                         | —                                      | —  | 27,157                                     | 27,157  |
| Sewerage network   | 30/06/17                         | —                                      | —  | 19,422                                     | 19,422  |
| Other assets   | 30/06/16                         | —                                      | —  | 9,002                                      | 9,002   |
| Tip Assets   | 30/06/19                         | —                                      | —  | 3,746                                      | 3,746   |
| Quarry Assets  | 30/06/19                         | —                                      | —  | 167  | 167     |
| <b>Total infrastructure, property, plant and equipment</b> |                                  | —                                      | 15,855                                   | 264,845                                    | 280,700 |

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

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

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

Council's policy for determining transfers between fair value hierarchies is:

– at the end of the reporting period.

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

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

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

#### Infrastructure, property, plant and equipment (IPPE)

##### Plant and equipment

Plant and Equipment are valued at cost but are disclosed at fair value in the notes excepting major items of plant which were revalued based on observable market values as at 30 June 2018 by Australis Asset Advisory Group. 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: Graders, trucks, rollers, tractors and motor vehicles.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Operational, crown and community land

Operational and Community Land are were revalued as at 30 June 2018 to observable market values by Australis Asset Advisory Group. Crown land is based on the Valuer-General's land value as these are representative of actual market values within the Walgett LGA or an average unit rate based on the Land Value for Crown Land.

As these rates are considered to be observable market evidence they have been classified as a Level 2.

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#### Buildings – specialised

Specialised buildings were valued by Australis Asset Advisory Group as at 30th June 2018, at Fair or Market Value.

This approach estimated the fair value for each building by either componentising the building into significant parts where there was not a comparable building within the Walgett LGA or by using observable market prices for comparable properties within the Walgett LGA..

All buildings were physically inspected and elements such as useful life reassessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2023. These assets have been classified as Level 2 valuation inputs.

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

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#### Buildings - non-specialised

Non Specialised buildings were valued by Australis Asset Advisory Group as at 30th June 2018, at Fair Value.

This approach estimated the fair value for each building by componentising the building into significant parts.

All buildings were physically inspected and elements such as useful life reassessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2023. These assets have been classified as Level 3 valuation inputs.

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

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#### Other structures

The majority of this class of assets was valued by SFV as at 30th June 2016, at Fair Value.

The remaining portion is valued utilising the cost approach. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

Examples of assets within these classes are as follows:  
Waste Depot, Structures other than Buildings and Sale Yards

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

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## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Roads

Roads comprise of road carriageway, roadside shoulders, islands, kerb and guttering. They include sections that are sealed and unsealed. Road assets were independently valued as at 30th June 2020 by AssetVal, at Current Replacement Cost. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

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#### Bridges

Bridge assets were independently valued as at 30th June 2020, at Current Replacement Cost. This category consists of all bridges and causeways greater than 6 metres. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market based evidence (Level 2 inputs) other inputs such as, pattern of consumption, traffic load and frequency, residual value, asset condition and useful life will impact significantly on the final determination of the fair value.

These assets have been classified as Level 3 valuation inputs.

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#### Footpaths

Footpath assets were independently valued as at 30th June 2020, at Current Replacement Cost.

The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as at Level 3 valuation inputs. Footpaths are inspected annually and condition assessed.

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#### Drainage infrastructure

Stormwater Drainage assets were independently valued as at 30th June 2020, at Current Replacement Cost. Assets within this class comprise pit, traps, pipes and channels. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors in determination of fair value.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

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#### Water supply network

Water Supply assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement. Assets within this class comprise reservoirs, pumping stations, treatment plant and pipelines. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Water assets are independently valued every five years and are scheduled for revaluation in 2022.

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

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#### Sewerage network

Sewerage Network assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement. Assets within this class comprise pumping stations, treatment plant and pipelines. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

Sewerage assets are independently valued every five years and are scheduled for revaluation in 2022.

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

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#### Other Assets

Assets within this class comprise Council's swimming pools and bore baths, other open space/recreational assets and assets that do not fit in any other category..

The Cost Approach was utilised by for the revaluation of major asset items within this category as at 30 June 2019. Assets not included in the 30 June 2019 valuation are valued at cost, with different useful lives and taking into account a range of factors.

Valuations for this asset class were undertaken by Australis Asset Advisory Group as at 30 June 2018.

These assets have been classified as Level 3 valuation inputs.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, required extensive professional judgement and impact significantly on the final determination of fair value.

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

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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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

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

|   | Buildings specialised<br>\$ '000 | Other structures<br>\$ '000 | Roads, bridges and footpaths<br>\$ '000 | Stormwater drainage<br>\$ '000 | Water supply network<br>\$ '000 |
|---|----------------------------------|-----------------------------|---|--------------------------------|---------------------------------|
| <b>2019</b>                             |                                  |                             |   |                                |                                 |
| <b>Opening balance</b>                  | 10,607                           | 15,904                      | 162,911                                 | 9,165                          | 27,302                          |
| Transfers from/(to) another asset class | —                                | 325                         | 43                                      | 2,305                          | 82                              |
| Purchases (GBV)                         | 264                              | 683                         | 8,294                                   | 49                             | 73                              |
| Disposals (WDV)                         | —                                | (42)                        | (75)                                    | (193)                          | —                               |
| Depreciation and impairment             | (374)                            | (991)                       | (3,462)                                 | —                              | (728)                           |
| Revaluation increment to equity (ARR)   | 88                               | (163)                       | 13                                      | —                              | 428                             |
| <b>Closing balance</b>                  | <b>10,585</b>                    | <b>15,716</b>               | <b>167,724</b>                          | <b>11,326</b>                  | <b>27,157</b>                   |
| <b>2020</b>                             |                                  |                             |   |                                |                                 |
| <b>Opening balance</b>                  | 10,585                           | 15,716                      | 167,724                                 | 11,326                         | 27,157                          |
| Transfers from/(to) another asset class | —                                | 181                         | 1,073                                   | 64                             | 98                              |
| Purchases (GBV)                         | 123                              | 55                          | 2,216                                   | 95                             | 283                             |
| Disposals (WDV)                         | —                                | —                           | (176)                                   | (195)                          | —                               |
| Depreciation and impairment             | (269)                            | (933)                       | (3,490)                                 | —                              | (736)                           |
| Revaluation increment to equity (ARR)   | —                                | —                           | 19,696                                  | 3,687                          | 255                             |
| <b>Closing balance</b>                  | <b>10,439</b>                    | <b>15,019</b>               | <b>187,043</b>                          | <b>14,977</b>                  | <b>27,057</b>                   |

