



ATTACHMENTS

UNDER SEPARATE COVER

Ordinary Council Meeting

15 September 2020

Table of Contents

20.4	Audit Report - 2019 / 2020 General Purpose Financial Statements	
	Attachment 1 Narrandera Shire Council - 2020 Financial Statements.pdf	4
21.1	New Model Code of Conduct & Procedures	
	Attachment 1 Model-Code-of-Conduct-2020.....	119
	Attachment 2 DRAFT - NSC Model Code of Conduct for Local Councils NSW 2020	181
	Attachment 3 Model-Code-of-Conduct-at-a-Glance-Elected-Members-2020.....	228
	Attachment 4 OLG Circular 20-32 Amended Model COC	238

Narrandera Shire Council

ANNUAL FINANCIAL STATEMENTS

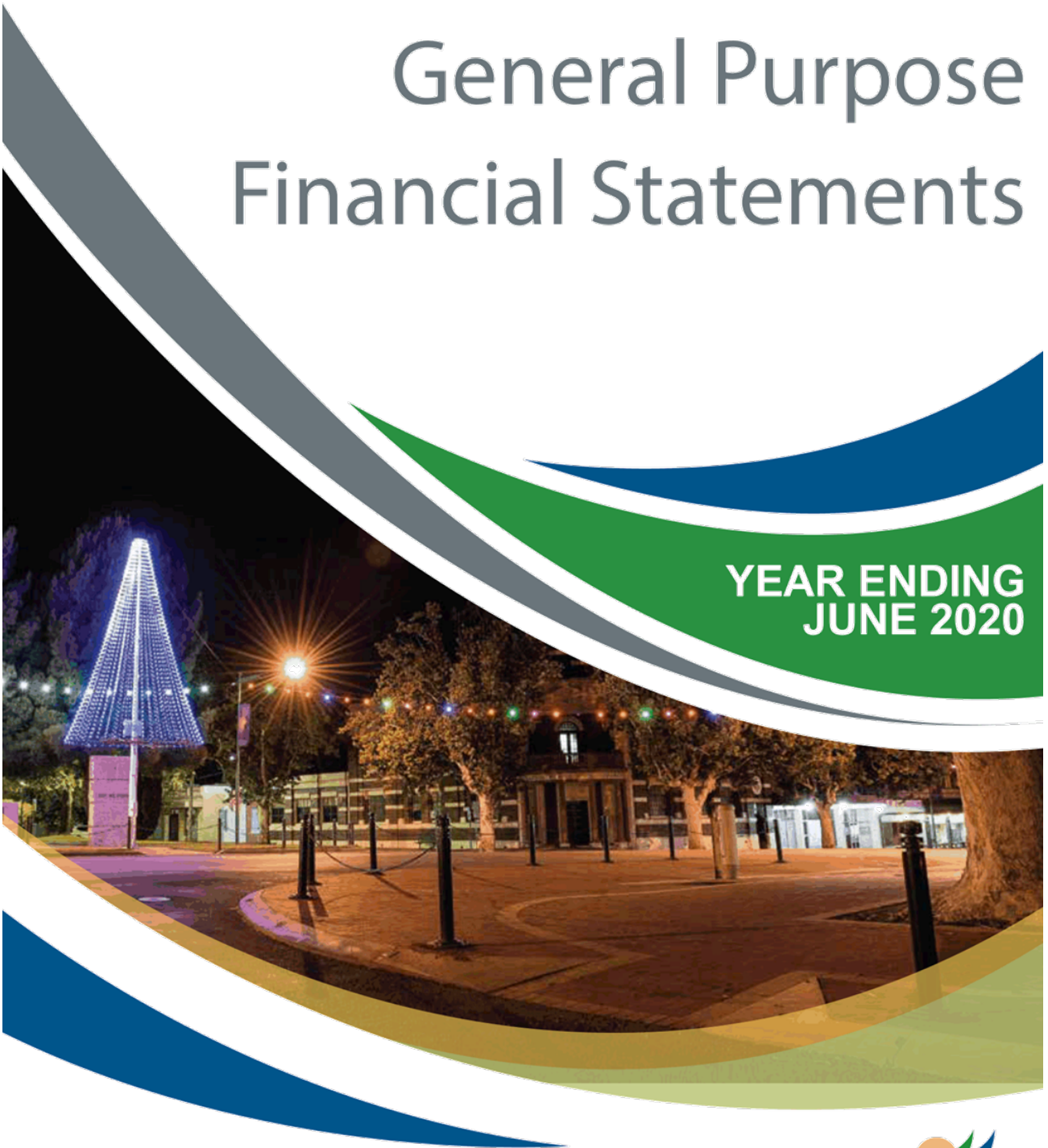
for the year ended 30 June 2020

Heart of Riverina



Narrandera Shire Council General Purpose Financial Statements

YEAR ENDING
JUNE 2020



Narrandera Shire Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	80
On the Financial Statements (Sect 417 [3])	83

Overview

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

141 East St
Narrandera NSW 2700

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.narrandera.nsw.gov.au

Narrandera Shire Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Narrandera Shire Council

General Purpose Financial Statements
for the year ended 30 June 2020

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

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

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

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

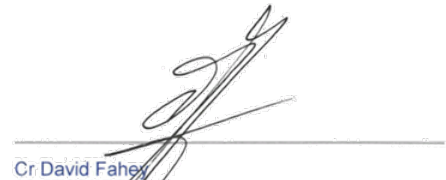
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

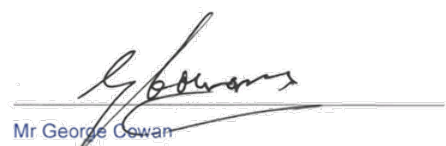
Signed in accordance with a resolution of Council made on 18 August 2020.




