

# Bogan Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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# Bogan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

81 Cobar Street  
Nyngan NSW 2825

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.bogan.nsw.gov.au](http://www.bogan.nsw.gov.au).

## 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.

## 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.**

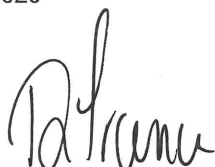
**Signed in accordance with a resolution of Council made on 27 August 2020.**



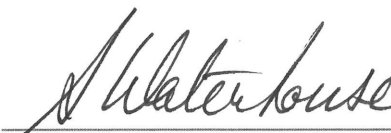
R L Donald OAM  
**Mayor**  
27 August 2020



G R J Neill  
**Councillor**  
27 August 2020



D A Francis  
**General Manager**  
27 August 2020



S A Waterhouse  
**Responsible Accounting Officer**  
27 August 2020

## Income Statement

for the year ended 30 June 2020

<b>Original unaudited budget 2020 \$ '000</b>		Notes	<b>Actual 2020 \$ '000</b>	<b>Actual 2019 \$ '000</b>
<b>Income from continuing operations</b>				
5,085	Rates and annual charges	3a	5,086	4,986
4,237	User charges and fees	3b	4,786	6,504
141	Other revenues	3c	238	387
6,771	Grants and contributions provided for operating purposes	3d,3e	8,211	7,655
573	Grants and contributions provided for capital purposes	3d,3e	3,196	4,084
307	Interest and investment income	4	248	329
197	Rental income	12b	188	–
–	Net share of interests in joint ventures and associates using the equity method	17	9	–
<b>17,311</b>	<b>Total income from continuing operations</b>		<b>21,962</b>	<b>23,945</b>
<b>Expenses from continuing operations</b>				
6,899	Employee benefits and on-costs	5a	7,519	7,251
83	Borrowing costs	5b	84	80
4,945	Materials and contracts	5c	6,048	6,501
3,879	Depreciation and amortisation	5d	4,069	4,016
1,965	Other expenses	5e	1,752	1,605
–	Net losses from the disposal of assets	6	24	28
–	Revaluation decrement / impairment of IPP&E	5d	–	424
–	Net share of interests in joint ventures and associates using the equity method	17	–	1
<b>17,771</b>	<b>Total expenses from continuing operations</b>		<b>19,496</b>	<b>19,906</b>
<b>(460)</b>	<b>Operating result from continuing operations</b>		<b>2,466</b>	<b>4,039</b>
<b>(460)</b>	<b>Net operating result for the year</b>		<b>2,466</b>	<b>4,039</b>
5,088	Net operating result attributable to council		2,466	4,039
<b>5,088</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(730)</b>	<b>(45)</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	<b>Actual 2020 \$ '000</b>	<b>Actual 2019 \$ '000</b>
<b>Net operating result for the year (as per Income Statement)</b>		<b>2,466</b>	<b>4,039</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	657	3,940
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>657</b>	<b>3,940</b>
<b>Total other comprehensive income for the year</b>		<b>657</b>	<b>3,940</b>
<b>Total comprehensive income for the year</b>		<b>3,123</b>	<b>7,979</b>
 Total comprehensive income attributable to Council		 3,123	 7,979

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	<b>Actual 2020 \$ '000</b>	<b>Actual 2019 \$ '000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	5,668	6,282
Investments	7(b)	7,800	7,800
Receivables	8	2,937	1,386
Inventories	9a	434	494
Other	9b	76	67
<b>Total current assets</b>		<b>16,915</b>	<b>16,029</b>
<b>Non-current assets</b>			
Receivables	8	597	237
Infrastructure, property, plant and equipment	10(a)	236,217	233,712
Investments accounted for using the equity method	17	61	52
<b>Total non-current assets</b>		<b>236,875</b>	<b>234,001</b>
<b>Total assets</b>		<b>253,790</b>	<b>250,030</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	1,046	654
Contract liabilities	11	518	–
Borrowings	13	116	112
Provisions	14	1,926	1,664
<b>Total current liabilities</b>		<b>3,606</b>	<b>2,430</b>
<b>Non-current liabilities</b>			
Borrowings	13	2,304	2,420
<b>Total non-current liabilities</b>		<b>2,304</b>	<b>2,420</b>
<b>Total liabilities</b>		<b>5,910</b>	<b>4,850</b>
<b>Net assets</b>		<b>247,880</b>	<b>245,180</b>
<b>EQUITY</b>			
Accumulated surplus	15	162,664	160,621
Revaluation reserves	15	85,216	84,559
<b>Council equity interest</b>		<b>247,880</b>	<b>245,180</b>
<b>Total equity</b>		<b>247,880</b>	<b>245,180</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 \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		160,621	84,559	245,180	156,582	80,619	237,201
Changes due to AASB 1058 and AASB 15 adoption	15	(423)	–	(423)	–	–	–
<b>Restated opening balance</b>		<b>160,198</b>	<b>84,559</b>	<b>244,757</b>	<b>156,582</b>	<b>80,619</b>	<b>237,201</b>
<b>Net operating result for the year</b>		<b>2,466</b>	<b>–</b>	<b>2,466</b>	<b>4,039</b>	<b>–</b>	<b>4,039</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	–	657	657	–	3,940	3,940
<b>Other comprehensive income</b>		<b>–</b>	<b>657</b>	<b>657</b>	<b>–</b>	<b>3,940</b>	<b>3,940</b>
<b>Total comprehensive income</b>		<b>2,466</b>	<b>657</b>	<b>3,123</b>	<b>4,039</b>	<b>3,940</b>	<b>7,979</b>
<b>Equity – balance at end of the reporting period</b>		<b>162,664</b>	<b>85,216</b>	<b>247,880</b>	<b>160,621</b>	<b>84,559</b>	<b>245,180</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

<i>Original unaudited budget 2020 \$ '000</i>			<i>Actual 2020 \$ '000</i>	<i>Actual 2019 \$ '000</i>
		Notes		
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
4,988	Rates and annual charges		4,672	4,865
3,701	User charges and fees		4,038	7,177
281	Investment and interest revenue received		272	275
8,160	Grants and contributions		11,301	13,981
–	Bonds, deposits and retention amounts received		38	25
179	Other		1,117	1,473
<b>Payments:</b>				
(7,088)	Employee benefits and on-costs		(7,267)	(7,171)
(5,532)	Materials and contracts		(6,584)	(8,292)
(83)	Borrowing costs		(83)	(82)
–	Bonds, deposits and retention amounts refunded		(40)	(20)
(1,304)	Other		(2,151)	(2,139)
3,302	<b>Net cash provided (or used in) operating activities</b>	16b	5,313	10,092
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		–	4,800
664	Sale of infrastructure, property, plant and equipment		541	556
–	Deferred debtors receipts		5	6
<b>Payments:</b>				
–	Purchase of investment securities		–	(6,800)
(4,571)	Purchase of infrastructure, property, plant and equipment		(6,361)	(8,674)
(3,907)	<b>Net cash provided (or used in) investing activities</b>		(5,815)	(10,112)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(143)	Repayment of borrowings and advances		(112)	(110)
(143)	<b>Net cash flow provided (used in) financing activities</b>		(112)	(110)
(748)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(614)	(130)
7,800	Plus: cash and cash equivalents – beginning of year	16a	6,282	6,412
7,052	<b>Cash and cash equivalents – end of the year</b>	16a	5,668	6,282
7,800	plus: Investments on hand – end of year	7(b)	7,800	7,800
14,852	<b>Total cash, cash equivalents and investments</b>		13,468	14,082

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 27 August 2020.

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

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

##### (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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council has volunteers at the Nyngan Museum. If this service was not donated then Council would not provide it.

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

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

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

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

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

##### **AASB 1059 Service Concession Arrangements: Grantors**

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 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	<i>Income from continuing operations</i>		<i>Expenses from continuing operations</i>		<i>Operating result from continuing operations</i>		<i>Grants included in income from continuing operations</i>		<i>Carrying amount of assets</i>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Civic Leadership – Leadership, Advocacy & Governance	–	–	572	541	(572)	(541)	–	–	198	224
Civic Leadership – Managing Our Business	6,154	6,170	1,400	1,199	4,754	4,971	2,875	2,842	14,261	12,845
Economic – Local Industries & Business	8	3	59	61	(51)	(58)	–	–	241	208
Economic – Public Transport & Air Services	–	–	76	78	(76)	(78)	–	–	144	154
Economic – Tourism	339	24	90	98	249	(74)	325	–	18	18
Environmental – Built Environment	778	586	1,592	1,735	(814)	(1,149)	638	429	2,612	3,212
Environmental – Health, Safety & Regulation	18	10	503	746	(485)	(736)	8	–	14	15
Environmental – Natural Environment	32	33	112	123	(80)	(90)	32	33	–	–
Environmental – Waste & Recycling	860	823	937	846	(77)	(23)	–	–	90	159
Infrastructure – Sewer	659	689	807	850	(148)	(161)	–	–	11,657	11,691
Infrastructure – Transport Networks	6,682	7,726	5,954	6,347	728	1,379	3,210	3,066	171,733	171,863
Infrastructure – Water	3,647	4,424	2,831	2,806	816	1,618	1,481	2,046	35,018	33,884
Social – Community Centres	691	1,449	1,350	1,366	(659)	83	610	1,372	12,284	11,256
Social – Education	–	–	2	2	(2)	(2)	–	–	–	1
Social – Emergency Services	162	110	230	187	(68)	(77)	123	87	794	761
Social – Inclusive Communities	1,183	1,126	1,311	1,303	(128)	(177)	985	849	1,946	1,305
Social – Public Health	746	770	1,509	1,438	(763)	(668)	41	50	1,721	1,654
Social – Social & Cultural	3	2	161	180	(158)	(178)	–	–	1,059	780
<b>Total functions and activities</b>	<b>21,962</b>	<b>23,945</b>	<b>19,496</b>	<b>19,906</b>	<b>2,466</b>	<b>4,039</b>	<b>10,328</b>	<b>10,774</b>	<b>253,790</b>	<b>250,030</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:

#### **Social - Social & Cultural**

Council function includes not-for-profit community functions where Council assists community organisations to achieve their outcomes. This function also includes Councils community and social development role that helps to apply for Grants for Council and to assist with strategic direction.

#### **Social - Community Centres**

Council function includes community facilities maintained by Council such as Parks & Gardens, Sport & Recreation Facilities, Cemetery, Swimming Pool, Library as well as Halls, Museum & Historic Buildings.

#### **Social - Inclusive Communities**

Council function supports children, the elderly and people with disabilities. This includes Councils Bogan Bush Mobile Service, Early Learning Centre, Youth Services and Seniors Living.

#### **Social - Education**

Council function that supports our local schools with providing access to education at all levels.

#### **Social - Public Health**

Council function aims to ensure our community has access to medical services, facilities and programs to enhance and protect health in the community. This includes our Council run Medical Centre as well as support to other health practitioners within the town.

#### **Social - Emergency Services**

Council function that supports our fire, police and ambulance services to provide effective and efficient services to the community. This includes administrative support to the District Rural Fire Service as well as hazard reduction programs done in conjunction with the RFS and support to other emergency services.

#### **Infrastructure - Transport Networks**

Council function to construct and maintain the Bogan Shire transport network to enable safe and efficient travel and freight throughout the Shire. Council has a large fleet of plant and equipment used primarily to carry out its own roadworks as well as contract work to the Shires highways on behalf of the Roads & Maritime Services. Council maintains its own plant and equipment and uses the plan system to fund this function.

#### **Infrastructure - Water**

Council has access to a safe and secure water supply that provides the community with a reliable, safe and cost effective water service to the Nyngan township as well as a raw water supply to Councils villages.

#### **Infrastructure - Sewer**

Council has access to a safe and reliable sewerage service.

#### **Environmental - Built Environment**

This Council function includes development and building control through respectful planning processes and facilitation of development in line with statutory requirements as well as the building and maintenance of Council owned buildings.

#### **Environmental - Waste & Recycling**

Council function that aims to ensure our waste stream is effectively managed. This includes activities such as waste collection, waste recycling and Councils waste disposal facility.



**Notes to the Financial Statements**

for the year ended 30 June 2020

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

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**Environmental - Natural Environment**

Council function that aims to ensure open space areas are protected and managed to preserve their valued use and biodiversity while minimising the impact of pollution and weeds on the environment. Council has a noxious weeds program that assists to achieve this outcome.

**Environmental - Health, Safety & Regulation**

This Council function helps to meet compliance and regulatory obligations concerning public health. Activities include environmental administration function, storm water & drainage as well as animal control and other compliance management.

**Economic - Local Industries & Business**

Council aims to assist local industries and businesses including Tourism to support them to grow and prosper including Councils villages.

**Economic - Tourism**

Council function aims to ensure Bogan Shire is regarded as a welcoming and attractive place for people to live and visit, producing services, cultural experiences and recreational opportunities. Activities include the Council run visitor information centre.

**Economic - Public Transport & Air Services**

Council function that aims to ensure Bogan Shire has reliable, cost effective and regular public transport to and from our town. Council does provide and maintain an aerodrome to enable air services to access Nyngan.

**Civic Leadership - Leadership, Advocacy & Governance**

Council function that aims to achieve open, transparent and effective local government. The activities include Elected Members and the General Manager functions.

**Civic Leadership - Managing Our Business**

This function of Council aims to achieve effective and responsive management of Councils resources to deliver all goals and strategies. Activities include Corporate Services, Rates, Finance, Information Technology, Records, Customer Service, People & Culture, Human Resources and Occupational Health and Safety.