|   | Sewer network<br>\$ '000 | Other assets<br>\$ '000 | Tip assets<br>\$ '000 | Quarry assets<br>\$ '000 | Total<br>\$ '000 |
|---|--------------------------|-------------------------|-----------------------|--------------------------|------------------|
| <b>2019</b>                             |                          |                         |                       |                          |                  |
| <b>Opening balance</b>                  | 19,250                   | 8,196                   | 2,806                 | 145                      | <b>256,286</b>   |
| Transfers from/(to) another asset class | 31                       | 626                     | —                     | —                        | <b>3,412</b>     |
| Purchases (GBV)                         | 9                        | 192                     | 1,050                 | 25                       | <b>10,639</b>    |
| Disposals (WDV)                         | —                        | —                       | —                     | —                        | <b>(310)</b>     |
| Depreciation and impairment             | (193)                    | (12)                    | (110)                 | (3)                      | <b>(5,873)</b>   |
| Revaluation increment to equity (ARR)   | 325                      | —                       | —                     | —                        | <b>691</b>       |
| <b>Closing balance</b>                  | <b>19,422</b>            | <b>9,002</b>            | <b>3,746</b>          | <b>167</b>               | <b>264,845</b>   |
| <b>2020</b>                             |                          |                         |                       |                          |                  |
| <b>Opening balance</b>                  | 19,422                   | 9,002                   | 3,746                 | 167                      | <b>264,845</b>   |
| Transfers from/(to) another asset class | 17                       | 607                     | —                     | —                        | <b>2,040</b>     |
| Purchases (GBV)                         | —                        | 461                     | 233                   | 62                       | <b>3,528</b>     |
| Disposals (WDV)                         | —                        | —                       | —                     | —                        | <b>(371)</b>     |
| Depreciation and impairment             | (190)                    | (408)                   | (141)                 | (6)                      | <b>(6,173)</b>   |
| Revaluation increment to equity (ARR)   | 183                      | —                       | —                     | —                        | <b>23,821</b>    |
| <b>Closing balance</b>                  | <b>19,432</b>            | <b>9,662</b>            | <b>3,838</b>          | <b>223</b>               | <b>287,690</b>   |

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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

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

|  | Fair value<br>(30/6/20)<br>\$ '000 | Valuation technique/s | Unobservable inputs              |
|--|------------------------------------|-----------------------|----------------------------------|
| <b>Infrastructure, property, plant and equipment</b> |                                    |                       |                                  |
| Buildings specialised                                | 10,439                             | Cost approach         | Unit price                       |
| Other structures                                     | 15,019                             | Cost approach         | Unit price                       |
| Roads, bridges and footpaths                         | 187,043                            | Cost approach         | Unit price                       |
| Stormwater drainage                                  | 14,977                             | Cost approach         | Asset condition, remaining lives |
| Water supply network                                 | 27,057                             | Cost approach         | Asset condition, remaining lives |
| Sewer network  | 19,432                             | Cost approach         | Asset condition, remaining lives |
| Other assets   | 9,662                              | Cost approach         | Unit price                       |
| Tip assets   | 3,838                              | Cost approach         | Unit price                       |
| Quarry assets  | 223                                | Cost approach         | Unit price                       |

## (5) Highest and best use

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Related party disclosures

#### (a) Key management personnel

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

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

|                          | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--------------------------|-----------------|-----------------|
| <b>Compensation:</b>     |                 |                 |
| Short-term benefits      | 818             | 1,103           |
| Post-employment benefits | 50              | 103             |
| Termination benefits     | 7               | 134             |
| <b>Total</b>             | <b>875</b>      | <b>1,340</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<br>\$ '000 | Outstanding balance (incl. loans and commitments)<br>\$ '000 | Terms and conditions                                 | Provisions for impairment of receivables outstanding<br>\$ '000 | Expense recognised for impairment of receivables<br>\$ '000 |
|---|-----|--|--|--|---|---|
| <b>2020</b>   |     |  |  |  |   |   |
| Water cart hire   | 1   | 241  | —  | Annual contracted rate for adhoc work                | —   | —   |
| Property Lease  | 2   | 10   | 31   | Negotiated lease for 2 years with 2 x 3 year options | —   | —   |
| Plant and equipment hire                                  | 3   | 677  | —  | Annual contracted rate for adhoc work                | —   | —   |
| Employee expenses relating to close family members of KMP | 4   | 117  | —  | NSW Local Government State Award 2017                | —   | —   |
| <b>2019</b>   |     |  |  |  |   |   |
| Water cart hire   | 1   | 178  | —  | Annual contracted rate for adhoc work                | —   | —   |

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Related party disclosures (continued)

| Nature of the transaction                                 | Ref | Value of transactions during year<br>\$ '000 | Outstanding balance (incl. loans and commitments)<br>\$ '000 | Terms and conditions  | Provisions for impairment of receivables outstanding<br>\$ '000 | Expense recognised for impairment of receivables<br>\$ '000 |
|---|-----|--|--|---|---|---|
| Property Lease  | 2   | —  | —  |   | —   | —   |
| Plant and equipment hire                                  | 3   | 234  | —  | Annual contracted rate for adhoc work<br>NSW Local Government State Award | —   | —   |
| Employee expenses relating to close family members of KMP | 4   | 112  | —  | 2017  | —   | —   |

- 1 Council hires plant for water cartage from a Council KMP. The plant hire by Council is subject to an annual plant hire tender process;
- 2 Council leases a building in Lightning Ridge from Eighth Tee Pty Ltd and this business has 2 KMP as partners in the business;
- 3 Council hires plant items from Wintergreen Investments and a Director of the Company is a KMP of Council. The plant hire by Council is subject to an annual plant hire tender process;
- 4 Close family members (2) of a Council KMP are employed by the Council under the Local Government Award, on an arms length basis.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Result by fund

|  | General <sup>1</sup><br>2020<br>\$ '000 | Water<br>2020<br>\$ '000 | Sewer<br>2020<br>\$ '000 |
|--|---|--------------------------|--------------------------|
| <b>Income Statement by fund</b>  |   |                          |                          |
| <b>Income from continuing operations</b>   |   |                          |                          |
| Rates and annual charges   | 6,885                                   | 1,477                    | 915                      |
| User charges and fees  | 2,472                                   | 933                      | –                        |
| Interest and investment revenue  | 685                                     | 55                       | 56                       |
| Other revenues   | 1,153                                   | 2                        | 1                        |
| Grants and contributions provided for operating purposes   | 13,617                                  | 4,142                    | 10                       |
| Grants and contributions provided for capital purposes   | 6,811                                   | 1,527                    | –                        |
| Rental income  | 263                                     | –                        | –                        |
| <b>Total income from continuing operations</b>   | <b>31,886</b>                           | <b>8,136</b>             | <b>982</b>               |
| <b>Expenses from continuing operations</b>   |   |                          |                          |
| Employee benefits and on-costs   | 7,386                                   | 537                      | 145                      |
| Borrowing costs  | 150                                     | –                        | –                        |
| Materials and contracts  | 6,942                                   | 5,710                    | 697                      |
| Depreciation and amortisation  | 6,372                                   | 736                      | 190                      |
| Other expenses   | 3,656                                   | 318                      | 16                       |
| Net losses from the disposal of assets   | 597                                     | –                        | –                        |
| Share of interests in joint ventures and associates using the equity method                            | 3,070                                   | –                        | –                        |
| <b>Total expenses from continuing operations</b>   | <b>28,173</b>                           | <b>7,301</b>             | <b>1,048</b>             |
| <b>Operating result from continuing operations</b>   | <b>3,713</b>                            | <b>835</b>               | <b>(66)</b>              |
| <b>Net operating result for the year</b>   | <b>3,713</b>                            | <b>835</b>               | <b>(66)</b>              |
| <b>Net operating result attributable to each council fund</b>  | <b>3,713</b>                            | <b>835</b>               | <b>(66)</b>              |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>(3,098)</b>                          | <b>(692)</b>             | <b>(66)</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 24. Result by fund (continued)