Cr Neville Kschenka
Mayor
18 August 2020



Cr David Fahey
Councillor
18 August 2020



Mr George Cowan
General Manager
18 August 2020



Mr Martin Hiscox
Responsible Accounting Officer
18 August 2020



Mr Shane Wilson
Deputy General Manager Infrastructure
18 August 2020

Narrandera Shire Council

Financial Statements 2020

Statement of Comprehensive Income
for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		4,343	4,919
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	(27,271)	566
Total items which will not be reclassified subsequently to the operating result		(27,271)	566
Total other comprehensive income for the year		(27,271)	566
Total comprehensive income for the year		(22,928)	5,485
Total comprehensive income attributable to Council		(22,928)	5,485

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.

Narrandera Shire Council

Financial Statements 2020

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	2,554	2,320
Investments	7(b)	26,610	22,607
Receivables	8	1,875	3,704
Inventories	9	603	691
Contract assets	11a	398	-
Total current assets		<u>32,040</u>	<u>29,322</u>
Non-current assets			
Receivables	8	26	27
Inventories	9	407	438
Infrastructure, property, plant and equipment	10	204,201	228,378
Right of use assets		-	-
Total non-current assets		<u>204,634</u>	<u>228,843</u>
Total assets		<u>236,674</u>	<u>258,165</u>
LIABILITIES			
Current liabilities			
Payables	13	1,712	1,585
Contract liabilities	11b	1,506	-
Provisions	14	2,563	2,523
Total current liabilities		<u>5,781</u>	<u>4,108</u>
Non-current liabilities			
Payables	13	3	3
Provisions	14	72	52
Total non-current liabilities		<u>75</u>	<u>55</u>
Total liabilities		<u>5,856</u>	<u>4,163</u>
Net assets		<u>230,818</u>	<u>254,002</u>
EQUITY			
Accumulated surplus	15	147,374	143,287
Revaluation reserves	15	83,444	110,715
Council equity interest		<u>230,818</u>	<u>254,002</u>
Total equity		<u>230,818</u>	<u>254,002</u>

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

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

Narrandera Shire Council

Financial Statements 2020

Statement of Changes in Equity
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		143,287	110,715	254,002	138,368	110,149	248,517
Changes due to AASB 1058 and AASB 15 adoption	15	(256)	–	(256)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Restated opening balance		143,031	110,715	253,746	138,368	110,149	248,517
Net operating result for the year		4,343	–	4,343	4,919	–	4,919
Restated net operating result for the period		4,343	–	4,343	4,919	–	4,919
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	(27,271)	(27,271)	–	566	566
Other comprehensive income		–	(27,271)	(27,271)	–	566	566
Total comprehensive income		4,343	(27,271)	(22,928)	4,919	566	5,485
Equity – balance at end of the reporting period		147,374	83,444	230,818	143,287	110,715	254,002

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.

Narrandera Shire Council

Financial Statements 2020

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
7,691	Rates and annual charges		7,791	7,406
3,317	User charges and fees		3,308	3,603
654	Investment and interest revenue received		683	686
9,625	Grants and contributions		13,117	10,833
–	Bonds, deposits and retention amounts received		93	11
739	Other		3,974	2,012
<i>Payments:</i>				
(7,542)	Employee benefits and on-costs		(7,702)	(7,628)
(4,402)	Materials and contracts		(5,389)	(5,121)
–	Bonds, deposits and retention amounts refunded		(11)	(17)
(1,782)	Other		(3,743)	(2,693)
8,300	Net cash provided (or used in) operating activities	16b	12,121	9,092
Cash flows from investing activities				
<i>Receipts:</i>				
4,290	Sale of investment securities		30,133	25,845
453	Sale of infrastructure, property, plant and equipment		757	168
–	Deferred debtors receipts		1	10
<i>Payments:</i>				
–	Purchase of investment securities		(33,350)	(24,097)
(12,823)	Purchase of infrastructure, property, plant and equipment		(9,428)	(9,693)
(8,080)	Net cash provided (or used in) investing activities		(11,887)	(7,767)
Cash flows from financing activities				
<i>Receipts:</i>				
1,620	Proceeds from borrowings and advances		–	–
1,620	Net cash flow provided (used in) financing activities		–	–
1,840	Net increase/(decrease) in cash and cash equivalents		234	1,325
304	Plus: cash and cash equivalents – beginning of year	16a	2,320	995
2,144	Cash and cash equivalents – end of the year	16a	2,554	2,320
15,962	plus: Investments on hand – end of year	7(b)	26,610	22,607
18,106	Total cash, cash equivalents and investments		29,164	24,927

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.