**Civic Leadership - Disaster Management**

Council function to ensure Council has the ability to plan, arrange and implement measures for the prevention of, preparation for, response to and recovery from emergencies. An activity of the function is to maintain Council's Levee Bank to prevent future flooding.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue from continuing operations

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	318	307
Farmland	1058 (1)	1,763	1,716
Mining	1058 (1)	674	661
Business	1058 (1)	240	230
Less: pensioner rebates (mandatory)	1058 (1)	(8)	(8)
Less: pensioner rebates (Council policy)	1058 (1)	(7)	(7)
<b>Rates levied to ratepayers</b>		<b>2,980</b>	<b>2,899</b>
Pensioner rate subsidies received		8	9
<b>Total ordinary rates</b>		<b>2,988</b>	<b>2,908</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	678	658
Water supply services	1058 (1)	855	854
Sewerage services	1058 (1)	461	460
Waste management services (non-domestic)	1058 (1)	134	132
Less: pensioner rebates (mandatory)	1058 (1)	(36)	(35)
Less: pensioner rebates (Council policy)	1058 (1)	(29)	(29)
<b>Annual charges levied</b>		<b>2,063</b>	<b>2,040</b>
Pensioner subsidies received:			
– Water	1058 (1)	9	10
– Sewerage	1058 (1)	8	9
– Domestic waste management	1058 (1)	18	19
<b>Total annual charges</b>		<b>2,098</b>	<b>2,078</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>5,086</b>	<b>4,986</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 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 Actual \$ '000	2019 Actual \$ '000
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	1,281	1,495
Sewerage services	15 (2)	158	189
<b>Total specific user charges</b>		<b>1,439</b>	<b>1,684</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)	2	6
Planning and building regulation	15 (1)	34	40
Private works – section 67	15 (1)	87	223
Regulatory/ statutory fees	15 (1)	4	3
Regulatory fees	15 (1)	1	1
Section 10.7 certificates (EP&A Act)	15 (1)	8	9
Section 603 certificates	15 (1)	4	5
<b>Total fees and charges – statutory/regulatory</b>		<b>140</b>	<b>287</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries	15 (1)	34	28
Child care	15 (1)	151	226
Community centres		–	31
Leaseback fees – Council vehicles		–	11
Library and art gallery	15 (1)	4	5
Medical centre	15 (1)	639	683
Museum	15 (1)	3	4
Park rents	15 (1)	4	1
Waste disposal tipping fees	15 (1)	28	19
Reimbursements	15 (1)	93	83
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	2,248	3,437
Sundry sales	15 (1)	1	3
Water connection fees	15 (1)	2	2
<b>Total fees and charges – other</b>		<b>3,207</b>	<b>4,533</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>4,786</b>	<b>6,504</b>

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

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

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

**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, the customer is required to pay on arrival or in advance. There is no material obligation for Council in relation to refunds or returns.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

	AASB	2020 Actual \$ '000	2019 Actual \$ '000
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		–	162
Fines	1058 (1)	1	3
Legal fees recovery – rates and charges (extra charges)	1058 (1)	25	2
Diesel rebate	1058 (1)	83	84
Insurance claims recoveries	1058 (1)	28	12
Sales – general	15 (1)	20	41
Insurance policy rebate	1058 (1)	43	46
Sales – scrap metal	15 (1)	13	17
Other (Private Works)		–	7
Other (Procurement rebate)	1058 (1)	5	13
Other	1058 (1)	20	–
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>238</u></b>	<b><u>387</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 service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	AASB	Operating 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,395	1,344	–	–
Financial assistance – local roads component	1058 (1)	732	719	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,477	1,394	–	–
Financial assistance – local roads component	1058 (1)	777	746	–	–
<b>Total general purpose</b>		<b>4,381</b>	<b>4,203</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (2)	94	505	1,387	1,541
Asset management		–	100	–	–
Bushfire and emergency services	1058 (1)	123	87	–	–
Child care	1058 (1)	971	840	–	–
Community centres		–	–	–	128
Environmental programs	1058 (1)	4	–	–	–
Economic development	1058 (2)	–	–	322	–
Library	1058 (1)	68	24	–	–
Heritage and cultural		–	3	–	28
Noxious weeds	1058 (1)	32	33	–	–
Recreation and culture	1058 (2)	7	–	535	1,084
Transport (roads to recovery)	1058 (1)	1,367	711	–	–
Street lighting	1058 (1)	16	16	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	313	869
Medical centre	1058 (1)	41	50	–	–
Youth services	1058 (1)	2	3	1	–
Wage subsidy apprentices	1058 (1)	22	15	–	–
Other	1058 (2)	4	–	10	–
Other (Affordable Seniors Living)	1058 (2)	–	–	628	328
Other (Main Street Beautification)		–	–	–	106
Other (Crown Land Management Plans)		–	100	–	–
<b>Total specific purpose</b>		<b>2,751</b>	<b>2,487</b>	<b>3,196</b>	<b>4,084</b>
<b>Total grants</b>		<b>7,132</b>	<b>6,690</b>	<b>3,196</b>	<b>4,084</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		2,267	1,533	329	712
– State funding		4,843	5,157	2,867	3,372
– Other funding		22	–	–	–
		<b>7,132</b>	<b>6,690</b>	<b>3,196</b>	<b>4,084</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 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
Notes					
<b>(e) Contributions</b>					
<b>Developer contributions:</b> <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements	1058 (1)	120	–	–	–
<b>Total developer contributions</b>	24	<b>120</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Childcare		–	16	–	–
Community services	1058 (1)	3	2	–	–
Recreation and culture	1058 (1)	9	5	–	–
RMS contributions (regional roads, block grant)	1058 (1)	947	942	–	–
<b>Total other contributions</b>		<b>959</b>	<b>965</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>		<b>1,079</b>	<b>965</b>	<b>–</b>	<b>–</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>8,211</b>	<b>7,655</b>	<b>3,196</b>	<b>4,084</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 but include completion of ordered works for TfNSW. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

**Grant income**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	<b>2020 Actual \$ '000</b>	<b>2019 Actual \$ '000</b>
<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	244	717
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	233
<b>Add:</b> operating grants received for the provision of goods and services in a future period	329	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(706)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(74)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>499</b>	<b>244</b>

Roads to Recovery \$197K, Asset Management \$21K Rural Fire Service \$143K, Crown Lands Management \$92K, Inclusion Support Program ELC \$44K, Hera Mine VPA \$120K

**Capital grants**

Unexpended at the close of the previous reporting period	531	51
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	531
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	(531)	(51)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>–</b>	<b>531</b>

Council's unspent Capital grants are included in Contract Liabilities and restricted internally



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. Interest and investment income

	<b>2020</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	29	23
– Overdue user fees and charges	10	9
– Cash and investments	199	292
– Other	10	5
<b>Total Interest and investment income</b>	<b>248</b>	<b>329</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	15	16
General Council cash and investments	148	246
<b>Restricted investments/funds – external:</b>		
Water fund operations	33	26
Sewerage fund operations	46	36
Domestic waste management operations	6	5
<b>Total interest and investment revenue</b>	<b>248</b>	<b>329</b>

**Accounting policy for interest and investment revenue**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	5,789	5,537
Travel expenses	–	27
Employee leave entitlements (ELE)	1,250	1,198
ELE on-costs	10	–
Superannuation	673	657
Workers' compensation insurance	179	139
Fringe benefit tax (FBT)	46	42
Training costs (other than salaries and wages)	–	116
Protective clothing	–	24
Other	–	47
<b>Total employee costs</b>	<b>7,947</b>	<b>7,787</b>
Less: capitalised costs	(428)	(536)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>7,519</b>	<b>7,251</b>
Number of 'full-time equivalent' employees (FTE) at year end	91	89

**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.

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	84	80
<b>Total interest bearing liability costs</b>	<b>84</b>	<b>80</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustments on recognition of advances and deferred debtors	–	–
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>84</b>	<b>80</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 Actual \$ '000	2019 Actual \$ '000
<b>(c) Materials and contracts</b>		
Raw materials and consumables	9,011	10,595
Contractor and consultancy costs	3,104	3,469
Auditors remuneration <sup>2</sup>	50	44
<b>Legal expenses:</b>		
– Legal expenses: planning and development	6	–
– Legal expenses: debt recovery	22	6
– Legal expenses: other	29	9
Expenses from short-term leases (2020 only)	23	–
Expenses from leases of low value assets (2020 only)	12	–
Expenses from Peppercorn leases (2020 only)	7	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	12
Other – cobar water security project and apc piping	–	111
<b>Total materials and contracts</b>	<b>12,264</b>	<b>14,246</b>
Less: capitalised costs	(6,216)	(7,745)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>6,048</b>	<b>6,501</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:**

Other	–	12
	<b>–</b>	<b>12</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	50	44
<b>Remuneration for audit and other assurance services</b>	<b>50</b>	<b>44</b>
<b>Total Auditor-General remuneration</b>	<b>50</b>	<b>44</b>
<b>Total Auditor remuneration</b>	<b>50</b>	<b>44</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
(d) Depreciation, amortisation and impairment of non-financial assets			
<b>Depreciation and amortisation</b>			
Plant and equipment		708	679
Office equipment		79	75
Furniture and fittings		17	16
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		264	275
– Buildings – specialised		381	439
– Other structures		72	72
– Roads		1,635	1,636
– Bridges		109	108
– Footpaths		91	90
– Stormwater drainage		13	13
– Water supply network		532	448
– Sewerage network		168	165
<b>Total depreciation and amortisation costs</b>		<b>4,069</b>	<b>4,016</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>	10(a)		
– Buildings – non-specialised		–	157
– Buildings – specialised		–	267
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>–</b>	<b>424</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<b><u>4,069</u></b>	<b><u>4,440</u></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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

	<b>2020</b> <b>Actual</b> <b>\$ '000</b>	<b>2019</b> <b>Actual</b> <b>\$ '000</b>
<b>(e) Other expenses</b>		
Advertising	30	31
Training costs (other than salaries and wages)	67	–
Travel expenses	37	–
Bad and doubtful debts	–	5
Bank charges	11	11
Cleaning	13	12
Computer software charges	152	126
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	155	126
Councillor expenses – mayoral fee	20	20
Councillor expenses – councillors' fees	83	81
Councillors' expenses (incl. mayor) – other (excluding fees above)	52	57
Donations, contributions and assistance to other organisations (Section 356)	89	44
Electricity and heating	239	214
Fire control expenses	46	60
Insurance	444	436
Office expenses (including computer expenses)	28	22
Postage	14	15
Printing and stationery	32	35
Street lighting	107	135
Subscriptions and publications	52	52
Telephone and communications	43	45
Tourism expenses (excluding employee costs)	10	14
Valuation fees	16	20
Other (Rent Paid )	–	25
Other	12	19
<b>TOTAL OTHER EXPENSES</b>	<b>1,752</b>	<b>1,605</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 Actual \$ '000	2019 Actual \$ '000
<b>Plant and equipment</b>	10(a)		
Proceeds from disposal – plant and equipment		491	526
Less: carrying amount of plant and equipment assets sold/written off		(463)	(536)
<b>Net gain/(loss) on disposal</b>		<b>28</b>	<b>(10)</b>
<b>Infrastructure</b>	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(66)	(18)
<b>Net gain/(loss) on disposal</b>		<b>(66)</b>	<b>(18)</b>
<b>Investments</b>	7(b)		
Proceeds from disposal/redemptions/maturities – investments		–	4,800
Less: carrying amount of investments sold/redeemed/matured		–	(4,800)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Other (Operational Land)</b>			
Proceeds from disposal – Other (Operational Land)		50	–
Less: carrying amount of Other (Operational Land) assets sold/written off		(36)	–
<b>Net gain/(loss) on disposal</b>		<b>14</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(24)</b>	<b>(28)</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.

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

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	16	88
Cash-equivalent assets		
– Deposits at call	5,652	6,194
<b>Total cash and cash equivalents</b>	<b>5,668</b>	<b>6,282</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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(b). Investments

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Investments</b>				
'Financial assets at amortised cost'	7,800	–	7,800	–
<b>Total Investments</b>	<b>7,800</b>	<b>–</b>	<b>7,800</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>13,468</b>	<b>–</b>	<b>14,082</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	7,800	–	7,800	–
<b>Total</b>	<b>7,800</b>	<b>–</b>	<b>7,800</b>	<b>–</b>

## Accounting policy for investments

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

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

## Financial assets

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

## Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
Total cash, cash equivalents and investments	13,468	–	14,082	–
<b>attributable to:</b>				
External restrictions	4,060	–	4,225	–
Internal restrictions	5,256	–	4,494	–
Unrestricted	4,152	–	5,363	–
	13,468	–	14,082	–

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

## External restrictions – other

Developer contributions – general	120	–
Specific purpose unexpended grants (recognised as revenue) – general fund	499	775
Water supplies	1,210	1,141
Sewerage services	2,231	2,309
<b>External restrictions – other</b>	<b>4,060</b>	<b>4,225</b>
<b>Total external restrictions</b>	<b>4,060</b>	<b>4,225</b>