|   | General <sup>1</sup><br>2020<br>\$ '000 | Water<br>2020<br>\$ '000 | Sewer<br>2020<br>\$ '000 |
|---|---|--------------------------|--------------------------|
| <b>Statement of Financial Position by fund</b>    |   |                          |                          |
| <b>ASSETS</b>                                     |   |                          |                          |
| <b>Current assets</b>                             |   |                          |                          |
| Cash and cash equivalents                         | 8,101                                   | 508                      | 4,014                    |
| Investments                                       | 9,500                                   | –                        | –                        |
| Receivables                                       | 8,189                                   | 504                      | 136                      |
| Inventories                                       | 995                                     | –                        | –                        |
| Other   | 169                                     | –                        | –                        |
| <b>Total current assets</b>                       | <b>26,954</b>                           | <b>1,012</b>             | <b>4,150</b>             |
| <b>Non-current assets</b>                         |   |                          |                          |
| Investments                                       | 6,000                                   | 2,500                    | 3,000                    |
| Receivables                                       | 121                                     | –                        | –                        |
| Infrastructure, property, plant and equipment     | 263,985                                 | 29,051                   | 19,439                   |
| Investments accounted for using the equity method | 663                                     | –                        | –                        |
| Right of use assets                               | 66                                      | –                        | –                        |
| <b>Total non-current assets</b>                   | <b>270,835</b>                          | <b>31,551</b>            | <b>22,439</b>            |
| <b>TOTAL ASSETS</b>                               | <b>297,789</b>                          | <b>32,563</b>            | <b>26,589</b>            |
| <b>LIABILITIES</b>                                |   |                          |                          |
| <b>Current liabilities</b>                        |   |                          |                          |
| Payables  | 3,866                                   | –                        | –                        |
| Income received in advance                        | –                                       | 125                      | –                        |
| Contract liabilities                              | 1,127                                   | –                        | –                        |
| Lease liabilities                                 | 62                                      | –                        | –                        |
| Borrowings  | 742                                     | –                        | –                        |
| Provisions  | 2,149                                   | –                        | –                        |
| <b>Total current liabilities</b>                  | <b>7,946</b>                            | <b>125</b>               | <b>–</b>                 |
| <b>Non-current liabilities</b>                    |   |                          |                          |
| Lease liabilities                                 | 5                                       | –                        | –                        |
| Borrowings  | 1,864                                   | –                        | –                        |
| Provisions  | 4,753                                   | –                        | –                        |
| <b>Total non-current liabilities</b>              | <b>6,622</b>                            | <b>–</b>                 | <b>–</b>                 |
| <b>TOTAL LIABILITIES</b>                          | <b>14,568</b>                           | <b>125</b>               | <b>–</b>                 |
| <b>Net assets</b>                                 | <b>283,221</b>                          | <b>32,438</b>            | <b>26,589</b>            |
| <b>EQUITY</b>                                     |   |                          |                          |
| Accumulated surplus                               | 99,657                                  | 12,217                   | 12,716                   |
| Revaluation reserves                              | 183,564                                 | 20,221                   | 13,873                   |
| <b>Council equity interest</b>                    | <b>283,221</b>                          | <b>32,438</b>            | <b>26,589</b>            |
| <b>Total equity</b>                               | <b>283,221</b>                          | <b>32,438</b>            | <b>26,589</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 25(a). Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2020 | Indicator<br>2020 | Prior periods<br>20192018 |            | Benchmark  |
|--|-----------------|-------------------|---------------------------|------------|------------|
| 1. Operating performance ratio   |                 |                   |                           |            |            |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | (189)           | (0.58)%           | (3.58)%                   | (3.88)%    | >0.00%     |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 32,666          |                   |                           |            |            |
| 2. Own source operating revenue ratio  |                 |                   |                           |            |            |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | 14,897          | 36.33%            | 42.81%                    | 50.27%     | >60.00%    |
| Total continuing operating revenue <sup>1</sup>  | 41,004          |                   |                           |            |            |
| 3. Unrestricted current ratio  |                 |                   |                           |            |            |
| Current assets less all external restrictions  | 26,416          | 4.47x             | 3.22x                     | 5.15x      | >1.50x     |
| Current liabilities less specific purpose liabilities  | 5,915           |                   |                           |            |            |
| 4. Debt service cover ratio  |                 |                   |                           |            |            |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | 7,259           | 7.77x             | 7.10x                     | 7.73x      | >2.00x     |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | 934             |                   |                           |            |            |
| 5. Rates, annual charges, interest and extra charges outstanding percentage  |                 |                   |                           |            |            |
| Rates, annual and extra charges outstanding  | 1,107           | 10.84%            | 8.33%                     | 9.38%      | <10.00%    |
| Rates, annual and extra charges collectible  | 10,211          |                   |                           |            |            |
| 6. Cash expense cover ratio  |                 |                   |                           |            |            |
| Current year's cash and cash equivalents plus all term deposits  | 33,623          | 13.80 mths        | 19.10 mths                | 17.03 mths | >3.00 mths |
| Monthly payments from cash flow of operating and financing activities  | 2,436           |                   |                           |            |            |

(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 25(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>2.27%</b>                    | (3.13)% | <b>(10.47)%</b>  | (24.26)% | <b>(6.72)%</b>   | 34.87% | >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>35.93%</b>                   | 36.83%  | <b>30.32%</b>    | 93.85%   | <b>98.98%</b>    | 99.02% | >60.00%   |
| Total continuing operating revenue <sup>1</sup>   |                                 |         |                  |          |                  |        |           |
| <b>3. Unrestricted current ratio</b>  |                                 |         |                  |          |                  |        |           |
| Current assets less all external restrictions   | <b>4.47x</b>                    | 3.22x   | <b>8.10x</b>     | (65.79)x | ∞                | ∞      | >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>7.59x</b>                    | 6.33x   | ∞                | ∞        | ∞                | ∞      | >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>14.16%</b>                   | 5.94%   | <b>0.00%</b>     | 16.19%   | <b>0.00%</b>     | 12.91% | <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>13.56</b>                    | 16.54   | <b>4.94</b>      | 11.15    | <b>80.31</b>     | 124.46 | >3.00     |
| Payments from cash flow of operating and financing activities   | <b>mths</b>                     | mths    | <b>mths</b>      | mths     | <b>mths</b>      | mths   | mths      |

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

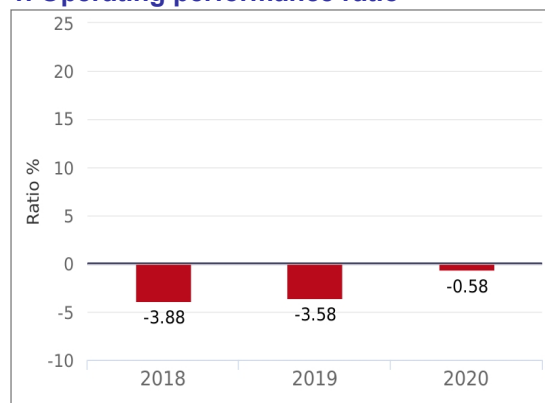
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25(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 (0.58)%

The OLG benchmark is a result greater than 0.00%. Given the impact of the increase in grant expenditures associated with operational revenues recognized in previous financial years this result is sound.