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	16
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	28
7(a)	Cash and cash equivalents	29
7(b)	Investments	29
7(c)	Restricted cash, cash equivalents and investments	31
8	Receivables	33
9	Inventories and other assets	35
10	Infrastructure, property, plant and equipment	37
11	Contract assets and liabilities	41
12	Leases	43
13	Payables and borrowings	46
14	Provisions	47
15	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	49
16	Statement of cash flow information	54
17	Interests in other entities	54
18	Commitments	55
19	Contingencies	56
20	Financial risk management	59
21	Material budget variations	62
22	Fair Value Measurement	64
23	Related party disclosures	70
24	Statement of developer contributions	71
25	Result by fund	72
26(a)	Statement of performance measures – consolidated results	75
26(b)	Statement of performance measures – by fund	76
Additional Council disclosures (unaudited)		
26(c)	Statement of performance measures – consolidated results (graphs)	77
27	Council information and contact details	79

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Covid 19 Impacts

Covid 19 has caused a disruption to council's business practices with a number of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Council has provided some rent relief to the lessee of Lake Talbot Tourist Park to compensate for lost income due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities.

Rate collections are marginally less than the previous year's however it is not known if this is a consequence of Covid or attributable to the prolonged drought. Other receivables have not been impacted.

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

Council is of the view that physical non-current assets will not experience substantial declines in value due to covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to covid.

continued on next page ...

Page 11 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

For assets where fair value is determined by market value Council has no evidence of material changes to these values. With covid emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30 June 2020.

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council**(a) The Consolidated Fund**

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

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

- General purpose operations
- Water service
- Sewerage service
- Barellan Hall and Museum
- Grong Grong Hall
- Narrandera Railway Management Committee
- Narrandera Koala Regeneration Centre Supervisory Committee
- Arts Centre and Narrandera Museum

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for the community transport program, museums at Narrandera and Barellan and also library services. The estimated value of these services has been included in the financial statements based on an average salary and on costs council would be required to pay if the services were not donated.

continued on next page ...

Page 12 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

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.

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.

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Our Community	3,266	3,868	5,440	5,225	(2,174)	(1,357)	1,661	2,454	22,170	21,318
Our Environment	1,154	1,115	1,579	1,428	(425)	(313)	152	126	3,044	3,004
Our Economy	1,120	937	2,049	1,990	(929)	(1,053)	–	3	7,683	7,147
Our Infrastructure	7,791	7,535	8,898	8,212	(1,107)	(677)	3,153	2,881	184,564	210,855
Our Civic Leadership	11,707	10,626	2,729	2,307	8,978	8,319	4,973	4,934	19,213	15,841
Total functions and activities	25,038	24,081	20,695	19,162	4,343	4,919	9,939	10,398	236,674	258,165

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Our Community

Security cameras, emergency services, health, aged & disabled services, social support, home modification and maintenance, community transport, community options, youth and childcare services, street lighting, public cemeteries, library, swimming pools, sportsgrounds, parks & reserves, Lake Talbot, sports stadium, cultural services, roads safety officer, arts centre.

Our Environment

Ordinance and ranger services, insect & vermin control, noxious weeds, waste management, public toilets, environmental protection, development control.

Our Economy

State Roads contract, economic development/real estate, industrial subdivision, industrial promotion, marketing & tourism, visitors centre, saleyards, caravan parks, private works, council land & buildings, aerodrome.

Our Infrastructure

Infrastructure services, stormwater, urban & rural roads, regional roads, bridges, Roads to Recovery, roads ancillary, car parking, water & sewer services.

Our Civic Leadership

Governance, council chambers, administration, finance, human resources & work health and safety, information technology, property/revenue, employment overheads, plant operations, external plant revenue and general purposes income.

Narrandera Shire Council

Financial Statements 2020

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

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	1,591	1,558
Farmland	1058 (1)	2,936	2,889
Business	1058 (1)	417	404
Less: pensioner rebates (mandatory)	1058 (1)	(133)	(136)
Rates levied to ratepayers		4,811	4,715
Pensioner rate subsidies received	1058 (1)	73	76
Total ordinary rates		4,884	4,791
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	750	727
Stormwater management services	1058 (1)	72	71
Water supply services	1058 (1)	776	730
Sewerage services	1058 (1)	1,275	1,176
Waste management services (non-domestic)	1058 (1)	116	113
Less: pensioner rebates (mandatory)	1058 (1)	(76)	(77)
Annual charges levied		2,913	2,740
Pensioner subsidies received:			
– Water	1058 (1)	22	22
– Sewerage	1058 (1)	20	20
Total annual charges		2,955	2,782
TOTAL RATES AND ANNUAL CHARGES		7,839	7,573

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

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

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

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

continued on next page ...

Page 16 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	1,448	1,409
Sewerage services	15 (1)	109	172
Total specific user charges		1,557	1,581
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	15 (1)	1	12
Planning and building regulation	15 (1)	45	60
Private works – section 67	15 (1)	134	296
Regulatory/ statutory fees	15 (1)	–	1
Section 10.7 certificates (EP&A Act)	15 (1)	20	27
Section 603 certificates	15 (1)	12	15
Companion animals fees	15 (1)	1	2
Total fees and charges – statutory/regulatory		213	413
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	78	104
Aged care	15 (1)	657	612
Cemeteries	15 (1)	161	117
Child care		–	79
Community centres	15 (1)	1	2
Leaseback fees – Council vehicles	15 (1)	18	15
Multipurpose centre	15 (1)	5	6
Transport for NSW (formerly RMS) charges (state roads not controlled by Council)	15 (1)	136	177
Transport for NSW (formerly RMS) charges (ordered works)	15 (1)	223	165
Sundry sales	15 (1)	–	6
Waste disposal tipping fees	15 (1)	14	11
Connection fees	15 (1)	16	32
Sportsground Fees	15 (1)	9	14
Halls	15 (1)	22	–
Library	15 (1)	4	7
Other	15 (1)	36	36
Stadium Fees	15 (1)	43	68
Total fees and charges – other		1,423	1,451
TOTAL USER CHARGES AND FEES		3,193	3,445

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

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

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

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

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

Accounting policy for user charges and fees

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

continued on next page ...