## Internal restrictions

Plant and vehicle replacement	730	693
Employees leave entitlement	482	416
Carry over works	195	191
FAG grant in advance	2,254	2,140
Museum	29	46
Other (capital building projects)	611	274
Roads and ancillary services	354	215
Village amenities	93	90
Waste facility	338	429
Showground Upgrades	170	–
<b>Total internal restrictions</b>	<b>5,256</b>	<b>4,494</b>
<b>TOTAL RESTRICTIONS</b>	<b>9,316</b>	<b>8,719</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Purpose</b>				
Rates and annual charges	479	338	276	117
Interest and extra charges	–	73	–	76
User charges and fees	1,426	158	579	63
Private works	92	–	49	–
Contributions to works	111	–	52	–
Accrued revenues				
– Interest on investments	28	–	51	–
Deferred debtors	–	–	5	–
Government grants and subsidies	641	–	344	–
Loans to sporting clubs	–	–	1	–
Net ATO receivable	161	–	36	–
Other debtors	6	45	–	–
<b>Total</b>	<b>2,944</b>	<b>614</b>	<b>1,393</b>	<b>256</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(7)	–	(7)	–
Interest and extra charges	–	(17)	–	(19)
<b>Total provision for impairment – receivables</b>	<b>(7)</b>	<b>(17)</b>	<b>(7)</b>	<b>(19)</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,937</b>	<b>597</b>	<b>1,386</b>	<b>237</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Specific purpose grants	11	–	93	–
– Rates and availability charges	129	14	64	22
– Other	146	138	305	61
<b>Sewerage services</b>				
– Rates and availability charges	55	5	29	9
– Other	33	11	34	17
<b>Domestic waste management</b>	–	–	65	21
<b>Other</b>				
– Other restricted receivables (Non-domestic Waste Management)	–	–	9	3
<b>Total external restrictions</b>	<b>374</b>	<b>168</b>	<b>599</b>	<b>133</b>
<b>Unrestricted receivables</b>	<b>2,563</b>	<b>429</b>	<b>787</b>	<b>104</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,937</b>	<b>597</b>	<b>1,386</b>	<b>237</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

	<b>2020</b> <b>Actual</b> <b>\$ '000</b>	<b>2019</b> <b>Actual</b> <b>\$ '000</b>
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	26	21
+ new provisions recognised during the year	–	14
– amounts already provided for and written off this year	(2)	(9)
<b>Balance at the end of the year</b>	<b>24</b>	<b>26</b>

### Accounting policy for receivables

#### Recognition and measurement

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

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

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

#### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	434	—	494	—
<b>Total inventories at cost</b>	<b>434</b>	<b>—</b>	<b>494</b>	<b>—</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>434</u></b>	<b><u>—</u></b>	<b><u>494</u></b>	<b><u>—</u></b>
<b>(b) Other assets</b>				
Prepayments	76	—	67	—
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>76</u></b>	<b><u>—</u></b>	<b><u>67</u></b>	<b><u>—</u></b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	767	–	767	1,264	1,216	–	–	(656)	–	2,591	–	2,591
Plant and equipment	8,407	(3,253)	5,154	1,226	348	(462)	(708)	–	–	8,854	(3,296)	5,558
Office equipment	738	(471)	267	58	–	–	(79)	–	–	754	(508)	246
Furniture and fittings	227	(123)	104	–	–	–	(17)	–	–	206	(119)	87
<b>Land:</b>												
– Operational land	335	–	335	–	–	(36)	–	–	102	401	–	401
– Community land	1,759	–	1,759	–	–	–	–	–	20	1,779	–	1,779
– Crown land	880	–	880	–	–	–	–	–	142	1,022	–	1,022
<b>Infrastructure:</b>												
– Buildings – non-specialised	13,589	(5,478)	8,111	99	21	–	(264)	11	–	13,423	(5,445)	7,978
– Buildings – specialised	20,024	(12,461)	7,563	75	373	–	(381)	629	–	18,702	(10,443)	8,259
– Other structures	3,603	(1,324)	2,279	–	74	–	(72)	16	–	3,693	(1,396)	2,297
– Roads	101,261	(21,806)	79,455	790	434	–	(1,635)	–	–	102,485	(23,441)	79,044
– Bridges	14,100	(2,145)	11,955	–	–	–	(109)	–	–	14,100	(2,254)	11,846
– Footpaths	3,779	(2,023)	1,756	–	163	–	(91)	–	–	3,942	(2,114)	1,828
– Bulk earthworks (non-depreciable)	63,710	–	63,710	–	–	–	–	–	–	63,710	–	63,710
– Stormwater drainage	8,265	(129)	8,136	–	–	–	(13)	–	–	8,264	(141)	8,123
– Water supply network	45,666	(13,478)	32,188	186	108	(56)	(532)	–	305	46,243	(14,044)	32,199
– Sewerage network	14,361	(5,068)	9,293	18	28	(10)	(168)	–	88	14,525	(5,276)	9,249
<b>Other assets:</b>												
– Other	154	(154)	–	–	–	–	–	–	–	154	(154)	–
<b>Total Infrastructure, property, plant and equipment</b>	<b>301,625</b>	<b>(67,913)</b>	<b>233,712</b>	<b>3,716</b>	<b>2,765</b>	<b>(564)</b>	<b>(4,069)</b>	<b>–</b>	<b>657</b>	<b>304,848</b>	<b>(68,631)</b>	<b>236,217</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 \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	7,370	–	7,370	–	767	–	–	–	(7,370)	–	–	767	–	767
Plant and equipment	8,461	(3,356)	5,105	1,257	2	(531)	(679)	–	–	–	–	8,407	(3,253)	5,154
Office equipment	690	(448)	242	70	34	(5)	(75)	–	–	1	–	738	(471)	267
Furniture and fittings	238	(124)	114	3	3	–	(16)	–	–	–	–	227	(123)	104
<b>Land:</b>														
– Operational land	336	–	336	–	–	–	–	–	–	(1)	–	335	–	335
– Community land	1,518	–	1,518	–	–	–	–	–	–	(2)	243	1,759	–	1,759
– Crown land	696	–	696	–	–	–	–	–	–	–	184	880	–	880
<b>Infrastructure:</b>														
– Buildings – non-specialised	19,992	(11,235)	8,757	112	448	–	(275)	(157)	–	(2,551)	1,777	13,589	(5,478)	8,111
– Buildings – specialised	8,074	(5,065)	3,009	25	–	–	(439)	(267)	–	4,625	610	20,024	(12,461)	7,563
– Other structures	4,063	(1,079)	2,984	718	117	–	(72)	–	–	(2,073)	605	3,603	(1,324)	2,279
– Roads	98,617	(20,170)	78,447	1,426	1,218	–	(1,636)	–	–	–	–	101,261	(21,806)	79,455
– Bridges	14,100	(2,036)	12,064	–	–	–	(108)	–	–	(1)	–	14,100	(2,145)	11,955
– Footpaths	3,661	(1,933)	1,728	–	118	–	(90)	–	–	–	–	3,779	(2,023)	1,756
– Bulk earthworks (non-depreciable)	63,710	–	63,710	–	–	–	–	–	–	–	–	63,710	–	63,710
– Stormwater drainage	8,249	(116)	8,133	16	–	–	(13)	–	–	–	–	8,265	(129)	8,136
– Water supply network	36,071	(12,848)	23,223	183	1,497	(9)	(448)	–	7,370	–	372	45,666	(13,478)	32,188
– Sewerage network	14,124	(4,831)	9,293	–	24	(8)	(165)	–	–	–	149	14,361	(5,068)	9,293
<b>Other assets:</b>														
– Other	154	(154)	–	–	–	–	–	–	–	–	–	154	(154)	–
<b>Total Infrastructure, property, plant and equipment</b>	<b>290,124</b>	<b>(63,395)</b>	<b>226,729</b>	<b>3,810</b>	<b>4,228</b>	<b>(553)</b>	<b>(4,016)</b>	<b>(424)</b>	<b>–</b>	<b>(2)</b>	<b>3,940</b>	<b>301,625</b>	<b>(67,913)</b>	<b>233,712</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	5 to 10	Playground equipment	20 to 40
Office furniture	10 to 20	Benches, seats etc.	20 to 40
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	20 to 70
Other plant and equipment	5 to 15	Buildings: other	20 to 70
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Swimming pools	50
Sealed roads: structure	50	Other open space/recreational assets	20
Unsealed roads	20	Other infrastructure	20
Bridge: concrete	130		
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

#### Land under roads

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**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.

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 15.

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

**Rural Fire Service assets**

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

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

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

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
<b>Water supply</b>						
WIP	1,171	—	1,171	10	—	10
Infrastructure	46,243	14,044	32,199	45,666	13,478	32,188
<b>Total water supply</b>	<b>47,414</b>	<b>14,044</b>	<b>33,370</b>	<b>45,676</b>	<b>13,478</b>	<b>32,198</b>
<b>Sewerage services</b>						
WIP	73	—	73	—	—	—
Infrastructure	14,525	5,276	9,249	14,361	5,068	9,293
<b>Total sewerage services</b>	<b>14,598</b>	<b>5,276</b>	<b>9,322</b>	<b>14,361</b>	<b>5,068</b>	<b>9,293</b>
<b>Domestic waste management</b>						
Plant and equipment	484	119	365	484	79	405
<b>Total DWM</b>	<b>484</b>	<b>119</b>	<b>365</b>	<b>484</b>	<b>79</b>	<b>405</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>62,496</b>	<b>19,439</b>	<b>43,057</b>	<b>60,521</b>	<b>18,625</b>	<b>41,896</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities

	Notes	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	475	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	—	—
Unexpended capital contributions (to construct Council controlled assets)	(i)	—	—
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	—	—
<b>Total grants received in advance</b>		<b>475</b>	<b>—</b>
<b>User fees and charges received in advance:</b>			
Upfront fees – leisure centre	(iii)	—	—
Other		43	—
<b>Total user fees and charges received in advance</b>		<b>43</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>518</b>	<b>—</b>

**Notes**

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

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Water	—	—
Sewer	—	—
Unspent grants held as contract liabilities (excl. Water & Sewer)	—	—
Other (enter details...)	—	—
<b>Contract liabilities relating to externally restricted assets</b>	<b>—</b>	<b>—</b>
<b>Internally restricted assets</b>		
Other (Capital Grants Received in Advance)	475	—
Other (enter details...)	—	—
<b>Contract liabilities relating to internally restricted assets</b>	<b>475</b>	<b>—</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>475</b>	<b>—</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>43</b>	<b>—</b>
<b>Total contract liabilities</b>	<b>518</b>	<b>—</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

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

	<b>2020 Actual \$ '000</b>
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	423
Operating grants (received prior to performance obligation being satisfied)	—
Capital contributions (to construct Council controlled assets)	—
Operating contributions (received prior to performance obligation being satisfied)	—
<b>User Fees and Charges received in advance:</b>	
Upfront fees – leisure centre	—
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>423</b>

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Leases

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

#### (i) Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment.

	<b>2020 Actual \$ '000</b>
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#### (a) Income Statement

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

Expenses relating to short-term leases	23
Expenses relating to low-value leases	12
Expenses relating to Peppercorn leases	7
	<u>42</u>

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

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

- carparking
- visitor centre/museum
- community halls
- community land

The leases are generally between 1 and 70 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 12. Leases (continued)

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#### Accounting policy

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2018/2019 Leases in which a significant portion of the risks and rewards of ownership were not transferred to Council as lesseew were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight line basis over the period of the lease.

##### Conditions relating to Operating Leases:

- All operating lease agreements were secured only against the leased asset.
- No lease agreements imposed any financial restrictions on Council regarding future debt.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

## (b) Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included IPP&E 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:

	<b>2020 Actual \$ '000</b>
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Room/Facility Hire	52
Leaseback fees - council vehicles	11
Other	125
<b>Total income relating to operating leases</b>	<b>188</b>

## (ii) Maturity analysis of contractual lease income

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

< 1 year	5
1–2 years	8
2–3 years	13
3–4 years	3
4–5 years	—
> 5 years	—
<b>Total undiscounted contractual lease income receivable</b>	<b>29</b>

## Accounting policy

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	508	–	246	–
Goods and services – capital expenditure	227	–	106	–
Accrued expenses:				
– Borrowings	29	–	28	–
– Salaries and wages	163	–	158	–
Security bonds, deposits and retentions	17	–	19	–
Historical society	–	–	5	–
Prepaid rates	102	–	92	–
<b>Total payables</b>	<b>1,046</b>	<b>–</b>	<b>654</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	116	2,304	112	2,420
<b>Total borrowings</b>	<b>116</b>	<b>2,304</b>	<b>112</b>	<b>2,420</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,162</u></b>	<b><u>2,304</u></b>	<b><u>766</u></b>	<b><u>2,420</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 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	37	–	26	–
Sewer	7	–	11	–
Payables and borrowings relating to externally restricted assets	44	–	37	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>44</b>	<b>–</b>	<b>37</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>1,118</b>	<b>2,304</b>	<b>729</b>	<b>2,420</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>1,162</u></b>	<b><u>2,304</u></b>	<b><u>766</u></b>	<b><u>2,420</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 \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Closing balance \$ '000
Loans – secured	2,532	(112)	–	–	–	2,420
<b>TOTAL</b>	<b>2,532</b>	<b>(112)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,420</b>

	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	2,642	(110)	–	–	–	2,532
<b>TOTAL</b>	<b>2,642</b>	<b>(110)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,532</b>

	2020 Actual \$ '000	2019 Actual \$ '000
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## (c) Financing arrangements

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

Credit cards/purchase cards	20	20
<b>Total financing arrangements</b>	<b>20</b>	<b>20</b>

## Drawn facilities as at balance date:

– Credit cards/purchase cards	2	10
<b>Total drawn financing arrangements</b>	<b>2</b>	<b>10</b>

## Undrawn facilities as at balance date:

– Credit cards/purchase cards	18	10
<b>Total undrawn financing arrangements</b>	<b>18</b>	<b>10</b>

## Breaches and defaults

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

## 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings (continued)

**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.

## Note 14. Provisions

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	888	–	780	–
Long service leave	1,017	–	869	–
Other leave	21	–	15	–
<b>Sub-total – aggregate employee benefits</b>	<b>1,926</b>	<b>–</b>	<b>1,664</b>	<b>–</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>1,926</u></b>	<b><u>–</u></b>	<b><u>1,664</u></b>	<b><u>–</u></b>

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

There are no restricted assets (external or internal) applicable to the above provisions