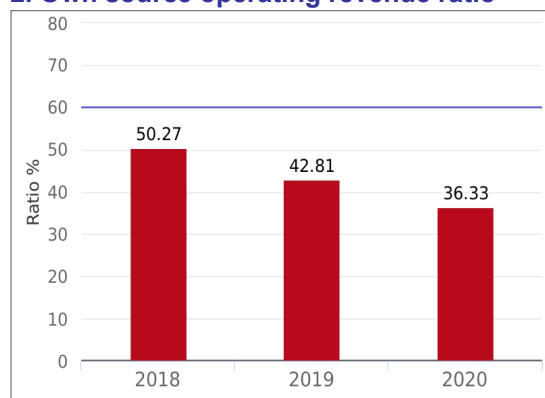
Benchmark: — > 0.00%

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 36.33%

Council has become reliant on contracted works on State Highways for own source user charges revenue, however the suspension of the contract for part of the year combined with increased operational grants and continued drought conditions has resulted in further reductions to Council's own source revenue ratio.

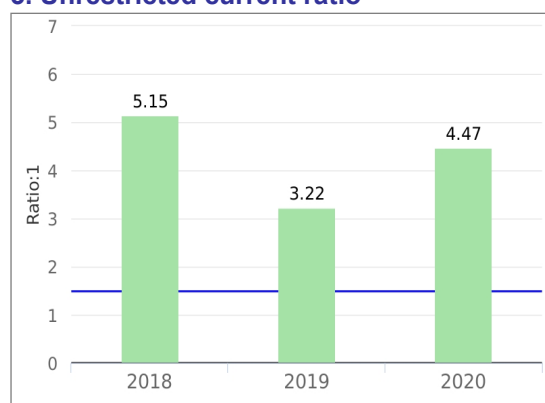
Benchmark: — > 60.00%

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 4.47x

Council has continued to increase its internal restrictions to enable it to achieve proposed works in the future. The result of 2.69:1 allows Council to continue the planned work while still enabling it to meet current and future expected expenditures.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

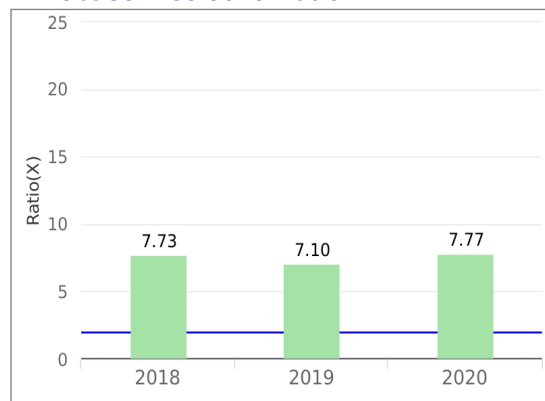
Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25(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 7.77x

Council's debt service cover ratio has increased in this financial year due to the reduction in outstanding loans and the minimal commitment to lease payments.

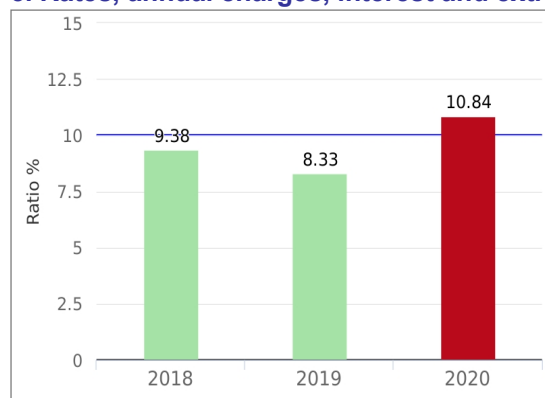
Benchmark: — &gt; 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

## Commentary on 2019/20 result

2019/20 ratio 10.84%

The impact of the COVID19 pandemic and the associated restrictions put in place to control this situation has resulted in a loss of income within the Council's ratepayer base. The mandated restrictions in debt recovery actions resulting from the pandemic measures has also impacted this ratio.

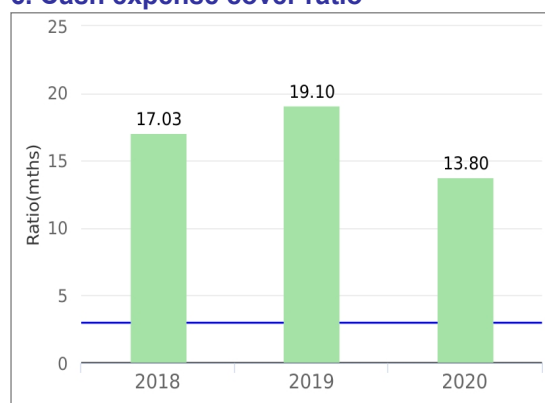
Benchmark: — &lt; 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

## 6. Cash expense cover ratio



## Purpose of cash expense cover ratio

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

## Commentary on 2019/20 result

2019/20 ratio 13.80 mths

While this ratio has reduced significantly due to current global financial conditions, Council is still in a strong position in being able to cover 10 months without additional cash inflows.

Benchmark: — &gt; 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Council information and contact details

---

**Principal place of business:**

77 Fox Street  
Walgett NSW 2832

**Contact details**

**Mailing Address:**

PO Box 31  
Walgett NSW 2832

**Telephone:** 02 6828 1399

**Facsimile:** 02 6828 1399

**Opening hours:**

8:30am - 4:30pm  
Monday to Friday

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

**Email:** [admin@walgett.nsw.gov.au](mailto:admin@walgett.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Michael Urquhart

**RESPONSIBLE ACCOUNTING OFFICER**

Tony Hughes

**Public Officer**

Michael Urquhart

**Auditors**

**Auditor General**  
**New South Wales**

**Elected members**

**Mayor**

Cr Ian Woodcock

**Councillors**

Cr Manuel Martinez (Deputy Mayor)

Cr Tanya Cameron

Cr Jane Keir

Cr Bill Murray

Cr Kelly Smith

Cr Michael Taylor

Cr Robbie Turnbull

Cr Lawrence Walford

**Other information**

**ABN:** 88 769 076 385



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Walgett Shire Council

To the Councillors of Walgett Shire Council

### Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

27 November 2020  
SYDNEY



Cr Ian Woodcock  
Mayor  
Walgett Shire Council  
PO Box 31  
WALGETT NSW 2832

Contact: Manuel Moncada  
Phone no: 02 9275 7333  
Our ref: D2028053/1801

27 November 2020

Dear Mayor

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

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

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

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

## INCOME STATEMENT

### Operating result

|  | 2020<br>\$m | 2019<br>\$m | Variance<br>% |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue                             | 9.3         | 9           | 3.3           |
| Grants and contributions revenue                             | 26.1        | 19.9        | 31            |
| Operating result from continuing operations                  | 4.5         | 11.3        | 60            |
| Net operating result before capital grants and contributions | (3.9)       | 2.5         | 256           |

Council's operating result (\$4.5 million including the effect of depreciation and amortisation expense of \$7.3 million) was \$6.8 million lower than the 2018–19 result. This was mainly due to the reduction in Council's share of the net assets of the Far North West Joint Organisation (FNWJO) amounting to \$3.1 million, compared to an increase of \$3.7 million during the previous year.