Page 17 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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.

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	27
Lease rentals (2019 only)		–	36
Lease rentals – Lake Talbot Tourist Park (2019 only)		–	83
Fines	1058 (1)	13	10
Legal fees recovery – rates and charges (extra charges)	15 (1)	(1)	1
Commissions and agency fees	15 (1)	42	41
Recycling income (non-domestic)	15 (1)	12	19
Diesel rebate	1058 (1)	66	68
Sales – general	15 (1)	87	65
Incentive insurance rebate	1058 (1)	48	96
Staff Housing (2019 only)	15 (1)	–	41
Insurance reimbursement	1058 (1)	29	29
Rural fire service reimbursement	1058 (1)	115	155
Sale of scrap materials	15 (1)	15	33
Temporary Sale of Water Allocation	15 (1)	1,360	–
Volunteer Services	15 (1)	460	–
Other	15 (1)	8	52
TOTAL OTHER REVENUE		2,254	756

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

Parking fines are recognised as revenue when the fine has been paid.

continued on next page ...

Page 18 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	2,413	2,418	-	-
Payment in advance - future year allocation					
Financial assistance	1058 (1)	2,557	2,507	-	-
Total general purpose		4,970	4,925	-	-
Specific purpose					
Sewerage services	1058 (2)	-	-	54	-
Bushfire and emergency services	1058 (1)	37	-	-	-
Employment and training programs	1058 (1)	4	9	-	-
Heritage and cultural	1058 (1)	34	35	-	-
Library	1058 (2)	-	-	84	25
Library – per capita	1058 (1)	58	22	-	-
Library – special projects	1058 (1)	19	8	-	-
Noxious weeds	1058 (1)	44	43	-	-
Recreation and culture	1058 (2)	-	1	77	45
Storm/flood damage	1058 (1)	-	-	-	1,614
Street lighting	1058 (1)	33	33	-	-
Transport (roads to recovery)	1058 (1)	1,496	932	-	-
Transport (other roads and bridges funding)	1058 (1)	599	209	646	172
Community services – recurrent grant	1058 (1)	2	7	-	-
Floodplain mapping and land use	1058 (1)	97	73	-	-
Lake Talbot – boat ramp	1058 (1)	-	-	-	27
Crown Lands	1058 (1)	-	71	-	-
Stronger Country Communities - Council Projects	1058 (2)	-	-	601	563
Stronger Country Communities - Community Grants	15 (2)	582	584	-	-
Drought Communities - Council Projects	1058 (2)	-	-	20	949
Drought Communities - Community Projects	15 (2)	43	51	-	-
Truck Wash	1058 (1)	-	-	414	-
Playground on The Murrumbidgee	1058 (2)	-	-	21	-
Other	1058 (1)	4	-	-	-
Total specific purpose		3,052	2,078	1,917	3,395
Total grants		8,022	7,003	1,917	3,395
Grant revenue is attributable to:					
– Commonwealth funding		6,512	5,918	115	949
– State funding		1,464	1,038	1,802	2,428
– Other funding		46	47	-	18
		8,022	7,003	1,917	3,395

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

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

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

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

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

continued on next page ...

Page 19 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.12 – fixed development consent levies		1058 (1)	–	–	22	35
S 64 – water supply contributions		1058 (1)	–	–	9	14
S 64 – sewerage service contributions		1058 (1)	–	–	9	5
Total developer contributions – cash			–	–	40	54
Total developer contributions	24		–	–	40	54
Other contributions:						
Cash contributions						
Recreation and culture		1058 (2)	–	–	3	338
Roads and bridges		1058 (1)	–	103	–	–
RMS contributions (regional roads, block grant)		1058 (1)	564	554	95	100
Other		15 (1)	–	–	10	–
Leeton Shire Council aerodrome contributions		15 (1)	48	30	4	17
Total other contributions – cash			612	687	112	455
Non-cash contributions						
Recreation and culture		15 (1)	–	–	–	10
Total other contributions – non-cash			–	–	–	10
Total other contributions			612	687	112	465
Total contributions			612	687	152	519
TOTAL GRANTS AND CONTRIBUTIONS			8,634	7,690	2,069	3,914

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

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

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

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

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

Accounting policy for 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 performance obligations within AASB 15 grants such as completion of milestones. 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.

continued on next page ...

Page 20 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

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.

continued on next page ...