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

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

Provisions – employees benefits	1,268	960
	<u>1,268</u>	<u>960</u>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Provisions (continued)

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

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### (a) Nature and purpose of reserves

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

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

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

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

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

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

#### **AASB 15 and AASB 1058**

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

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

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

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

#### **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.

## 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)

	<i>Balance at 1 July 2019 Actual</i>
<b>\$ '000</b>	
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 1058	423
<b>Total Contract liabilities</b>	<u>423</u>

## 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)

## 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

	<i>Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058 Actual</i>	<i>Reclassific- ation Actual</i>	<i>Remeasur- ement Actual</i>	<i>Carrying amount under previous revenue standards Actual</i>
<b>\$ '000</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,668	—	—	5,668
Investments	7,800	—	—	7,800
Receivables	2,937	—	—	2,937
Inventories	434	—	—	434
Other	76	—	—	76
<b>Total current assets</b>	<b>16,915</b>	<b>—</b>	<b>—</b>	<b>16,915</b>
<b>Current liabilities</b>				
Payables	1,046	—	—	1,046
Contract liabilities	518	—	(518)	—
Borrowings	116	—	—	116
Provisions	1,926	—	—	1,926
<b>Total current liabilities</b>	<b>3,606</b>	<b>—</b>	<b>(518)</b>	<b>3,088</b>
<b>Non-current assets</b>				
Receivables	597	—	—	597
Infrastructure, property, plant and equipment	236,217	—	—	236,217
Investments accounted for using equity method	61	—	—	61
<b>Total non-current assets</b>	<b>236,875</b>	<b>—</b>	<b>—</b>	<b>236,875</b>
<b>Non-current liabilities</b>				
Borrowings	2,304	—	—	2,304
<b>Total Non-current liabilities</b>	<b>2,304</b>	<b>—</b>	<b>—</b>	<b>2,304</b>
<b>Net assets</b>	<b>247,880</b>	<b>—</b>	<b>518</b>	<b>248,398</b>
<b>Equity</b>				
Accumulated surplus	162,664	—	518	163,182
Revaluation reserves	85,216	—	—	85,216
<b>Council equity interest</b>	<b>247,880</b>	<b>—</b>	<b>518</b>	<b>248,398</b>
<b>Total equity</b>	<b>247,880</b>	<b>—</b>	<b>518</b>	<b>248,398</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

<b>\$ '000</b>	<b>Income Statement and comprehensive income under AASB 15 and AASB 1058 Actual</b>	<b>Reclassification Actual</b>	<b>Remeasurement Actual</b>	<b>Income Statement and comprehensive income under previous revenue standards Actual</b>
<u>Income from continuing operations</u>				
Rates and annual charges	5,086	—	—	5,086
User charges and fees	4,786	—	—	4,786
Other revenues	238	—	—	238
Grants and contributions provided for operating purposes	8,211	—	95	8,306
Grants and contributions provided for capital purposes	3,196	—	—	3,196
Interest and investment income	248	—	—	248
Rental income	188	—	—	188
Net share of interests in joint ventures and associates using the equity method	9	—	—	9
<b>Total Income from continuing operations</b>	<b>21,962</b>	<b>—</b>	<b>95</b>	<b>22,057</b>
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	7,519	—	—	7,519
Borrowing costs	84	—	—	84
Materials and contracts	6,048	—	—	6,048
Depreciation and amortisation	4,069	—	—	4,069
Other expenses	1,752	—	—	1,752
Net losses from the disposal of assets	24	—	—	24
<b>Total Expenses from continuing operations</b>	<b>19,496</b>	<b>—</b>	<b>—</b>	<b>19,496</b>
<b>Total Operating result from continuing operations</b>	<b>2,466</b>	<b>—</b>	<b>95</b>	<b>2,561</b>
<b>Net operating result for the year</b>	<b>2,466</b>	<b>—</b>	<b>95</b>	<b>2,561</b>
<b>Total comprehensive income</b>	<b>3,123</b>	<b>—</b>	<b>95</b>	<b>3,218</b>

Council has not included in their revenue amounts for grants and user fees received by Council where their contractual obligations for Capital projects have not yet been met but have included this income as a contract liability. Under the previous standards the amounts would have been recognised in revenue on receipt of the income.

## 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

<b>\$ '000</b>	<b>Original Balance 1 July, 2019</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July, 2019</b>
<b>Total assets</b>	<b>250,030</b>	<b>–</b>	<b>250,030</b>
Contract liabilities	–	423	423
<b>Total liabilities</b>	<b>4,850</b>	<b>423</b>	<b>5,273</b>
Accumulated surplus	160,621	(423)	160,198
<b>Total equity</b>	<b>245,180</b>	<b>(423)</b>	<b>244,757</b>

## AASB 16 Leases

## Council as a lessee

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

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

## Practical expedients used on transition

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

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

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

12

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Statement of cash flow information

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	5,668	6,282
<b>Balance as per the Statement of Cash Flows</b>		<b>5,668</b>	<b>6,282</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		2,466	4,039
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		4,069	4,016
Net losses/(gains) on disposal of assets		24	28
Adoption of AASB 15/1058		(423)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		–	424
Share of net (profits)/losses of associates/joint ventures using the equity method		(9)	1
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(1,914)	2,272
Increase/(decrease) in provision for impairment of receivables		(2)	5
Decrease/(increase) in inventories		60	(96)
Decrease/(increase) in other current assets		(9)	(1)
Increase/(decrease) in payables		262	(736)
Increase/(decrease) in accrued interest payable		1	(2)
Increase/(decrease) in other accrued expenses payable		5	11
Increase/(decrease) in other liabilities		3	38
Increase/(decrease) in contract liabilities		518	–
Increase/(decrease) in provision for employee benefits		262	93
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>5,313</b>	<b>10,092</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Interests in other entities

	<i>Council's share of net income</i>		<i>Council's share of net assets</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Joint ventures	9	(1)	61	52
<b>Total</b>	<b>9</b>	<b>(1)</b>	<b>61</b>	<b>52</b>

## Joint arrangements

## (i) Joint ventures

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

## (a) Net carrying amounts – Council's share

	<i>Nature of relationship</i>	<i>Measurement method</i>	<i>2020</i>	<i>2019</i>
			<i>\$ '000</i>	<i>\$ '000</i>
North Western Library Co-operative	Joint venture	Book value	61	52
<b>Total carrying amounts – material joint ventures</b>			<b>61</b>	<b>52</b>

## (b) Details

<i>Principal activity</i>		<i>Place of business</i>
North Western Library Co-operative	Joint Purchase of Books & E-Resources	Warren

## (c) Relevant interests and fair values

	<i>Interest in outputs</i>		<i>Interest in ownership</i>		<i>Proportion of voting power</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
North Western Library Co-operative	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

## Notes to the Financial Statements

for the year ended 30 June 2020

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

## (d) Summarised financial information for joint ventures

	<b>North Western Library Co-operative</b>	
	<b>2020</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	12	2
<b>Non-current assets</b>	233	206
<b>Net assets</b>	<b>245</b>	<b>208</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	208	214
Profit/(loss) for the period	37	(6)
<b>Closing net assets</b>	<b>245</b>	<b>208</b>
<b>Council's share of net assets (%)</b>	25.0%	25.0%
<b>Council's share of net assets (\$)</b>	61	52
<b>Statement of comprehensive income</b>		
Income	256	226
Interest income	4	2
Other expenses	(222)	(234)
<b>Profit/(loss) from continuing operations</b>	<b>38</b>	<b>(6)</b>
<b>Profit/(loss) for the period</b>	<b>38</b>	<b>(6)</b>
<b>Total comprehensive income</b>	<b>38</b>	<b>(6)</b>
<b>Share of income – Council (%)</b>	25.0%	25.0%
<b>Profit/(loss) – Council (\$)</b>	9	(1)
<b>Total comprehensive income – Council (\$)</b>	<b>9</b>	<b>(1)</b>

**Accounting policy for joint arrangements**

The Council has determined that it has only joint ventures.

**Joint ventures:**

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

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

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated. Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

**(e) Joint arrangements not recognised**

Bogan Shire Council is a member of the Orana Joint Organisation along with Warren, Gilgandra, Narromine Mid-Western and Warrumbungle Shire Councils. This organisation was formed to establish regional priorities and develop strategies and plans for their delivery as well as providing regional leadership to advocate for these priorities on behalf of the Councils involved.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

The Orana Joint Organisation aims to identify and engage in opportunities across governments and to co-operate with other member Councils in doing so.

## Note 18. Commitments

	<b>2020</b> <b>Actual</b> <b>\$ '000</b>	<b>2019</b> <b>Actual</b> <b>\$ '000</b>
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	–	345
Other (Drought Community Grant Projects)	–	43
<b>Total commitments</b>	<b>–</b>	<b>388</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	–	388
<b>Total payable</b>	<b>–</b>	<b>388</b>
<b>Sources for funding of capital commitments:</b>		
Internally restricted reserves	–	388
<b>Total sources of funding</b>	<b>–</b>	<b>388</b>

**Details of capital commitments**

Councils Capital commitments for 2019/2020 are recognised in the financial statements as liabilities.

	<b>2020</b> <b>Actual</b> <b>\$ '000</b>	<b>2019</b> <b>Actual</b> <b>\$ '000</b>
<b>(b) Non-cancellable operating lease commitments (2019 only)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Later than one year and not later than 5 years	–	12
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>12</b>

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

Photocopier and Folding machine.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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 future service employer contributions and past service employer contributions to the Fund.

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

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

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

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

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

##### *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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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 \$ 95,591.40. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$56,900.00. Council's expected contribution to the plan for the next annual reporting period is \$98,727.32.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.14% as at 30 June 2020.

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

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

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

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Contingencies (continued)

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#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

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

##### (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.

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

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

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

The risks associated with the instruments held are:

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2020</b>				
Possible impact of a 1% movement in interest rates	135	135	(135)	(135)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	140	140	(140)	(140)

#### (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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

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. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

## Credit risk profile

## Receivables – rates and annual charges

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

	<i>Not yet overdue \$ '000</i>	<i>&lt; 1 year overdue \$ '000</i>	<i>1 - 2 years overdue \$ '000</i>	<i>2 - 5 years overdue \$ '000</i>	<i>&gt; 5 years overdue \$ '000</i>	<i>Total \$ '000</i>
<b>2020</b>						
Gross carrying amount	–	479	296	26	16	817
<b>2019</b>						
Gross carrying amount	–	246	74	48	25	393

## 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.

	<i>Not yet overdue \$ '000</i>	<i>0 - 30 days overdue \$ '000</i>	<i>31 - 60 days overdue \$ '000</i>	<i>61 - 90 days overdue \$ '000</i>	<i>&gt; 91 days overdue \$ '000</i>	<i>Total \$ '000</i>
<b>2020</b>						
Gross carrying amount	2,245	286	1	1	208	2,741
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.00%	0.08%
<b>ECL provision</b>	–	–	–	–	2	2
<b>2019</b>						
Gross carrying amount	1,042	75	25	10	104	1,256
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in: ≤ 1 Year \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>&gt; 5 Years \$ '000</i>	<i>Total cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
<b>2020</b>							
Trade/other payables	0.00%	17	927	–	–	944	944
Loans and advances	2.94%	–	186	744	2,141	3,071	2,420
<b>Total financial liabilities</b>		<b>17</b>	<b>1,113</b>	<b>744</b>	<b>2,141</b>	<b>4,015</b>	<b>3,364</b>
<b>2019</b>							
Trade/other payables	0.00%	19	543	–	–	562	562
Loans and advances	2.94%	–	186	744	2,327	3,257	2,532
<b>Total financial liabilities</b>		<b>19</b>	<b>729</b>	<b>744</b>	<b>2,327</b>	<b>3,819</b>	<b>3,094</b>

## Loan agreement breaches

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations

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

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>5,085</b>	<b>5,086</b>	<b>1</b>	<b>0% F</b>
<b>User charges and fees</b>	<b>4,237</b>	<b>4,786</b>	<b>549</b>	<b>13% F</b>
Council received additional funding from TfNSW contract and ordered works to what was in the original budget.				
<b>Other revenues</b>	<b>141</b>	<b>238</b>	<b>97</b>	<b>69% F</b>
Council received additional income from Private Works, Donations, Sale of Scrap Metal and insurance rebates from Councils Mutual.				
<b>Operating grants and contributions</b>	<b>6,771</b>	<b>8,211</b>	<b>1,440</b>	<b>21% F</b>
Council received additional operating grants to what was originally budgeted due to Financial Assistance Grant being paid in advance and also Emergency Water funding for projects to secure the towns water supply. Additional exceptional circumstances grants were also given to both the Early Learning Centre and the Bogan Bush Mobile for both Drought and Covid 19 Funding.				
<b>Capital grants and contributions</b>	<b>573</b>	<b>3,196</b>	<b>2,623</b>	<b>458% F</b>
Council received additional Capital grants funds to what was originally budgeted due to Emergency Water funding for projects to secure the towns water supply during the drought. Council also received funds for a Railway Tourism Project and a third round of Stronger Country Community Funds to build a Youth and Community Centre.				
<b>Interest and investment revenue</b>	<b>307</b>	<b>248</b>	<b>(59)</b>	<b>(19)% U</b>
Due to Covid 19 and the economic downturn that followed interest rates declined varying the original budget.				
<b>Rental income</b>	<b>197</b>	<b>188</b>	<b>(9)</b>	<b>(5)% U</b>
Rental income increased slightly due to entering into new arrangements.				
<b>Joint ventures and associates – net profits</b>	<b>–</b>	<b>9</b>	<b>9</b>	<b>∞ F</b>
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>6,899</b>	<b>7,519</b>	<b>(620)</b>	<b>(9)% U</b>
Employee costs increased due to paying additional costs for contracted road works to be completed.				
<b>Borrowing costs</b>	<b>83</b>	<b>84</b>	<b>(1)</b>	<b>(1)% U</b>
<b>Materials and contracts</b>	<b>4,945</b>	<b>6,048</b>	<b>(1,103)</b>	<b>(22)% U</b>
Additional materials required due to additional Capital funding and road works requirements.				