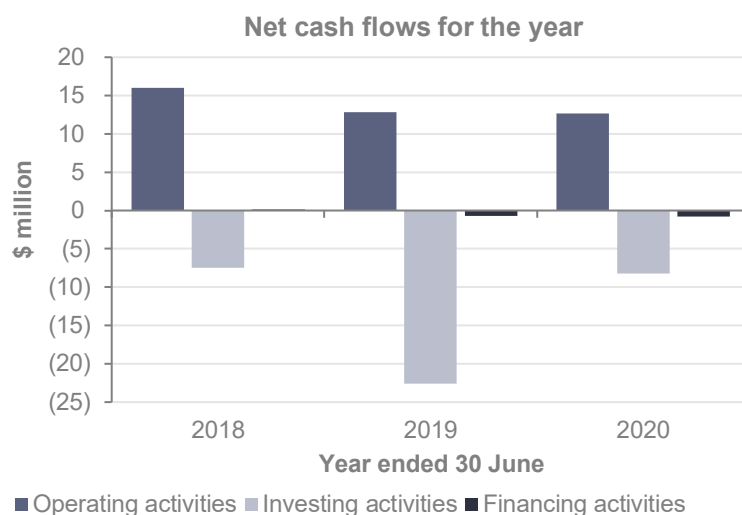
The net operating result before capital grants and contributions (deficit of \$3.9 million) was \$6.4 million lower than the 2018–19 result. This was mainly due to Council's involvement in the FNWJO noted above.

Rates and annual charges revenue (\$9.3 million) increased by \$0.3 million (3.3 per cent) in 2019–2020.

Grants and contributions revenue (\$26.1 million) increased by \$6.2 million (31.2 per cent) in 2019–2020 due to the receipt of additional funding for water supplies, road projects, and the Australian Opal Centre.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$3.7 million to \$12.6 million at the close of the year.
- the increase was mainly due to holding more funds in cash and cash equivalents rather than longer term deposits.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments        | 2020        | 2019      | Commentary   |
|-----------------------------|-------------|-----------|--|
|                             | \$m         | \$m       |  |
| External restrictions       | 16.2        | 15.4      | • External restrictions include unspent specific purpose grants and contributions, and domestic waste management, water and sewerage charges, and unexpended loans.  |
| Internal restrictions       | 14.3        | 12.7      |  |
| Unrestricted                | 3.1         | 5.9       |  |
| <b>Cash and investments</b> | <b>33.6</b> | <b>34</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> |

### Debt

After repaying principal and interest of \$934,000 during the financial year, total debt as at 30 June 2020 was \$2.7 million (2019: \$3.3 million).

# PERFORMANCE

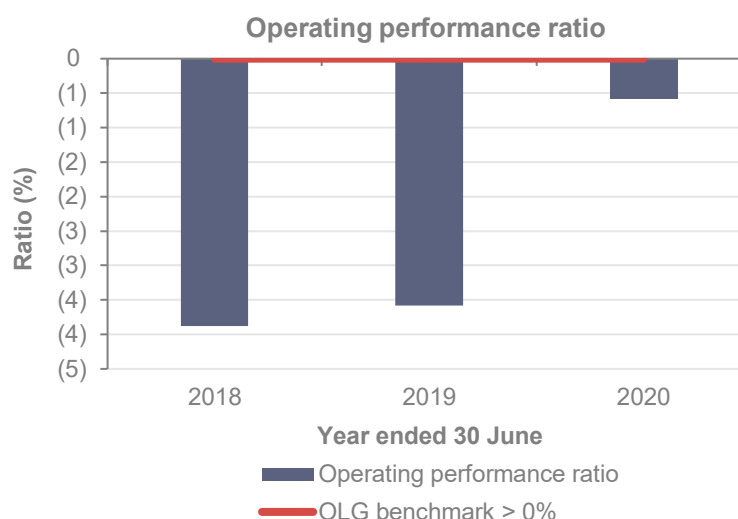
## Performance measures

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

### Operating performance ratio

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

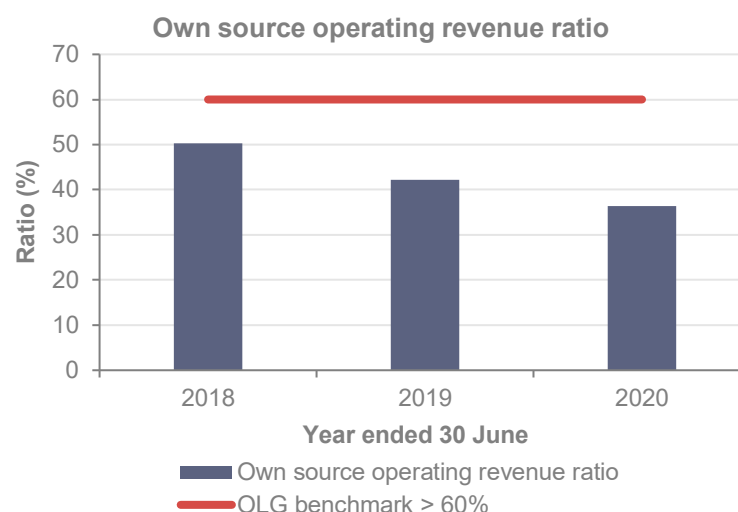
Whilst this ratio has improved from previous years, the Council did not meet the OLG benchmark for the current reporting period due to the underlying deficit result before capital items.



### Own source operating revenue ratio

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

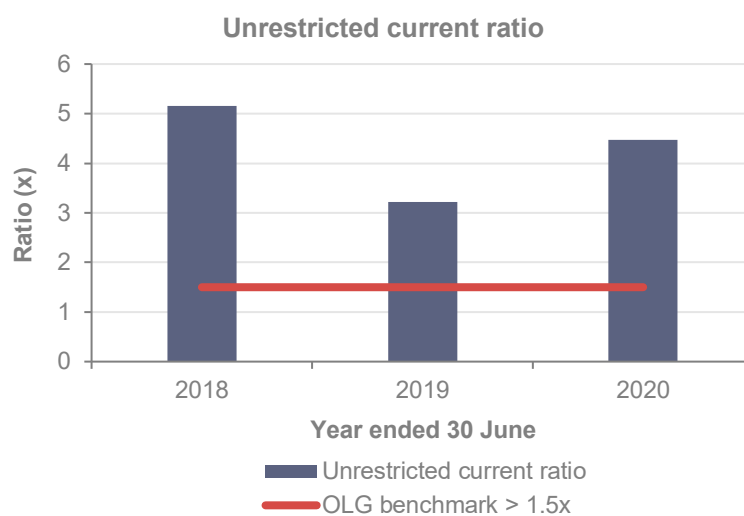
The Council did not meet the OLG benchmark for the current reporting period due to the increasing level of grant funding received.



### Unrestricted current ratio

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

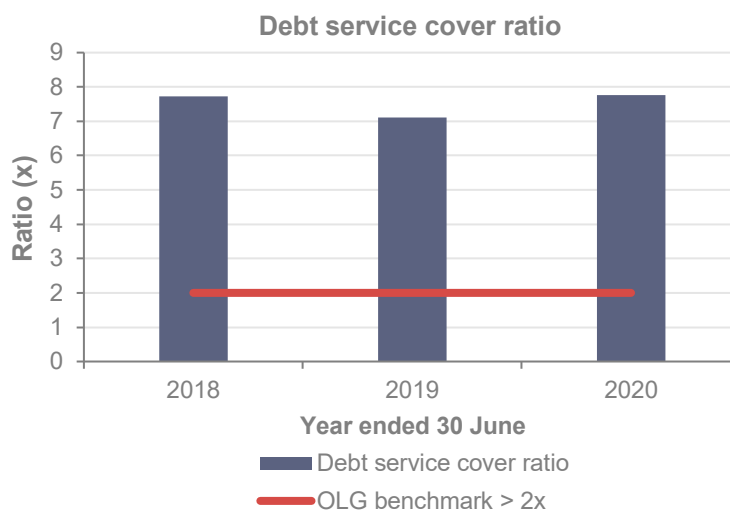
The Council exceeded the OLG benchmark for the current reporting period.