Page 21 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	771	785
Add: operating grants recognised as income in the current period but not yet spent	790	764
Less: operating grants recognised in a previous reporting period now spent	(629)	(778)
Unexpended and held as externally restricted assets (operating grants)	932	771
Capital grants		
Unexpended at the close of the previous reporting period	243	330
Add: capital grants recognised as income in the current period but not yet spent	–	163
Less: capital grants recognised in a previous reporting period now spent	(226)	(250)
Unexpended and held as externally restricted assets (capital grants)	17	243
Contributions		
Unexpended at the close of the previous reporting period	646	707
Add: contributions recognised as income in the current period but not yet spent	63	167
Less: contributions recognised in a previous reporting period now spent	(23)	(228)
Unexpended and held as externally restricted assets (contributions)	686	646

Narrandera Shire Council

Financial Statements 2020

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

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	58	46
– Cash and investments	448	647
Dividend income (other)	14	10
Finance income on the net investment in the lease	–	–
Total Interest and investment income	520	703
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	32	26
General Council cash and investments	220	440
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	2	3
– Section 64	5	7
Water fund operations	162	209
Sewerage fund operations	28	18
Domestic waste management operations	71	–
Total interest and investment revenue	520	703

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.

Narrandera Shire Council

Financial Statements 2020

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

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	6,543	6,490
Employee leave entitlements (ELE)	1,374	1,326
Superannuation	792	757
Workers' compensation insurance	465	421
Fringe benefit tax (FBT)	14	35
Sick leave insurance	10	10
Other	9	16
Total employee costs	9,207	9,055
Less: capitalised costs	(1,424)	(1,492)
TOTAL EMPLOYEE COSTS EXPENSED	7,783	7,563
Number of 'full-time equivalent' employees (FTE) at year end	107	110

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, when 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.

continued on next page ...

Page 24 of 90

Narrandera Shire Council

Financial Statements 2020

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

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(b) Materials and contracts		
Raw materials and consumables	3,726	3,783
Contractor and consultancy costs	1,604	883
Auditors remuneration ²	65	64
Legal expenses:		
– Legal expenses: planning and development	14	8
– Legal expenses: debt recovery	–	2
– Legal expenses: other	7	9
Expenses from leases of low value assets (2020 only)	13	–
Variable lease expense relating to usage (2020 only)	3	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	16
Total materials and contracts	<u>5,432</u>	<u>4,765</u>
TOTAL MATERIALS AND CONTRACTS	<u>5,432</u>	<u>4,765</u>

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:

Copiers	–	16
	<u>–</u>	<u>16</u>

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	41	40
Remuneration for audit and other assurance services	<u>41</u>	<u>40</u>
Total Auditor-General remuneration	<u>41</u>	<u>40</u>

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Internal Audit	24	24
Remuneration for audit and other assurance services	<u>24</u>	<u>24</u>
Total Auditor remuneration	<u>65</u>	<u>64</u>

continued on next page ...

Page 25 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(c) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		573	562
Office equipment		138	113
Furniture and fittings		8	7
Land improvements (depreciable)		3	–
Infrastructure:	10		
– Buildings – non-specialised		507	418
– Buildings – specialised		312	237
– Other structures		338	332
– Roads		1,991	1,991
– Bridges		165	165
– Footpaths		21	20
– Stormwater drainage		99	99
– Water supply network		488	481
– Sewerage network		299	295
– Swimming pools		94	79
– Other open space/recreational assets		93	83
Other assets:			
– Library books		14	11
– Other		1	2
Total gross depreciation and amortisation costs		<u>5,144</u>	<u>4,895</u>
Total depreciation and amortisation costs		<u>5,144</u>	<u>4,895</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>5,144</u>	<u>4,895</u>

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

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

Impairment of non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

continued on next page ...

Page 26 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(d) Other expenses		
Advertising	9	9
Bad and doubtful debts	6	5
Bank charges	73	42
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	251	204
– Western Riverina Library	32	32
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	99	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	31	32
Donations, contributions and assistance to other organisations (Section 356)	35	19
Electricity and heating	492	466
Fire control expenses	70	92
Insurance	384	357
Postage	18	22
Printing and stationery	35	45
Street lighting	134	161
Subscriptions and publications	74	82
Telephone and communications	70	66
Valuation fees	26	31
Volunteer Services expense	460	–
Other	10	7
Total other expenses	2,336	1,805
TOTAL OTHER EXPENSES	2,336	1,805

Accounting policy for other expenses

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

Narrandera Shire Council

Financial Statements 2020

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

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		528	–
Less: carrying amount of property assets sold/written off		(252)	–
Net gain/(loss) on disposal		276	–
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		229	168
Less: carrying amount of plant and equipment assets sold/written off		(133)	(82)
Net gain/(loss) on disposal		96	86
Infrastructure			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(836)	(220)
Net gain/(loss) on disposal		(836)	(220)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		30,133	25,845
Less: carrying amount of investments sold/redeemed/matured		(29,347)	(25,845)
Net gain/(loss) on disposal		786	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		322	(134)

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.

Narrandera Shire Council

Financial Statements 2020

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	585	147
Cash-equivalent assets		
– Deposits at call	1,969	2,173
Total cash and cash equivalents	<u>2,554</u>	<u>2,320</u>

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	10	–	10	–
b. 'Financial assets at amortised cost'	26,600	–	22,597	–
Total Investments	<u>26,610</u>	<u>–</u>	<u>22,607</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>29,164</u>	<u>–</u>	<u>24,927</u>	<u>–</u>
Financial assets at fair value through the profit and loss				
Unlisted equity securities	10	–	10	–
Total	<u>10</u>	<u>–</u>	<u>10</u>	<u>–</u>
Financial assets at amortised cost				
Long term deposits	26,600	–	22,597	–
Total	<u>26,600</u>	<u>–</u>	<u>22,597</u>	<u>–</u>

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

Council classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- financial assets at amortised cost;

The classification depends on the purpose for which the investments were acquired.

continued on next page ...