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Material budget variations (continued)

<b>\$ '000</b>	<b>2020 Budget</b>	<b>2020 Actual</b>	<b>2020 ----- Variance -----</b>	
<b>Depreciation and amortisation</b>	<b>3,879</b>	<b>4,069</b>	<b>(190)</b>	<b>(5)% U</b>
New buildings and additions now attracting depreciation.				
<b>Other expenses</b>	<b>1,965</b>	<b>1,752</b>	<b>213</b>	<b>11% F</b>
Employee costs not relating to salaries and wages now included in these costings.				
<b>Net losses from disposal of assets</b>	<b>—</b>	<b>24</b>	<b>(24)</b>	<b>∞ U</b>
Loss on disposal of plant not in the original budget.				

## STATEMENT OF CASH FLOWS

<b>Cash flows from operating activities</b>	<b>3,302</b>	<b>5,313</b>	<b>2,011</b>	<b>61% F</b>
Additional operating cash flows due to extra TfNSW contract and ordered works as well as considerable additional grant funding.				
<b>Cash flows from investing activities</b>	<b>(3,907)</b>	<b>(5,815)</b>	<b>(1,908)</b>	<b>49% U</b>
Additional cash flows are due to additional funding received allowing further investments in infrastructure for Council.				
<b>Cash flows from financing activities</b>	<b>(143)</b>	<b>(112)</b>	<b>31</b>	<b>(22)% F</b>
Additional loan repayment not budgeted for internal loan.				

## 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

		Fair value measurement hierarchy			
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2020					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	—	—	5,558	5,558
Office equipment	30/06/20	—	—	246	246
Furniture and fittings	30/06/20	—	—	87	87
Operational land	30/06/20	—	—	401	401
Community land and crown land	30/06/20	—	—	2,801	2,801
Buildings – non-specialised	30/06/19	—	1,256	6,722	7,978
Buildings – specialised	30/06/19	—	—	8,259	8,259
Other structures	30/06/19	—	—	2,297	2,297
Roads	30/06/18	—	—	79,044	79,044
Bulk earthworks	30/06/18	—	—	63,710	63,710
Storm water drainage	30/06/18	—	—	8,123	8,123
Water supply network	30/06/17	—	—	32,199	32,199
Sewerage network	30/06/17	—	—	9,249	9,249
Bridges	30/06/18	—	—	11,846	11,846
Footpaths	30/06/18	—	—	1,828	1,828
Total infrastructure, property, plant and equipment		—	1,256	232,370	233,626

## Notes to the Financial Statements

for the year ended 30 June 2020

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

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	—	—	5,154	5,154
Office equipment	30/06/19	—	—	267	267
Furniture and fittings	30/06/19	—	—	104	104
Operational land	30/06/19	—	—	335	335
Community land and crown land	30/06/19	—	—	2,639	2,639
Buildings – non-specialised	30/06/19	—	1,256	6,855	8,111
Buildings – specialised	30/06/19	—	—	7,563	7,563
Other structures	30/06/19	—	—	2,279	2,279
Roads	30/06/18	—	—	79,455	79,455
Bulk earthworks	30/06/18	—	—	63,710	63,710
Storm water drainage	30/06/18	—	—	8,136	8,136
Water supply network	30/06/17	—	—	32,188	32,188
Sewerage network	30/06/17	—	—	9,293	9,293
Bridges	30/06/18	—	—	11,955	11,955
Footpaths	30/06/18	—	—	1,756	1,756
Total infrastructure, property, plant and equipment		—	1,256	231,689	232,945

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

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

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

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

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

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

##### Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant & Equipment – Graders, Trucks, Rollers, Tractors and Motor Vehicles.
- Office Equipment – Computers, photocopiers, calculators etc.
- Furniture & Fittings – Chairs, Desks etc

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

#### Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value, having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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of the actual market values in the Bogan Shire LGA. As these rates were not considered to be observable market evidence they have been classified as Level 3.

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

#### Buildings – Non-Specialised & Specialised

Non-Specialised & Specialised Buildings were valued by external valuers in 2019. Aspect Property Consultants used the principles of Fair Value as defined in Accounting Standard AASB13. They applied the following techniques;

Where a price for an identical asset is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

A cost approach was used to value buildings. As these assets were not considered to have observable market evidence they have been classified as Level 3.

#### Cost Approach

A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost)

All residential properties have been valued using the "Market Approach". As these were considered to have observable market evidence they have been classified as level 2 inputs.

#### Market Approach

A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets, liabilities or a group of assets and liabilities, such as a business.

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

#### Other Structures

Other Structures comprise the Nyngan Swimming Pool, Aerodrome buildings, playground equipment, lighting, irrigation systems and fencing etc. These assets have been valued by external valuers, Aspect Property Consultants using the principles of Fair Value as defined in Accounting Standard AASB13. They applied the following valuation techniques.

A cost approach was used to value other structures.

As these values were not considered to contain observable market evidence they have been classified as Level 3.

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

#### Roads

Roads comprise road carriageway, roadside shoulders and kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. A revaluation for this asset class was undertaken by APV Valuers & Asset Management as at 30/6/18 based on actual costs and assumptions from Council's Asset Manager and Engineering department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this assets class.

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

#### Storm Water Drainage

Storm Water Drainage comprises pipes, culverts and associated assets used for surface water to drain from roads.

The Cost Approach using level 3 inputs was used to value these assets. A revaluation for this asset class was undertaken by APV Valuers & Asset Management as at 30/6/18 based on actual costs and assumptions from Council's Asset Manager and Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this assets class.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### Water Supply Network

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

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

In 2016/2017 Council undertook a revaluation of its Water Assets by external Valuers Australis Asset Advisory Group using the principles of Fair Value as defined in Accounting Standard AASB13. As these values were not considered to contain observable market evidence they have been classified as Level 3.

These assets have been indexed on their 2018/2019 values as required by the rate advised by the NSW Reference Rates Manual. In addition to this useful lives have been reviewed and no adjustments have been considered necessary.

#### Sewerage Network

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

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets.

In 2016/2017 Council undertook a revaluation of its Sewer Assets by external Valuers Australis Asset Advisory Group using the principles of Fair Value as defined in Accounting Standard AASB13. As these values were not considered to contain observable market evidence they have been classified as Level 3.

These assets have been indexed on their 2018/2019 values as required by the rate advised by the NSW Reference Rates Manual.

## 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.

	<i>Plant and equipment Actual \$ '000</i>	<i>Office equipment Actual \$ '000</i>	<i>Furniture and fittings Actual \$ '000</i>	<i>Operational Land Actual \$ '000</i>	<i>Community/ crown land Actual \$ '000</i>
<b>2019</b>					
<b>Opening balance</b>	5,105	242	114	336	2,214
Purchases (GBV)	1,259	104	6	—	—
Disposals (WDV)	(531)	(5)	—	—	—
Depreciation and impairment	(679)	(75)	(16)	—	—
Other movement (Reval Increment)	—	—	—	—	427
Other movement (adjustments for rounding)	—	1	—	(1)	(2)
<b>Closing balance</b>	<b>5,154</b>	<b>267</b>	<b>104</b>	<b>335</b>	<b>2,639</b>

<b>2020</b>					
<b>Opening balance</b>	5,154	267	104	335	2,639
Purchases (GBV)	1,574	58	—	—	—
Disposals (WDV)	(462)	—	—	(36)	—
Depreciation and impairment	(708)	(79)	(17)	—	—
Other movement (Reval Increment)	—	—	—	102	162
<b>Closing balance</b>	<b>5,558</b>	<b>246</b>	<b>87</b>	<b>401</b>	<b>2,801</b>

	<i>Buildings non-specialised Actual \$ '000</i>	<i>Building specialised Actual \$ '000</i>	<i>Other structures Actual \$ '000</i>	<i>Roads Actual \$ '000</i>	<i>Bulk earthworks Actual \$ '000</i>
<b>2019</b>					
<b>Opening balance</b>	8,757	3,009	2,984	78,447	63,710
Purchases (GBV)	560	25	835	2,644	—
Depreciation and impairment	(432)	(706)	(72)	(1,636)	—
Other movement (Reval Increment)	—	5,234	—	—	—
Other movement (Reval Decrements)	(775)	—	(1,467)	—	—
Other movement (adjustments for rounding)	1	1	(1)	—	—
<b>Closing balance</b>	<b>8,111</b>	<b>7,563</b>	<b>2,279</b>	<b>79,455</b>	<b>63,710</b>

<b>2020</b>					
<b>Opening balance</b>	8,111	7,563	2,279	79,455	63,710
Purchases (GBV)	120	448	74	1,224	—
Depreciation and impairment	(264)	(381)	(72)	(1,635)	—
Other movement (WIP)	11	629	16	—	—
<b>Closing balance</b>	<b>7,978</b>	<b>8,259</b>	<b>2,297</b>	<b>79,044</b>	<b>63,710</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

	<i>Stormwater drainage Actual \$ '000</i>	<i>Water network Actual \$ '000</i>	<i>Bridges Actual \$ '000</i>
<b>2019</b>			
<b>Opening balance</b>	8,133	23,223	12,064
Purchases (GBV)	16	9,050	—
Disposals (WDV)	—	(9)	—
Depreciation and impairment	(13)	(448)	(108)
Other movement (Reval Increment)	—	372	—
Other movement (adjustments for rounding)	—	—	(1)
<b>Closing balance</b>	<b>8,136</b>	<b>32,188</b>	<b>11,955</b>
<b>2020</b>			
<b>Opening balance</b>	8,136	32,188	11,955
Purchases (GBV)	—	294	—
Disposals (WDV)	—	(56)	—
Depreciation and impairment	(13)	(532)	(109)
Other movement (Reval Increment)	—	305	—
<b>Closing balance</b>	<b>8,123</b>	<b>32,199</b>	<b>11,846</b>

	<i>Footpaths Actual \$ '000</i>	<i>Sewerage Actual \$ '000</i>	<i>Total Actual \$ '000</i>
<b>2019</b>			
<b>Opening balance</b>	1,728	9,293	<b>219,359</b>
Purchases (GBV)	118	24	<b>14,641</b>
Disposals (WDV)	—	(8)	<b>(553)</b>
Depreciation and impairment	(90)	(165)	<b>(4,440)</b>
Other movement (Reval Increment)	—	149	<b>6,182</b>
Other movement (Reval Decrements)	—	—	<b>(2,242)</b>
Other movement (adjustments for rounding)	—	—	<b>(2)</b>
<b>Closing balance</b>	<b>1,756</b>	<b>9,293</b>	<b>232,945</b>
<b>2020</b>			
<b>Opening balance</b>	1,756	9,293	<b>232,945</b>
Purchases (GBV)	163	46	<b>4,001</b>
Disposals (WDV)	—	(10)	<b>(564)</b>
Depreciation and impairment	(91)	(168)	<b>(4,069)</b>
Other movement (Reval Increment)	—	88	<b>657</b>
Other movement (WIP)	—	—	<b>656</b>
<b>Closing balance</b>	<b>1,828</b>	<b>9,249</b>	<b>233,626</b>

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

**Buildings - non-specialised**

\$46K was transferred into Buildings for the Library airconditioner and Wireless Link, RFS Buildings and SES Building \$612K, Renewals were made to the Environmental Building, the Council Chambers for \$70K, airconditioning to 8a & 8b Dandaloo St \$5K and Carport and awning at 75 Cobar and 41 Flashman Ave \$22K

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

**Buildings - specialised**

\$4k was spent on Racecourse & showground repairs and amenities blocks

**Other Structures**

Larkin Oval \$40K, Centenary Park \$24K, Davidson Park \$36K, Hermidale Sports Ground \$33K, Lions Park \$8k New waste bins \$12K, Mural Wall \$52K, Rotary Park \$47K, Nyngan Showground \$60K, Waste Depot \$23K Teamsters Rest \$23K, Tree Planting \$7K, Moonagee Park \$14K and Heritage Park \$9K

**Roads**

An amount of \$1,336k was transferred into roads for R2R Program resheeting and construction. \$978K was for Construction Hermidale/Nymagee Rd and \$224K was for construction Cockies Rd, \$18K was to construct a pedestrian refuge at the Nyngan Public School, \$3.5K for improving village entrance signs and \$18K for Information Bays.