### Debt service cover ratio

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

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

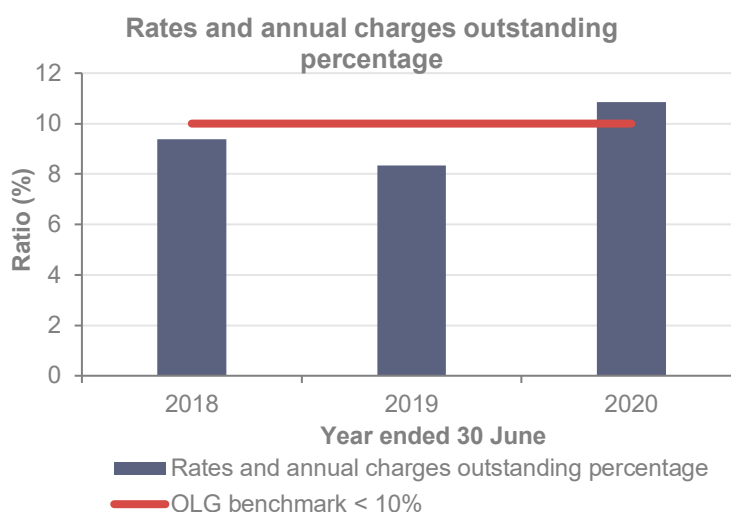




## Rates and annual charges outstanding percentage

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

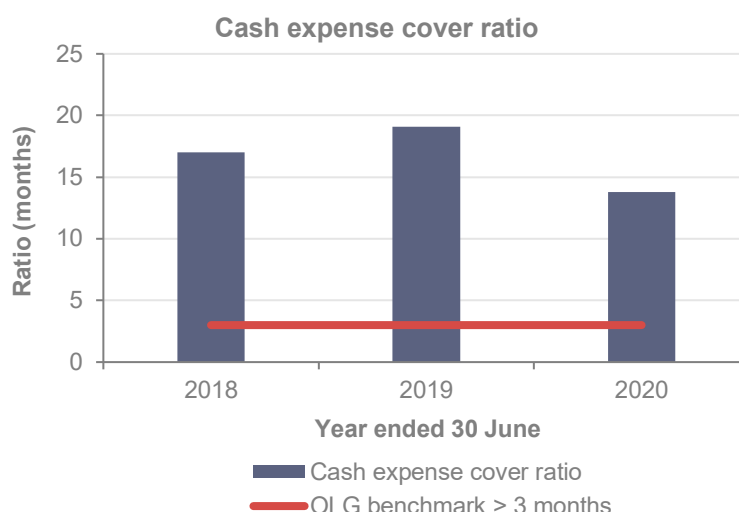
The Council did not meet the OLG benchmark for the current reporting period. The increase in the outstanding percentage can be attributed to the ongoing drought conditions and less collection activity.



## Cash expense cover ratio

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

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



## Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$2.8 million compared \$5.9 million for the prior year
- The level of asset renewals during the year represented 38 percent of the total depreciation expense (\$7.2 million) for the year.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$1.2 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 15.

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

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

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

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

The Council recognised right-of-use assets of \$144,000 and lease liabilities of \$144,000 at 1 July 2019 on adoption of AASB 16.

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

### **Legislative compliance**

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

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

The Council's:

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



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

cc: Michael Urquhart, General Manager  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Walgett Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

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*That the community utilise the opportunities that arise from  
our environment, to improve their quality of life, while  
embracing its ethnic and social diversity to the benefit of all.*



# Special Purpose Financial Statements

for the year ended 30 June 2020

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|--|-----------|
| <b>Statement by Councillors &amp; Management</b>                 | <b>3</b>  |
| <b>Special Purpose Financial Statements</b>                      |           |
| Income Statement – Water Supply Business Activity                | 4         |
| Income Statement – Sewerage Business Activity                    | 5         |
| Statement of Financial Position – Water Supply Business Activity | 6         |
| Statement of Financial Position – Sewerage Business Activity     | 7         |
| <b>Note 1 – Significant Accounting Policies</b>                  | <b>8</b>  |
| <b>Auditor's Report on Special Purpose Financial Statements</b>  | <b>11</b> |

## Walgett Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

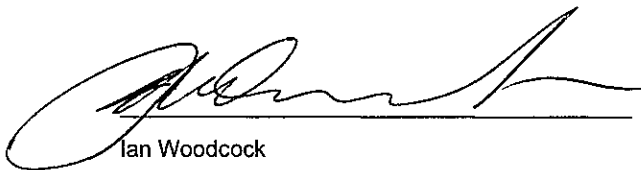
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

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

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

Signed in accordance with a resolution of Council made on 24 November 2020.



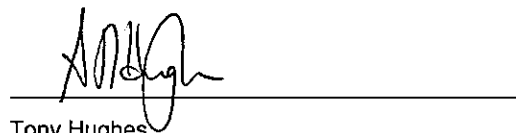
Ian Woodcock  
Mayor  
24 November 2020



Manuel Martinez  
Deputy Mayor  
24 November 2020



Michael Urquhart  
General Manager  
24 November 2020



Tony Hughes  
Responsible Accounting Officer  
24 November 2020

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Income from continuing operations</b>                                   |                 |                 |
| Access charges   | 1,477           | 1,407           |
| User charges   | 491             | 503             |
| Fees   | 442             | 344             |
| Interest   | 55              | 111             |
| Grants and contributions provided for non-capital purposes                 | 4,142           | 11              |
| Other income   | 2               | 15              |
| <b>Total income from continuing operations</b>                             | <b>6,609</b>    | <b>2,391</b>    |
| <b>Expenses from continuing operations</b>                                 |                 |                 |
| Employee benefits and on-costs   | 537             | 509             |
| Materials and contracts  | 5,710           | 1,264           |
| Depreciation, amortisation and impairment                                  | 736             | 728             |
| Other expenses   | 318             | 470             |
| <b>Total expenses from continuing operations</b>                           | <b>7,301</b>    | <b>2,971</b>    |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(692)</b>    | <b>(580)</b>    |
| Grants and contributions provided for capital purposes                     | 1,527           | 145             |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>835</b>      | <b>(435)</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>835</b>      | <b>(435)</b>    |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>835</b>      | <b>(435)</b>    |
| <b>Plus accumulated surplus</b>  | 11,382          | 11,816          |
| <b>Plus adjustments for amounts unpaid:</b>                                |                 |                 |
| <b>Closing accumulated surplus</b>   | <b>12,217</b>   | <b>11,381</b>   |
| <b>Return on capital %</b>   | (2.4)%          | (2.1)%          |
| <b>Subsidy from Council</b>  | 948             | 949             |
| <b>Calculation of dividend payable:</b>                                    |                 |                 |
| Surplus (deficit) after tax  | 835             | (435)           |
| Less: capital grants and contributions (excluding developer contributions) | (1,527)         | (145)           |
| <b>Surplus for dividend calculation purposes</b>                           | <b>–</b>        | <b>–</b>        |
| <b>Potential dividend calculated from surplus</b>                          | <b>–</b>        | <b>–</b>        |