Page 29 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost are measured at fair value through profit or loss.

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

Council's financial assets measured at fair value through profit or loss comprise investments in Southern Phone Limited until sold in the 2020 financial year and Narrandera District Investments Ltd. (Bendigo Bank).

Narrandera Shire Council

Financial Statements 2020

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

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	29,164	–	24,927	–
attributable to:				
External restrictions	14,960	–	12,985	–
Internal restrictions	14,089	–	11,787	–
Unrestricted	115	–	155	–
	29,164	–	24,927	–

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,303	–
Unexpended contributions - general fund (2020 only)	203	–

External restrictions – included in liabilities	1,506	–
--	--------------	----------

External restrictions

Developer contributions – general	172	169
Developer contributions – water fund	320	306
Developer contributions – sewer fund	77	68
RMS contributions	117	101
Specific purpose unexpended grants (recognised as revenue) – general fund	949	1,014
Water supplies	7,327	6,818
Water supplies – carry over works	275	542
Sewerage services	399	307
Sewerage services – carry over works	419	179
Stormwater management	541	511
Crown lands	274	232
Other	–	2
Domestic waste management	2,584	2,736
External restrictions	13,454	12,985
Total external restrictions	14,960	12,985

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Internal restrictions		
Plant and vehicle replacement	1,766	342
Employees leave entitlement	1,230	1,230
Carry over works revenue funded	1,189	729
Deposits, retentions and bonds	224	143
Financial assistance grant	2,557	2,507
Building maintenance and repair	96	155
Community activities	382	366
Construction of buildings	862	377
Lake Talbot pool reserve	-	1,807
Positive ageing strategy	666	773
Office equipment	531	514
Narrandera business centre	1,970	1,992
Property development	175	141
Gravel Pits	34	19
Sale of Water Allocation	1,191	-
Sale of Southern Phone	786	-
Other	430	692
Total internal restrictions	14,089	11,787
TOTAL RESTRICTIONS	29,049	24,772

Narrandera Shire Council

Financial Statements 2020

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

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	642	25	557	25
Interest and extra charges	66	–	66	–
User charges and fees	309	–	338	–
Accrued revenues				
– Interest on investments	143	–	306	–
– Other income accruals	187	–	185	–
Deferred debtors	1	1	1	2
Government grants and subsidies	467	–	2,017	–
Net GST receivable	76	–	196	–
RMS receivables	–	–	73	–
Other debtors	19	–	–	–
Total	1,910	26	3,739	27
Less: provision of impairment				
Rates and annual charges	(26)	–	(26)	–
Interest and extra charges	(2)	–	(2)	–
User charges and fees	(7)	–	(7)	–
Total provision for impairment – receivables	(35)	–	(35)	–
TOTAL NET RECEIVABLES	1,875	26	3,704	27

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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. Loans and receivables are included in receivables (Note 8) in the Statement of Financial Position.

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.

continued on next page ...

Page 33 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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.

Covid 19

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

Narrandera Shire Council

Financial Statements 2020

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

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Inventories				
(i) Inventories at cost				
Real estate for resale	22	407	22	438
Stores and materials	562	-	650	-
Trading stock	19	-	19	-
Total inventories at cost	603	407	691	438
TOTAL INVENTORIES	603	407	691	438

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development				
Industrial/commercial	22	407	22	438
Total real estate for resale	22	407	22	438
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	11	203	11	234
Development costs	11	204	11	204
Total costs	22	407	22	438
Total real estate for resale	22	407	22	438
Movements:				
Real estate assets at beginning of the year	22	438	22	438
- Transfers in from (out to) Note 10	(31)	-	-	-
- Transfer between current/non-current	31	(31)	-	-
Total real estate for resale	22	407	22	438

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

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

\$ '000	2020	2019
Real estate for resale	22	22
	22	22

continued on next page ...