**Footpaths**

An amount of \$48K was transferred in to footpaths for New construction at the Early Learning Centre Pangee Street and the Cycleway

**Stormwater**

\$27k was transferred into stormwater for levee bank gate improvements page

**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.

	<i><b>Fair value (30/6/20) \$ '000</b></i>	<i><b>Valuation technique/s</b></i>	<i><b>Unobservable inputs</b></i>
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	5,558	Valued at cost disclosed at fair value in the notes	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Office equipment	246	Valued at cost disclosed at fair value in the notes	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Furniture and fittings	87	Valued at cost disclosed at fair value in the notes	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Operational land	401	Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value, having regard to the highest and best use for the land	<ul style="list-style-type: none"> <li>• Land value based on price per square metre</li> </ul>
Community land and Crown land	2,801	Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value, having regard to the highest and best use for the land	<ul style="list-style-type: none"> <li>• Land value based on price per square metre</li> </ul>



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

	<b>Fair value (30/6/20) \$ '000</b>	<b>Valuation technique/s</b>	<b>Unobservable inputs</b>
Buildings – non - specialised	7,978	Cost & Market approach used by external Valuers, Aspect Property Consultants, Nyngan	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Buildings – specialised	8,259	Cost & Market approach used by external Valuers, Aspect Property Consultants, Nyngan	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Other structures	2,297	Cost & Market approach used by external Valuers, Aspect Property Consultants, Nyngan	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Roads	79,044	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Bulk earthworks	63,710	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Strom water drainage	8,123	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Water supply network	32,199	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Sewer network	9,249	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Bridges	11,846	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>
Footpaths	1,828	Cost Approach using Level 3 inputs due to no market based evidence	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>

## (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:

	<b>2020</b>	<b>2019</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Compensation:</b>		
Short-term benefits	1,192	978
Post-employment benefits	103	83
Other long-term benefits	31	34
Termination benefits	17	17
<b>Total</b>	<b>1,343</b>	<b>1,112</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Related party disclosures (continued)

## (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.

<i>Nature of the transaction</i>	<i>Ref</i>	<i>Value of transactions during year \$ '000</i>	<i>Outstanding balance (incl. loans and commitments) \$ '000</i>	<i>Terms and conditions</i>	<i>Provisions for impairment of receivables outstanding \$ '000</i>	<i>Expense recognised for impairment of receivables \$ '000</i>
<b>2020</b>						
Supply of goods and service	1	224	—	30 days	—	—
Supply of service	2	765	65	14 days	—	—
Supply of goods	3	20	—	14 days	—	—
Supply of goods	1	4	—	14 days	—	—
Supply of goods and service	3	545	—		—	—
Supply of goods and service	3	57	3	14 days	—	—
<b>2019</b>						
Supply of goods and service	1	121	—	30 days	—	—
Supply of service	2	853	10	14 days	—	—
Supply of goods	3	11	—	14 days	—	—
Supply of goods	1	4	—	14 days	—	—
Supply of goods and service	3	298	23		—	—
Supply of goods and service	3	48	10		—	—

- 1 Supply of goods and services by KMP. Supplier is engaged by Council under the normal conditions of Councils procurement policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms.
- 2 Contract works undertaken by KMP within a specialty area have been engaged under Councils normal procurement and tendering processes. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms.
- 3 Close family members of Council's KMP are engaged by Council under the conditions of Councils procurement policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms following Council procurement process.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 23. Related party disclosures (continued)

## (c) Other related party transactions

	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
<b>2020</b>						
Other contributions	4	12	—		—	—
<b>2019</b>						
Other contributions	4	10	—		—	—

4 Member Council Contribution to Orana Joint Organisation as disclosed in Note 17 Joint arrangements not recognised

## Note 24. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has entered into a voluntary planning agreement between themselves and Hera Mine to provide maintenance on the Hermidale Nymagee Road for an annual contribution from the mine .

Council must externally restrict the funds that are unused for future use on this road.

## Summary of contributions and levies

	as at 30/06/19						as at 30/06/20	
	Opening Balance \$ '000	Contributions received during the year		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000					
S7.4 planning agreements	—	120	—	—	—	—	120	—
<b>Total contributions</b>	<b>—</b>	<b>120</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>120</b>	<b>—</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Result by fund

	<b>General<sup>1</sup> 2020 \$ '000</b>	<b>Water 2020 \$ '000</b>	<b>Sewer 2020 \$ '000</b>
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	3,802	839	445
User charges and fees	3,348	1,281	157
Interest and investment revenue	169	33	46
Other revenues	231	4	3
Grants and contributions provided for operating purposes	8,100	103	8
Grants and contributions provided for capital purposes	1,809	1,387	—
Rental income	188	—	—
Share of interests in joint ventures and associates using the equity method	9	—	—
<b>Total income from continuing operations</b>	<b>17,656</b>	<b>3,647</b>	<b>659</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	7,044	364	111
Borrowing costs	84	—	—
Materials and contracts	3,827	1,715	506
Depreciation and amortisation	3,369	532	168
Other expenses	1,578	162	12
Net losses from the disposal of assets	(42)	56	10
<b>Total expenses from continuing operations</b>	<b>15,860</b>	<b>2,829</b>	<b>807</b>
<b>Operating result from continuing operations</b>	<b>1,796</b>	<b>818</b>	<b>(148)</b>
<b>Net operating result for the year</b>	<b>1,796</b>	<b>818</b>	<b>(148)</b>
<b>Net operating result attributable to each council fund</b>	<b>1,796</b>	<b>818</b>	<b>(148)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(13)</b>	<b>(569)</b>	<b>(148)</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 25. Result by fund (continued)

	<b>General<sup>1</sup></b>	<b>Water</b>	<b>Sewer</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,227	1,210	2,231
Investments	7,800	–	–
Receivables	2,563	286	88
Inventories	434	–	–
Other	76	–	–
<b>Total current assets</b>	<b>13,100</b>	<b>1,496</b>	<b>2,319</b>
<b>Non-current assets</b>			
Receivables	133	152	312
Infrastructure, property, plant and equipment	193,525	33,370	9,322
Investments accounted for using the equity method	61	–	–
<b>Total non-current assets</b>	<b>193,719</b>	<b>33,522</b>	<b>9,634</b>
<b>TOTAL ASSETS</b>	<b>206,819</b>	<b>35,018</b>	<b>11,953</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,002	37	7
Contract liabilities	518	–	–
Borrowings	116	–	–
Provisions	1,926	–	–
<b>Total current liabilities</b>	<b>3,562</b>	<b>37</b>	<b>7</b>
<b>Non-current liabilities</b>			
Borrowings	2,304	–	–
<b>Total non-current liabilities</b>	<b>2,304</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>5,866</b>	<b>37</b>	<b>7</b>
<b>Net assets</b>	<b>200,953</b>	<b>34,981</b>	<b>11,946</b>
<b>EQUITY</b>			
Accumulated surplus	139,527	16,093	7,044
Revaluation reserves	61,426	18,888	4,902
<b>Council equity interest</b>	<b>200,953</b>	<b>34,981</b>	<b>11,946</b>
<b>Total equity</b>	<b>200,953</b>	<b>34,981</b>	<b>11,946</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. Result by fund (continued)

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

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

	<b>Council ID / Ref Actual</b>
<b>Details of individual internal loans</b>	
Borrower (by purpose)	General Fund
Lender (by purpose)	Sewer Fund
Date of minister's approval	21/06/2018
Date raised	1/01/2019
Term (years)	10 years
Dates of maturity	1/07/2028
Rate of interest	3%
Amount originally raised	\$340,000
Total repaid during year (principal and interest)	\$30,072.04
<b>Principal outstanding at end of year</b>	<b>\$295,224.42</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(715)	(3.81)%	2.05%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	18,757			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	10,546	48.04%	50.98%	>60.00%
Total continuing operating revenue <sup>1</sup>	21,953			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	12,481	5.44x	7.82x	>1.50x
Current liabilities less specific purpose liabilities	2,294			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	3,438	17.54x	23.71x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	196			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	866	15.51%	8.33%	<10.00%
Rates, annual and extra charges collectible	5,583			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	13,468	9.95 mths	9.49 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,353			

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

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(0.40)%	3.02%	(22.70)%	2.64%	(20.94)%	(23.19)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	43.85%	48.53%	59.14%	53.74%	98.79%	100.00%	>60.00%
Total continuing operating revenue <sup>1</sup>							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.44x	7.82x	40.43x	61.65x	331.29x	215.64x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	17.29x	20.92x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.79%	7.46%	50.89%	11.71%	23.37%	9.89%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.00	8.63	6.48	5.83	42.56	40.99	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 26a above.

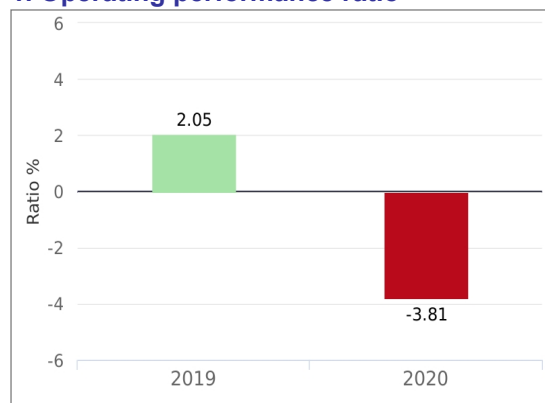
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26(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 (3.81)%

Due to Covid 19 Council has not been able to maintain operating expenditure within operating revenue. Financial assistance grant was also paid in advance in 2019/2020.

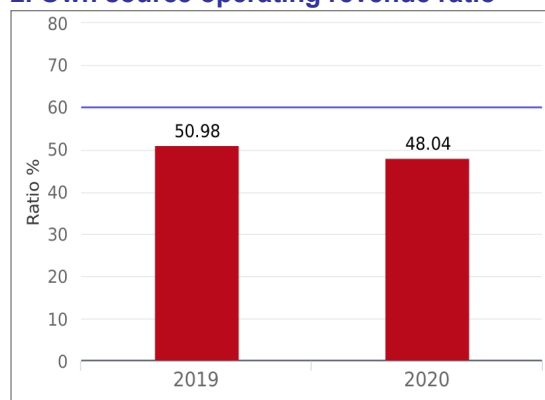
Benchmark: — > 0.00%

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 48.04%

2019/2020 operating income includes grant funding for drought Communities and Stronger Country Communities. These grants have been used to improve Rural and Regional Infrastructure in these communities not to fund operating expenditure. Council relies on the current Financial Assistance Grant to assist to fund both the Bogan Shire Early Learning Centre and the Medical Centre both run by the Council.

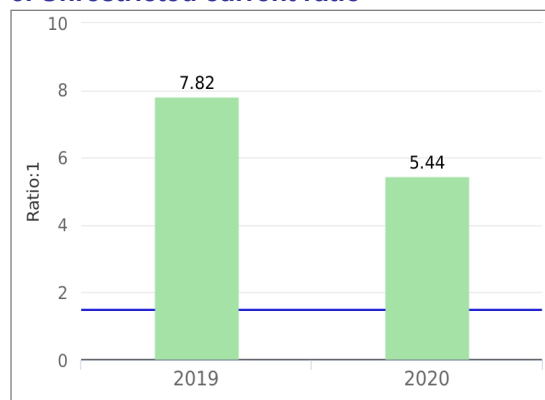
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

## 3. Unrestricted current ratio



## Purpose of unrestricted current ratio

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

## Commentary on 2019/20 result

2019/20 ratio 5.44x

Council continues to meet and exceed the benchmark for this ratio.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

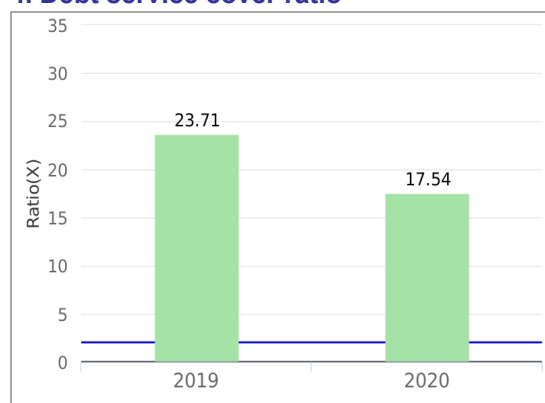
Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26(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 17.54x

Council continues to meet the benchmark for this ratio although operating cash has reduced in 2019/2020.

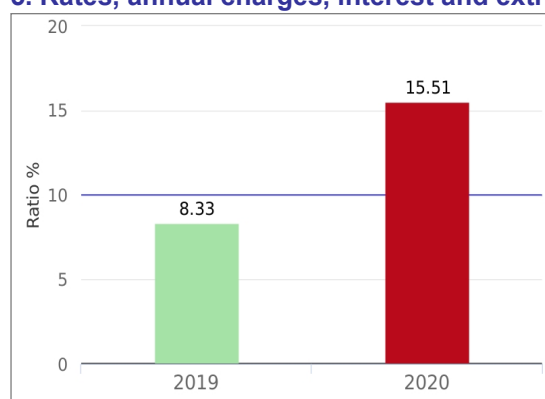
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

## Commentary on 2019/20 result

2019/20 ratio 15.51%

Due to severe Drought conditions in the Bogan Shire in 2019/2020 then some minor flooding and following with Covid 19 Council ratepayers are finding it more difficult to meet their commitments.

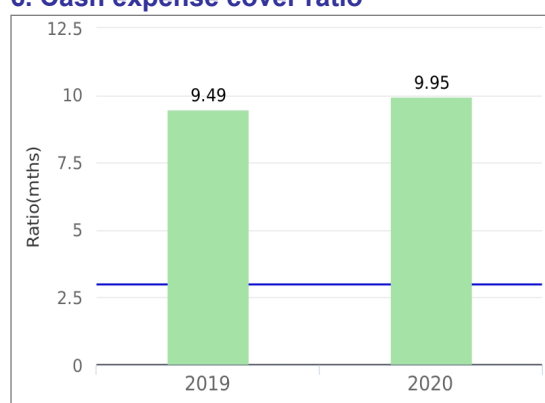
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

## 6. Cash expense cover ratio



## Purpose of cash expense cover ratio

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

## Commentary on 2019/20 result

2019/20 ratio 9.95 mths

Councils liquidity ratio remains above the benchmark in 2019/2020.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27. Council information and contact details

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**Principal place of business:**

81 Cobar Street  
Nyngan NSW 2825

**Contact details**

**Mailing Address:**

PO Box 221  
Nyngan NSW 2825

**Opening hours:**

8:00am - 4:30pm  
Monday to Friday

**Telephone:** 02 6835 9000

**Facsimile:** 02 6835 9011

**Internet:** [www.bogan.nsw.gv.au](http://www.bogan.nsw.gv.au)

**Email:** [admin@bogan.nsw.gv.au](mailto:admin@bogan.nsw.gv.au)

**Officers**

**General Manager**

D A Francis

**Elected members**

**Mayor**

R L Donald OAM

**Responsible Accounting Officer**

S A Waterhouse

**Public Officer**

Auditor General

**Auditors**

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

**Other information**

**ABN:** 68 886 242 083



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Bogan Shire Council

To the Councillors of Bogan Shire Council

### Opinion

I have audited the accompanying financial statements of Bogan 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

8 October 2020  
SYDNEY



Cr Ray Donald  
Mayor  
Bogan Shire Council  
PO Box 221  
NYNGAN NSW 2825

Contact: Manuel Moncada  
Phone no: 02 9275 7333  
Our ref: D2021781/1697

8 October 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Bogan 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 \$m	2019 \$m	Variance %
Rates and annual charges revenue	5.09	4.99	2.0
Grants and contributions revenue	11.41	11.74	2.8
Operating result from continuing operations	2.47	4.04	38.9
Net operating result before capital grants and contributions	(0.73)	(0.05)	1360



Council's operating result (\$2.5 million including the effect of depreciation and amortisation expense of \$4.1 million) was \$1.6 million lower than the 2018–19 result. This was mainly due to a reduction in revenue from RMS works.