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

|  | 2020<br>\$ '000 | 2019<br>\$ '000 |
|--|-----------------|-----------------|
| <b>Income from continuing operations</b>                                     |                 |                 |
| Access charges   | 915             | 881             |
| Interest   | 56              | 129             |
| Grants and contributions provided for non-capital purposes                   | 10              | 10              |
| Other income   | 1               | 1               |
| <b>Total income from continuing operations</b>                               | <b>982</b>      | <b>1,021</b>    |
| <b>Expenses from continuing operations</b>                                   |                 |                 |
| Employee benefits and on-costs   | 145             | 102             |
| Materials and contracts  | 697             | 368             |
| Depreciation, amortisation and impairment                                    | 190             | 180             |
| Other expenses   | 16              | 15              |
| <b>Total expenses from continuing operations</b>                             | <b>1,048</b>    | <b>665</b>      |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>(66)</b>     | <b>356</b>      |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>(66)</b>     | <b>356</b>      |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>(66)</b>     | <b>356</b>      |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | –               | (98)            |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(66)</b>     | <b>258</b>      |
| <b>Plus accumulated surplus</b>  | <b>12,782</b>   | <b>12,425</b>   |
| <b>Plus adjustments for amounts unpaid:</b>                                  |                 |                 |
| – Corporate taxation equivalent  | –               | 98              |
| <b>Closing accumulated surplus</b>   | <b>12,716</b>   | <b>12,781</b>   |
| <b>Return on capital %</b>   | <b>(0.3)%</b>   | <b>1.8%</b>     |
| <b>Subsidy from Council</b>  | <b>237</b>      | <b>–</b>        |
| <b>Calculation of dividend payable:</b>                                      |                 |                 |
| Surplus (deficit) after tax  | (66)            | 258             |
| <b>Surplus for dividend calculation purposes</b>                             | <b>–</b>        | <b>258</b>      |
| <b>Potential dividend calculated from surplus</b>                            | <b>–</b>        | <b>129</b>      |

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

|   | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|-----------------|-----------------|
| <b>ASSETS</b>                                 |                 |                 |
| <b>Current assets</b>                         |                 |                 |
| Cash and cash equivalents                     | 508             | 449             |
| Receivables                                   | 504             | 480             |
| <b>Total current assets</b>                   | <b>1,012</b>    | <b>929</b>      |
| <b>Non-current assets</b>                     |                 |                 |
| Investments                                   | 2,500           | 2,500           |
| Infrastructure, property, plant and equipment | 29,051          | 27,956          |
| <b>Total non-current assets</b>               | <b>31,551</b>   | <b>30,456</b>   |
| <b>TOTAL ASSETS</b>                           | <b>32,563</b>   | <b>31,385</b>   |
| <b>LIABILITIES</b>                            |                 |                 |
| <b>Current liabilities</b>                    |                 |                 |
| Income received in advance                    | 125             | 38              |
| <b>Total current liabilities</b>              | <b>125</b>      | <b>38</b>       |
| <b>TOTAL LIABILITIES</b>                      | <b>125</b>      | <b>38</b>       |
| <b>NET ASSETS</b>                             | <b>32,438</b>   | <b>31,347</b>   |
| <b>EQUITY</b>                                 |                 |                 |
| Accumulated surplus                           | 12,217          | 11,381          |
| Revaluation reserves                          | 20,221          | 19,966          |
| <b>TOTAL EQUITY</b>                           | <b>32,438</b>   | <b>31,347</b>   |



## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

|   | 2020<br>\$ '000 | 2019<br>\$ '000 |
|---|-----------------|-----------------|
| <b>ASSETS</b>                                 |                 |                 |
| <b>Current assets</b>                         |                 |                 |
| Cash and cash equivalents                     | 4,014           | 3,897           |
| Receivables                                   | 136             | 129             |
| <b>Total current assets</b>                   | <b>4,150</b>    | <b>4,026</b>    |
| <b>Non-current assets</b>                     |                 |                 |
| Investments                                   | 3,000           | 3,000           |
| Infrastructure, property, plant and equipment | 19,439          | 19,445          |
| <b>Total non-current assets</b>               | <b>22,439</b>   | <b>22,445</b>   |
| <b>TOTAL ASSETS</b>                           | <b>26,589</b>   | <b>26,471</b>   |
| <b>NET ASSETS</b>                             | <b>26,589</b>   | <b>26,471</b>   |
| <b>EQUITY</b>                                 |                 |                 |
| Accumulated surplus                           | 12,716          | 12,781          |
| Revaluation reserves                          | 13,873          | 13,690          |
| <b>TOTAL EQUITY</b>                           | <b>26,589</b>   | <b>26,471</b>   |

## 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 1993 (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. Walgett Shire Council Combined Water Supply Services

Council's water supply activities servicing the towns of Walgett, Lightning Ridge and villages.

##### b. Walgett Shire Council Combined Sewerage Services

Council's sewerage reticulation & treatment activity servicing the towns of Walgett, Lightning Ridge and Collarenebri.

##### Category 2

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

NIL

#### Monetary amounts

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

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

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

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#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,321,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,321,000 a premium marginal rate of **2.0%** applies.

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

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

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

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

Walgett Shire Council did not pay a dividend in this financial year.

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

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

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

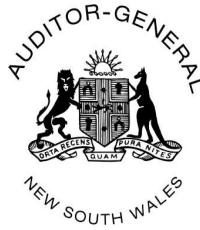
**Written down value of I,PP&E as at 30 June**

Business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% 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.

Walgett Shire Council did not pay a dividend in this financial year. All dividends stated within these accounts are notional.



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Walgett Shire Council

To the Councillors of Walgett Shire Council

#### Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

#### Emphasis of Matter - Basis of Accounting

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

#### Other Information

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:


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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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.



Manuel Moncada

Delegate of the Auditor-General for New South Wales

27 November 2020  
SYDNEY

# Walgett Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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*That the community utilise the opportunities that arise from  
our environment, to improve their quality of life, while  
embracing its ethnic and social diversity to the benefit of all.*



## Special Schedules

for the year ended 30 June 2020

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#### **Special Schedules**

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| Report on Infrastructure Assets - Values | 7 |



## Permissible income for general rates

|   | Notes                   | Calculation<br>2020/21<br>\$ '000 | Calculation<br>2019/20<br>\$ '000 |
|---|-------------------------|-----------------------------------|-----------------------------------|
| <b>Notional general income calculation <sup>1</sup></b> |                         |                                   |                                   |
| Last year notional general income yield                 | a                       | 5,662                             | 5,519                             |
| Plus or minus adjustments <sup>2</sup>                  | b                       | 1                                 | (4)                               |
| <b>Notional general income</b>                          | c = a + b               | <b>5,663</b>                      | <b>5,515</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)         | 147                               | 149                               |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>5,810</b>                      | <b>5,664</b>                      |
| Plus (or minus) last year's carry forward total         | l                       | 2                                 | 4                                 |
| <b>Sub-total</b>  | n = (l + m)             | <b>2</b>                          | <b>4</b>                          |
| <b>Total permissible income</b>                         | o = k + n               | <b>5,812</b>                      | <b>5,668</b>                      |
| Less notional general income yield                      | p                       | 5,805                             | 5,662                             |
| <b>Catch-up or (excess) result</b>                      | q = o - p               | <b>7</b>                          | <b>6</b>                          |
| Less unused catch-up <sup>3</sup>                       | s                       | —                                 | (4)                               |
| <b>Carry forward to next year <sup>4</sup></b>          | t = q + r + s           | <b>7</b>                          | <b>2</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.
- (3) 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.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Walgett Shire Council

To the Councillors of Walgett Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Manuel Moncada', with a stylized flourish extending upwards and to the left.