Page 35 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

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

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

Land held for resale/capitalisation of borrowing costs

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

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

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	4,785	–	4,785	3,196	1,112	–	–	(3,331)	–	–	–	5,762	–	5,762
Plant and equipment	7,841	(4,734)	3,107	–	977	(133)	(573)	46	–	–	–	8,352	(4,928)	3,424
Office equipment	1,380	(901)	479	–	157	–	(138)	–	–	–	–	1,537	(1,039)	498
Furniture and fittings	131	(121)	10	–	24	–	(8)	–	–	–	–	155	(129)	26
Land:														
– Operational land	3,577	–	3,577	–	61	(75)	–	–	31	–	–	3,594	–	3,594
– Community land	6,634	–	6,634	–	–	–	–	–	–	–	–	6,634	–	6,634
Land improvements – non-depreciable	99	–	99	–	–	–	–	–	–	–	–	99	–	99
Land improvements – depreciable	–	–	–	–	40	–	(3)	105	–	–	–	145	(3)	142
Infrastructure:														
– Buildings – non-specialised	22,810	(14,709)	8,101	23	95	(177)	(507)	447	–	–	–	22,833	(14,851)	7,982
– Buildings – specialised	11,740	(5,535)	6,205	–	438	–	(312)	664	–	–	–	12,754	(5,759)	6,995
– Other structures	11,170	(6,599)	4,571	–	1,428	(61)	(338)	483	–	–	–	12,799	(6,716)	6,083
– Roads	98,767	(18,081)	80,686	1,320	19	–	(1,991)	733	–	(31,662)	–	78,567	(29,462)	49,105
– Bridges	15,958	(6,350)	9,608	–	–	–	(165)	–	–	–	387	15,203	(5,373)	9,830
– Footpaths	1,524	(226)	1,298	–	20	–	(21)	32	–	(565)	–	1,240	(476)	764
– Bulk earthworks (non-depreciable)	54,645	–	54,645	–	–	–	–	–	–	–	3,776	58,421	–	58,421
– Stormwater drainage	9,918	(3,370)	6,548	–	–	–	(99)	–	–	–	452	10,612	(3,711)	6,901
– Water supply network	31,413	(14,043)	17,370	390	41	(67)	(488)	798	–	–	165	31,524	(13,315)	18,209
– Sewerage network	25,558	(7,040)	18,518	56	–	–	(299)	23	–	–	176	25,801	(7,327)	18,474
– Swimming pools	3,466	(2,332)	1,134	–	3	(708)	(94)	–	–	–	–	1,338	(1,003)	335
– Other open space/recreational assets	1,367	(634)	733	–	–	–	(93)	–	–	–	–	1,367	(727)	640
Other assets:														
– Library books	148	(24)	124	–	28	–	(14)	–	–	–	–	176	(38)	138
– Other	149	(3)	146	–	–	–	(1)	–	–	–	–	149	(4)	145
Total Infrastructure, property, plant and equipment	313,080	(84,702)	228,378	4,985	4,443	(1,221)	(5,144)	–	31	(32,227)	4,956	299,062	(94,861)	204,201

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

continued on next page ...

Page 37 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,411	–	1,411	–	4,263	–	–	–	(889)	–	–	4,785	–	4,785
Plant and equipment	7,570	(4,381)	3,189	–	562	–	(82)	(562)	–	–	–	7,841	(4,734)	3,107
Office equipment	1,114	(788)	326	–	135	–	–	(113)	131	–	–	1,380	(901)	479
Furniture and fittings	131	(114)	17	–	–	–	–	(7)	–	–	–	131	(121)	10
Land:														
– Operational land	3,577	–	3,577	–	–	–	–	–	–	–	–	3,577	–	3,577
– Community land	6,634	–	6,634	–	–	–	–	–	–	–	–	6,634	–	6,634
Land improvements – non-depreciable	99	–	99	–	–	–	–	–	–	–	–	99	–	99
Infrastructure:														
– Buildings – non-specialised	22,770	(14,306)	8,464	58	33	–	–	(418)	–	(36)	–	22,810	(14,709)	8,101
– Buildings – specialised	11,890	(5,467)	6,423	–	56	–	(36)	(237)	8	(9)	–	11,740	(5,535)	6,205
– Other structures	10,948	(6,614)	4,334	177	400	–	(182)	(332)	90	84	–	11,170	(6,599)	4,571
– Roads	98,767	(19,946)	78,821	2,388	10	1,220	–	(1,991)	238	–	–	98,767	(18,081)	80,686
– Bridges	15,958	(6,185)	9,773	–	–	–	–	(165)	–	–	–	15,958	(6,350)	9,608
– Footpaths	1,508	(205)	1,303	–	15	–	–	(20)	–	–	–	1,524	(226)	1,298
– Bulk earthworks (non-depreciable)	54,645	–	54,645	–	–	–	–	–	–	–	–	54,645	–	54,645
– Stormwater drainage	9,918	(3,271)	6,647	–	–	–	–	(99)	–	–	–	9,918	(3,370)	6,548
– Water supply network	30,222	(13,343)	16,879	–	278	–	(2)	(481)	422	–	274	31,413	(14,043)	17,370
– Sewerage network	25,156	(6,635)	18,521	–	–	–	–	(295)	–	–	292	25,558	(7,040)	18,518
– Swimming pools	3,461	(2,253)	1,208	5	–	–	–	(79)	–	–	–	3,466	(2,332)	1,134
– Other open space/recreational assets	1,381	(571)	810	45	–	1,381	–	(83)	–	(39)	–	1,367	(634)	733
Other assets:														
– Library books	191	(104)	87	–	48	–	–	(11)	–	–	–	148	(24)	124
– Other	149	(1)	148	–	–	–	–	(2)	–	–	–	149	(3)	146
Total Infrastructure, property, plant and equipment	307,500	(84,184)	223,316	2,673	5,800	1,220	(302)	(4,895)	–	–	566	313,080	(84,702)	228,378

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

continued on next page ...

Page 38 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10
Office furniture	5 to 20	Benches, seats etc.	15 to 40
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	135
Bores	20 to 80	Culverts	135
Reticulation pipes: PVC	80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 50		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	23	Swimming pools	25 to 40
Sealed roads: structures	40	Other open space/recreational assets	10 to 40
Sealed roads: pavement	100	Other infrastructure	10 to 80
Bridge: concrete	100		
Bridge: other	80		
Unsealed road pavements	30-40		
Kerb, gutter and footpaths	75		

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

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

Land under roads

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

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

continued on next page ...

Page 39 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment. Council has not acquired any land under roads after 1 July 2018.

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Council recognises the RFS buildings on council controlled land however does not recognise the vehicles as it has no control of these assets.