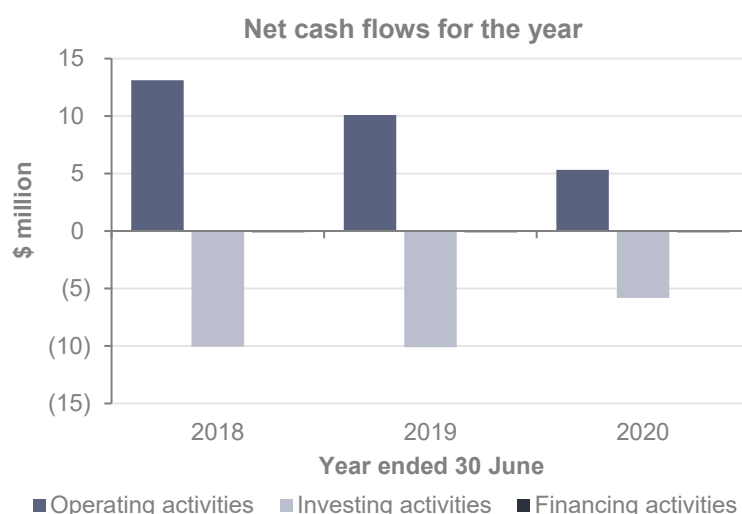
The net operating result before capital grants and contributions (\$730,000 deficit) was \$685,000 lower than the 2018–19 result. This was due to the reduction in revenue noted above.

Rates and annual charges revenue (\$5.1 million) increased by \$100,000 (2 per cent) in 2019–2020.

Grants and contributions revenue (\$11.4 million) decreased by \$11.7 million (2.8 per cent) in 2019–2020 due to reduced income from capital grants being recognised.

## 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 decreased by \$614,000 to \$5.7 million at the close of the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	4.1	4.2	<ul style="list-style-type: none"> <li>External restrictions include unspent specific purpose grants and water and sewerage funds.</li> <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>
Internal restrictions	5.3	4.5	
Unrestricted	4.1	5.4	
<b>Cash and investments</b>	<b>13.5</b>	<b>14.1</b>	

### Debt

After repaying principal and interest of \$196,000 total debt as at 30 June 2020 was \$2.4 million (2019: \$2.5 million).

## PERFORMANCE

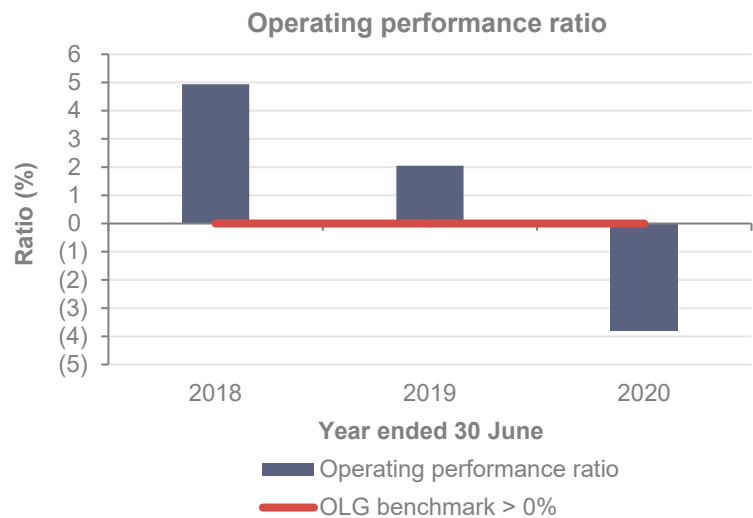
### Performance measures

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

## Operating performance ratio

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

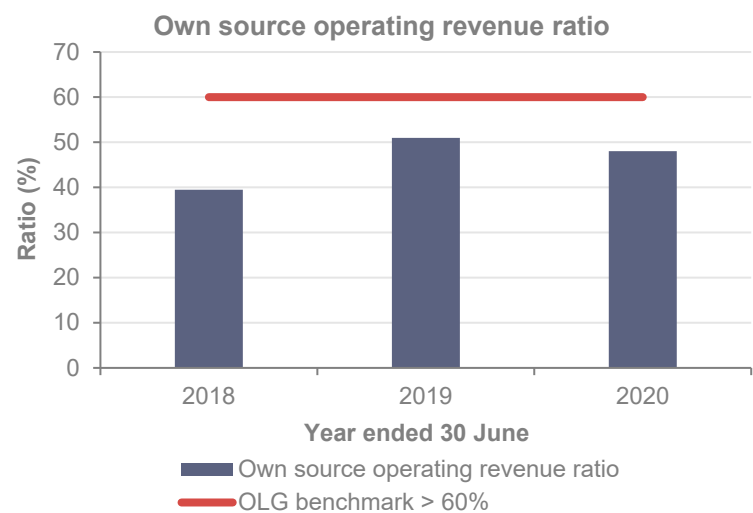
The Council did not meet the OLG benchmark for the current reporting period.



## Own source operating revenue ratio

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

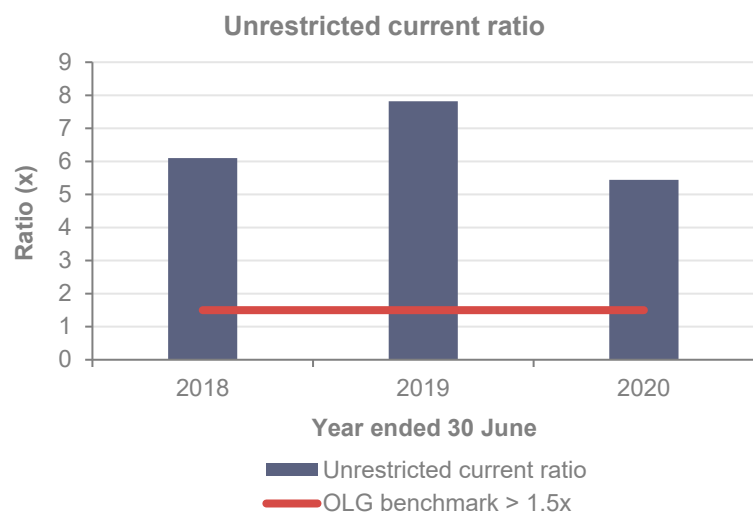
The Council did not meet the OLG benchmark for the current reporting period.



## Unrestricted current ratio

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

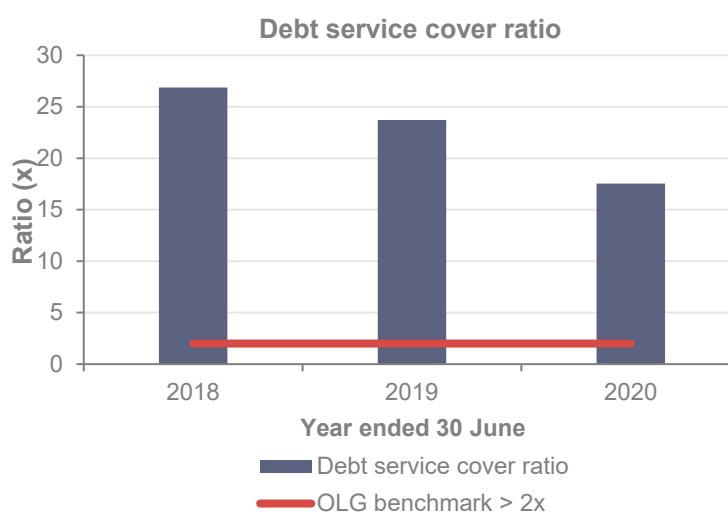
The Council exceeded the OLG benchmark for the current reporting period.



## Debt service cover ratio

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

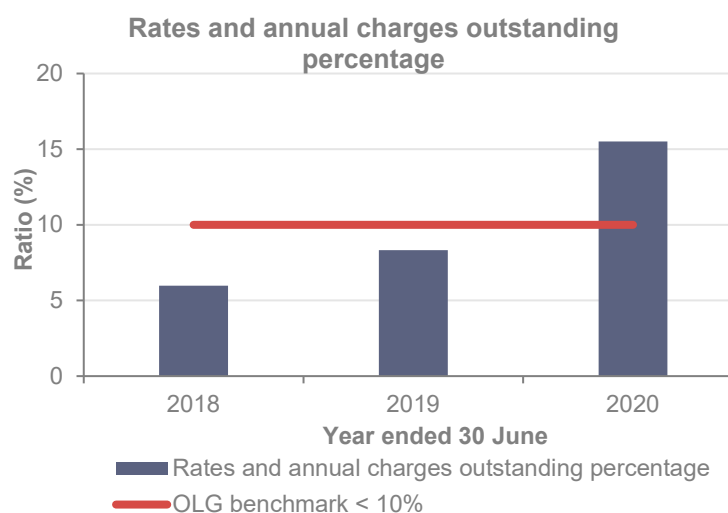
The Council exceeded the OLG benchmark for the current reporting period.



## Rates and annual charges outstanding percentage

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

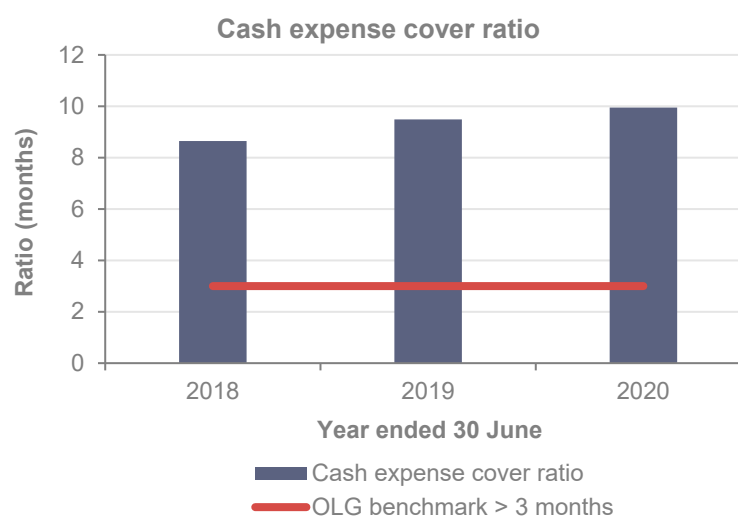
The Council did not meet the OLG benchmark for the current reporting period.



## Cash expense cover ratio

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

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



## Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$3.7 million compared to \$3.8 million for the prior year.
- Renewals primarily consisted of plant, roads, and other infrastructure.
- The level of asset renewals during the year represented 91 percent of the total depreciation expense (\$4.1 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 \$423,000 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

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


### **Legislative compliance**

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

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

The Council's:

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



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

cc: Derek Francis, General Manager  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Bogan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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## Special Purpose Financial Statements

for the year ended 30 June 2020

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### Background

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

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

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2020

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

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

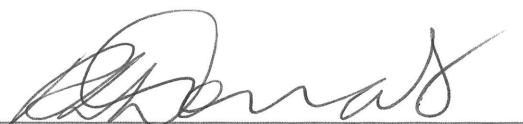
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

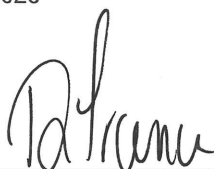
**Signed in accordance with a resolution of Council made on 27 August 2020.**



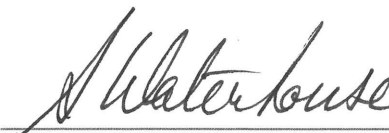
R L Donald OAM  
**Mayor**  
27 August 2020



G R J Neill  
**Councillor**  
27 August 2020



D A Francis  
**General Manager**  
27 August 2020



S A Waterhouse  
**Responsible Accounting Officer**  
27 August 2020



# Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

	2020 Actual \$ '000	2019 Actual \$ '000
<b>Income from continuing operations</b>		
Access charges	839	837
User charges	1,281	1,494
Interest	33	26
Grants and contributions provided for non-capital purposes	103	515
Other income	4	10
<b>Total income from continuing operations</b>	<b>2,260</b>	<b>2,882</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	364	391
Materials and contracts	1,715	1,342
Depreciation, amortisation and impairment	532	448
Water purchase charges	160	614
Loss on sale of assets	56	9
Other expenses	2	2
<b>Total expenses from continuing operations</b>	<b>2,829</b>	<b>2,806</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(569)</b>	<b>76</b>
Grants and contributions provided for capital purposes	1,387	1,541
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>818</b>	<b>1,617</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>818</b>	<b>1,617</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(21)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>818</b>	<b>1,596</b>
<b>Plus accumulated surplus</b>	<b>15,275</b>	<b>13,658</b>
– Corporate taxation equivalent	–	21
<b>Closing accumulated surplus</b>	<b>16,093</b>	<b>15,275</b>
<b>Return on capital %</b>	<b>(1.7)%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>863</b>	<b>349</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	818	1,596
Less: capital grants and contributions (excluding developer contributions)	(1,387)	(1,541)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>55</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>28</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