Manuel Moncada

Delegate of the Auditor-General for New South Wales

27 November 2020  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2020

| Asset Class                                  | Asset Category              | Estimated cost                                 |   | 2019/20<br>Required<br>maintenance <sup>a</sup> | 2019/20<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |       |       |       |       |
|--|-----------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|-------|-------|-------|-------|
|  |                             | to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2     | 3     | 4     | 5     |
|  |                             | \$ '000  | \$ '000   |   |                                  |                        |                                    |  |       |       |       |       |
| (a) Report on Infrastructure Assets - Values |                             |  |   |   |                                  |                        |                                    |  |       |       |       |       |
| Buildings                                    | Buildings – non-specialised | 1,000  | 1,113   | 91  | 144                              | 3,966                  | 5,167                              | 15.0%  | 30.0% | 25.0% | 25.0% | 5.0%  |
|  | Buildings – specialised     | 2,000  | 500   | 255   | 418                              | 10,439                 | 19,985                             | 30.0%  | 22.0% | 15.0% | 28.0% | 5.0%  |
|  | Sub-total                   | 3,000  | 1,613   | 346   | 562                              | 14,563                 | 25,152                             | 26.9%  | 23.6% | 17.1% | 27.4% | 5.0%  |
| Other structures                             | Other structures            | 2,750  | 2,750   | 961   | 1,000                            | 15,019                 | 35,937                             | 25.0%  | 18.0% | 16.0% | 12.0% | 29.0% |
|  | Sub-total                   | 2,750  | 2,750   | 961   | 1,000                            | 15,019                 | 35,937                             | 25.0%  | 18.0% | 16.0% | 12.0% | 29.0% |
| Roads  | Roads, Bridges, Footpaths   | 4,000  | 4,000   | 3,685   | 4,284                            | 46,654                 | 119,019                            | 20.0%  | 15.0% | 40.0% | 12.0% | 13.0% |
|  | Bulk earthworks             | –  | –   | –   | –                                | 110,939                | 110,939                            | 100.0%   | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
|  | Sub-total                   | 4,000  | 4,000   | 3,685   | 4,284                            | 187,043                | 229,958                            | 58.6%  | 7.8%  | 20.7% | 6.2%  | 6.7%  |
| Water supply network                         | Water supply network        | 6,100  | 6,100   | 2,240   | 1,777                            | 27,057                 | 45,839                             | 15.0%  | 20.0% | 25.0% | 30.0% | 10.0% |
|  | Sub-total                   | 6,100  | 6,100   | 2,240   | 1,777                            | 27,057                 | 45,839                             | 15.0%  | 20.0% | 25.0% | 30.0% | 10.0% |
| Sewerage network                             | Sewerage network            | 1,936  | 1,936   | 627   | 858                              | 19,432                 | 30,372                             | 2.0%   | 45.0% | 3.0%  | 47.0% | 3.0%  |
|  | Sub-total                   | 1,936  | 1,936   | 627   | 858                              | 19,432                 | 30,372                             | 2.0%   | 45.0% | 3.0%  | 47.0% | 3.0%  |
| Stormwater drainage                          | Stormwater drainage         | 145  | 145   | 61  | 63                               | 14,978                 | 18,725                             | 5.0%   | 1.0%  | 90.0% | 4.0%  | 0.0%  |
|  | Sub-total                   | 145  | 145   | 61  | 63                               | 14,977                 | 18,725                             | 5.0%   | 1.0%  | 90.0% | 4.0%  | 0.0%  |
| TOTAL - ALL ASSETS                           |                             | 17,931   | 16,544  | 7,920   | 8,544                            | 278,091                | 385,983                            | 41.2%  | 13.8% | 22.5% | 14.1% | 8.5%  |

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

### Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

| \$ '000  | Amounts<br>2020 | Indicator<br>2020 | Prior periods |        | Benchmark |
|--|-----------------|-------------------|---------------|--------|-----------|
|  |                 |                   | 2019          | 2018   |           |
| Infrastructure asset performance indicators (consolidated) *             |                 |                   |               |        |           |
| Buildings and infrastructure renewals ratio <sup>1</sup>                 |                 |                   |               |        |           |
| Asset renewals <sup>2</sup>  | 2,461           | 41.56%            | 80.13%        | 59.64% | >=100.00% |
| Depreciation, amortisation and impairment                                | 5,921           |                   |               |        |           |
| Infrastructure backlog ratio <sup>1</sup>                                |                 |                   |               |        |           |
| Estimated cost to bring assets to a satisfactory standard                | 17,931          | 6.45%             | 6.42%         | 6.47%  | <2.00%    |
| Net carrying amount of infrastructure assets                             | 278,091         |                   |               |        |           |
| Asset maintenance ratio  |                 |                   |               |        |           |
| Actual asset maintenance   | 8,544           | 107.88%           | 110.26%       | 75.49% | >100.00%  |
| Required asset maintenance   | 7,920           |                   |               |        |           |
| Cost to bring assets to agreed service level                             |                 |                   |               |        |           |
| Estimated cost to bring assets to an agreed service level set by Council | 16,544          | 4.29%             | 4.22%         | 4.10%  |           |
| Gross replacement cost   | 385,983         |                   |               |        |           |

(\*) 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

| \$ '000  | General fund |         | Water fund |         | Sewer fund |        | Benchmark |
|--|--------------|---------|------------|---------|------------|--------|-----------|
|  | 2020         | 2019    | 2020       | 2019    | 2020       | 2019   |           |
| Infrastructure asset performance indicators (by fund)                    |              |         |            |         |            |        |           |
| Buildings and infrastructure renewals ratio <sup>1</sup>                 |              |         |            |         |            |        |           |
| Asset renewals <sup>2</sup>  |              |         |            |         |            |        |           |
| Depreciation, amortisation and impairment                                | 47.33%       | 94.31%  | 13.18%     | 0.00%   | 0.00%      | 0.00%  | >=100.00% |
| Infrastructure backlog ratio <sup>1</sup>                                |              |         |            |         |            |        |           |
| Estimated cost to bring assets to a satisfactory standard                |              |         |            |         |            |        |           |
| Net carrying amount of infrastructure assets                             | 4.27%        | 4.01%   | 22.54%     | 22.46%  | 9.96%      | 9.97%  | <2.00%    |
| Asset maintenance ratio  |              |         |            |         |            |        |           |
| Actual asset maintenance   |              |         |            |         |            |        |           |
| Required asset maintenance   | 116.94%      | 119.25% | 79.33%     | 111.76% | 136.84%    | 63.02% | >100.00%  |
| Cost to bring assets to agreed service level                             |              |         |            |         |            |        |           |
| Estimated cost to bring assets to an agreed service level set by Council |              |         |            |         |            |        |           |
| Gross replacement cost   | 2.75%        | 2.68%   | 13.31%     | 13.50%  | 6.37%      | 6.44%  |           |

(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.