	<b>2020</b> <b>Actual</b> <b>\$ '000</b>	<b>2019</b> <b>Actual</b> <b>\$ '000</b>
<b>Income from continuing operations</b>		
Access charges	445	445
User charges	157	188
Liquid trade waste charges	–	3
Interest	46	36
Grants and contributions provided for non-capital purposes	8	9
Other income	3	9
<b>Total income from continuing operations</b>	<b>659</b>	<b>690</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	111	129
Materials and contracts	506	531
Depreciation, amortisation and impairment	168	165
Loss on sale of assets	10	9
Other expenses	12	16
<b>Total expenses from continuing operations</b>	<b>807</b>	<b>850</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(148)</b>	<b>(160)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(148)</b>	<b>(160)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(148)</b>	<b>(160)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(148)</b>	<b>(160)</b>
<b>Plus accumulated surplus</b>	<b>7,192</b>	<b>7,352</b>
<b>Closing accumulated surplus</b>	<b>7,044</b>	<b>7,192</b>
<b>Return on capital %</b>	<b>(1.6)%</b>	<b>(1.7)%</b>
<b>Subsidy from Council</b>	<b>230</b>	<b>283</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(148)	(160)

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

	2020 <i>Actual</i> \$ '000	2019 <i>Actual</i> \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,210	1,141
Receivables	286	462
<b>Total current assets</b>	<b>1,496</b>	<b>1,603</b>
<b>Non-current assets</b>		
Receivables	152	83
Infrastructure, property, plant and equipment	33,370	32,198
<b>Total non-current assets</b>	<b>33,522</b>	<b>32,281</b>
<b>TOTAL ASSETS</b>	<b>35,018</b>	<b>33,884</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	37	26
<b>Total current liabilities</b>	<b>37</b>	<b>26</b>
<b>TOTAL LIABILITIES</b>	<b>37</b>	<b>26</b>
<b>NET ASSETS</b>	<b>34,981</b>	<b>33,858</b>
<b>EQUITY</b>		
Accumulated surplus	16,093	15,275
Revaluation reserves	18,888	18,583
<b>TOTAL EQUITY</b>	<b>34,981</b>	<b>33,858</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

	2020 Actual \$ '000	2019 Actual \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,231	2,309
Receivables	88	63
<b>Total current assets</b>	<b>2,319</b>	<b>2,372</b>
<b>Non-current assets</b>		
Receivables	312	351
Infrastructure, property, plant and equipment	9,322	9,293
<b>Total non-current assets</b>	<b>9,634</b>	<b>9,644</b>
<b>TOTAL ASSETS</b>	<b>11,953</b>	<b>12,016</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	7	11
<b>Total current liabilities</b>	<b>7</b>	<b>11</b>
<b>TOTAL LIABILITIES</b>	<b>7</b>	<b>11</b>
<b>NET ASSETS</b>	<b>11,946</b>	<b>12,005</b>
<b>EQUITY</b>		
Accumulated surplus	7,044	7,192
Revaluation reserves	4,902	4,813
<b>TOTAL EQUITY</b>	<b>11,946</b>	<b>12,005</b>

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

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a. Bogan Shire Council Combined Water Supplies

Water supply operations servicing the town of Nyngan and the villages of Hermidale, Girilambone and Coolabah.

##### Category 2

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

##### b. Bogan Shire Council Sewerage Service

Sewerage reticulation and treatment operations and net assets servicing the town of Nyngan.

#### 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 \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

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

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

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

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

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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:

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

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

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

#### (iv) Dividends

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Bogan Shire Council

To the Councillors of Bogan Shire Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bogan 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
- Sewerage Business.

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

8 October 2020  
SYDNEY

# Bogan Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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Special Schedules  
for the year ended 30 June 2020

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Contents	Page
<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	7

## Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2019/20 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	2,913	2,856
Plus or minus adjustments <sup>2</sup>	b	83	65
<b>Notional general income</b>	c = a + b	<b>2,996</b>	<b>2,921</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)	78	79
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>3,074</b>	<b>3,000</b>
Plus (or minus) last year's carry forward total	l	93	6
<b>Sub-total</b>	n = (l + m)	<b>93</b>	<b>6</b>
<b>Total permissible income</b>	o = k + n	<b>3,167</b>	<b>3,006</b>
Less notional general income yield	p	3,069	2,913
<b>Catch-up or (excess) result</b>	q = o - p	<b>98</b>	<b>93</b>
Less unused catch-up <sup>5</sup>	s	(7)	—
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>91</b>	<b>93</b>

## Notes

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Bogan Shire Council

To the Councillors of Bogan Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bogan 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 from the end.

Manuel Moncada

Delegate of the Auditor-General for New South Wales

8 October 2020  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	<i>Estimated cost to bring assets to satisfactory standard</i>		<i>Estimated cost to bring to the agreed level of service set by Council</i>	<i>2019/20 Required maintenance<sup>a</sup></i>	<i>2019/20 Actual maintenance</i>	<i>Net carrying amount</i>	<i>Gross replacement cost (GRC)</i>	<i>Assets in condition as a percentage of gross replacement cost</i>				
		<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>			<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<b>Buildings</b>	Environment	20	20	2	22	27	34	88.0%	12.0%	0.0%	0.0%	0.0%	0.0%
	Community Services & Education	31	31	31	20	1,269	1,592	80.0%	0.0%	20.0%	0.0%	0.0%	0.0%
	Housing & Community Amenities	21	192	21	59	2,100	3,192	45.0%	0.0%	50.0%	5.0%	0.0%	0.0%
	Recreation & Culture	600	600	600	345	8,274	19,011	55.0%	25.0%	5.0%	2.0%	13.0%	0.0%
	Transport & Communication	25	25	25	4	1,441	3,122	20.0%	0.0%	80.0%	0.0%	0.0%	0.0%
	Admin Buildings	15	15	15	2	542	955	0.0%	85.0%	15.0%	0.0%	0.0%	0.0%
	Public Order & Safety	21	21	21	2	769	1,068	96.0%	0.0%	4.0%	0.0%	0.0%	0.0%
	Health	9	9	9	7	1,615	2,119	85.0%	0.0%	15.0%	0.0%	0.0%	0.0%
	Governance	140	80	80	—	200	1,031	0.0%	80.0%	20.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>882</b>	<b>993</b>	<b>804</b>	<b>461</b>	<b>16,237</b>	<b>32,124</b>	<b>51.8%</b>	<b>19.9%</b>	<b>18.9%</b>	<b>1.7%</b>	<b>7.7%</b>	
<b>Other structures</b>	Health	—	—	—	—	12	12	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Public Order & Safety	7	—	—	—	14	16	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Environment	—	—	—	—	192	226	5.0%	40.0%	55.0%	0.0%	0.0%	0.0%
	Recreation & Other Culture	300	300	300	225	1,802	2,558	50.0%	0.0%	50.0%	0.0%	0.0%	0.0%
	Transport & Communication	5	—	—	—	35	72	5.0%	40.0%	55.0%	0.0%	0.0%	0.0%
	Other Economic Affairs	—	—	—	—	209	776	50.0%	0.0%	0.0%	50.0%	0.0%	0.0%
	Housing & Community Amenities	—	—	—	—	33	33	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>312</b>	<b>300</b>	<b>300</b>	<b>225</b>	<b>2,297</b>	<b>3,693</b>	<b>47.2%</b>	<b>3.2%</b>	<b>39.1%</b>	<b>10.5%</b>	<b>0.0%</b>	



## Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance							
		\$ '000	\$ '000	\$ '000	\$ '000							
Roads	Bridges	20	20	—	—	11,846	13,783	0.0%	0.0%	97.0%	3.0%	0.0%
	Footpaths	40	40	30	—	1,827	4,260	3.0%	10.0%	50.0%	37.0%	0.0%
	Kerb & Gutter	10	10	40	—	1,508	2,918	0.0%	0.0%	99.0%	1.0%	0.0%
	Traffic Management Assets & Bus Shelters	30	30	5	—	630	1,073	1.0%	5.0%	60.0%	31.0%	3.0%
	Road Causeways	20	20	10	—	504	844	0.0%	53.0%	22.0%	22.0%	3.0%
	Regional Road Surface	100	100	100	—	2,968	3,975	25.0%	35.0%	30.0%	2.0%	8.0%
	Rural Road Pavement Unsealed	800	800	800	1,156	16,885	20,117	3.0%	37.0%	49.0%	4.0%	7.0%
	Town & Village Streets	90	90	300	369	7,136	9,709	1.0%	31.0%	67.0%	1.0%	0.0%
	Road Formation/Earthworks	—	—	—	3	63,710	63,710	100.0%	0.0%	0.0%	0.0%	0.0%
	Culverts	75	75	50	—	16,015	20,696	1.0%	41.0%	43.0%	12.0%	3.0%
	Regional Road Pavement Sealed	300	300	350	347	8,613	11,059	5.0%	0.0%	95.0%	0.0%	0.0%
	Regional Road Pavement Unsealed	300	300	350	449	1,820	2,200	0.0%	30.0%	65.0%	2.0%	3.0%
	Rural Road Pavement Sealed	150	150	200	340	15,744	19,913	2.0%	2.0%	94.0%	1.0%	1.0%
	Rural Road Surface	250	250	200	—	5,105	7,063	7.0%	32.0%	54.0%	3.0%	4.0%
	Runway & Carparks	90	90	67	—	2,528	2,917	1.0%	96.0%	3.0%	0.0%	0.0%
		Sub-total	2,275	2,275	2,502	2,664	156,428	184,237	36.5%	14.9%	43.5%	3.5%
Water supply network	Mains	90	90	80	80	8,356	15,075	10.0%	43.0%	26.0%	21.0%	0.0%
	Reservoirs & Tanks	20	20	120	138	3,585	5,573	2.0%	96.0%	1.0%	0.0%	1.0%
	Pumping Station/s	150	150	80	84	617	1,164	16.0%	58.0%	3.0%	22.0%	1.0%
	Treatment	375	375	140	151	2,942	6,793	1.0%	42.0%	30.0%	27.0%	0.0%
	Water Canals	100	100	150	309	6,350	6,350	0.0%	0.0%	100.0%	0.0%	0.0%
	Canal Structures	80	80	—	—	247	247	100.0%	0.0%	0.0%	0.0%	0.0%
	Dams/Weirs	15	15	100	110	10,093	11,032	81.0%	19.0%	0.0%	0.0%	0.0%
	Other	—	—	—	—	9	9	100.0%	0.0%	0.0%	0.0%	0.0%
		Sub-total	830	830	670	872	32,199	46,243	23.9%	37.7%	26.8%	11.4%
Sewerage network	Pumping Station/s	50	50	50	53	1,732	2,747	1.0%	93.0%	5.0%	1.0%	0.0%
	Treatment	80	80	150	163	2,155	2,592	1.0%	92.0%	6.0%	1.0%	0.0%
	Reticulation	30	30	50	49	5,353	9,178	1.0%	77.0%	22.0%	0.0%	0.0%
	Other	—	—	—	—	9	8	100.0%	0.0%	0.0%	0.0%	0.0%
		Sub-total	160	160	250	265	9,249	14,525	1.1%	82.7%	15.9%	0.4%

## Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	Estimated cost to bring assets to the agreed level of service set by Council \$ '000	\$ '000	\$ '000			1	2	3	4	5
Stormwater drainage	Open Drain	10	10	10	—	941	941	100.0%	0.0%	0.0%	0.0%	0.0%
	Levee	—	—	10	—	6,966	6,966	95.0%	100.0%	0.0%	0.0%	(95.0%)
	Gate	—	—	12	—	71	89	95.0%	5.0%	0.0%	0.0%	0.0%
	Sign	—	—	6	—	5	11	0.0%	0.0%	100.0%	0.0%	0.0%
	Pump Station	—	—	10	—	140	258	0.0%	0.0%	100.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>10</b>	<b>10</b>	<b>48</b>	<b>—</b>	<b>8,123</b>	<b>8,265</b>	<b>92.5%</b>	<b>84.3%</b>	<b>3.3%</b>	<b>0.0%</b>	<b>(80.1%)</b>
<b>TOTAL - ALL ASSETS</b>		<b>4,469</b>	<b>4,568</b>	<b>4,574</b>	<b>4,487</b>	<b>224,533</b>	<b>289,087</b>	<b>36.1%</b>	<b>24.3%</b>	<b>35.5%</b>	<b>4.4%</b>	<b>(0.4%)</b>

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

### Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2020	2020	2019	
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio <sup>1</sup>				
Asset renewals <sup>2</sup>	2,432	74.49%	67.57%	>=100.00%
Depreciation, amortisation and impairment	3,265			
Infrastructure backlog ratio <sup>1</sup>				
Estimated cost to bring assets to a satisfactory standard	4,469	1.99%	2.14%	<2.00%
Net carrying amount of infrastructure assets	224,533			
Asset maintenance ratio				
Actual asset maintenance	4,487	98.10%	96.36%	>100.00%
Required asset maintenance	4,574			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	4,568	1.58%	1.64%	
Gross replacement cost	289,087			

(\*) 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>	86.86%	74.62%	34.96%	40.85%	10.71%	9.70%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard	1.90%	2.06%	2.58%	2.58%	1.73%	2.26%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	91.68%	89.93%	130.15%	142.40%	106.00%	105.00%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.57%	1.61%	1.79%	1.82%	1.10%	1.46%	
Gross replacement cost							

(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.