Narrandera Shire Council

Financial Statements 2020

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

Note 11. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Construction of Roads	323	–
Construction of Sewer	54	–
Construction of Recreation Assets	21	–
Total Contract assets	398	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,188	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	115	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	203	–
Total grants received in advance		1,506	–
Total contract liabilities		1,506	–

Notes

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

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

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	198
Operating grants (received prior to performance obligation being satisfied)	58
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	256

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.

continued on next page ...

Page 41 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities (continued)

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.

Narrandera Shire Council

Financial Statements 2020

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

Terms and conditions of leases

Office and IT equipment

Leases for photocopiers are considered low value assets. The leases are for 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

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

(a) Income Statement

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

Variable lease payments based on usage not included in the measurement of lease liabilities	3
Expenses relating to low-value leases	13
	16

(b) Statement of Cash Flows

Total cash outflow for leases	16
	16

Leases at significantly below market value – concessionary / peppercorn leases

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

- Council Works Depot
- Cemetery
- Lake Talbot Water Park
- Old Railway Station

The leases have varying terms and require payments of less than \$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.

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

continued on next page ...

Page 43 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

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)

Refer to Note 5c and Note 18.

(ii) Council as a lessor

(c) Operating leases

Council leases out a number of properties for staff housing, health services, training providers, emergency services and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 Investment Property as they are either occupied by council employees or held for strategic purposes.

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

\$ '000	2020
(i) Operating lease income	
Tower Rental	42
Caravan Park	56
Staff Housing	32
Shops & Offices	59
Aerodrome Hangers	13
Other	5
Total income relating to operating leases	207

(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	187
1–2 years	182
2–3 years	176
3–4 years	182
4–5 years	77
> 5 years	25
Total undiscounted contractual lease income receivable	829

continued on next page ...

Page 44 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

Accounting policy

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

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

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

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

Narrandera Shire Council

Financial Statements 2020

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

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	1,017	–	1,062	–
Accrued expenses:				
– Salaries and wages	224	–	154	–
Security bonds, deposits and retentions	224	3	142	3
Other	3	–	20	–
Prepaid rates	244	–	207	–
Total payables	1,712	3	1,585	3
TOTAL PAYABLES AND BORROWINGS	1,712	3	1,585	3

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

Financing arrangements

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

Bank overdraft facilities ¹	350	350
Credit cards/purchase cards	45	45
Total financing arrangements	395	395
Drawn facilities as at balance date:		
– Credit cards/purchase cards	7	9
Total drawn financing arrangements	7	9
Undrawn facilities as at balance date:		
– Bank overdraft facilities	350	350
– Credit cards/purchase cards	38	36
Total undrawn financing arrangements	388	386

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Accounting policy for payables and borrowings

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

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

Payables

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

Narrandera Shire Council

Financial Statements 2020

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

Note 14. Provisions

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	786	–	824	–
Long service leave	1,733	72	1,672	52
Rostered days off	44	–	27	–
Sub-total – aggregate employee benefits	2,563	72	2,523	52
TOTAL PROVISIONS	2,563	72	2,523	52

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

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	1,700	1,675
	<u>1,700</u>	<u>1,675</u>

Nature and purpose of non-employee benefit provisions**Asset remediation**

Council has various landfill sites (tips) and gravel quarries situated throughout the shire. These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

These future liabilities have however, not been brought to account due to;

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's financial results or financial position as at 30/6/20.

Accordingly, no provision amounts have been brought to account in these financial statements for such future reinstatement and restoration costs.

Accounting policy for provisions

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

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

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

continued on next page ...

Page 47 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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.

Narrandera Shire Council

Financial Statements 2020

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**(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:

(ii) AASB 15 and AASB 1058

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

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

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

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

Principal v agent

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

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

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.

continued on next page ...

Page 49 of 90

Narrandera Shire Council

Financial Statements 2020

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)

Changes in presentation

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

- An additional line item for contract liabilities has been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	58
– Under AASB 1058	198
Total Contract liabilities	256

continued on next page ...

Page 50 of 90

Narrandera Shire Council

Financial Statements 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Carrying amount under previous revenue standards
Current assets				
Cash and cash equivalents	2,554	–	–	2,554
Investments	26,610	–	–	26,610
Receivables	1,875	398	–	2,273
Inventories	603	–	–	603
Contract assets	398	(398)	–	–
Total current assets	32,040	–	–	32,040
Current liabilities				
Payables	1,712	–	–	1,712
Contract liabilities	1,506	–	(1,506)	–
Provisions	2,563	–	–	2,563
Total current liabilities	5,781	–	(1,506)	4,275
Non-current assets				
Receivables	26	–	–	26
Inventories	407	–	–	407
Infrastructure, property, plant and equipment	204,201	–	–	204,201
Total non-current assets	204,634	–	–	204,634
Non-current liabilities				
Payables	3	–	–	3
Provisions	72	–	–	72
Total Non-current liabilities	75	–	–	75
Net assets	230,818	–	1,506	232,324
Equity				
Accumulated surplus	147,374	–	1,506	148,880
Revaluation reserves	83,444	–	–	83,444
Total Equity	230,818	–	1,506	232,324

Funds under AASB 15 and AASB 1058 which have been received prior to the satisfaction of the performance obligation.

continued on next page ...

Page 51 of 90

Narrandera Shire Council

Financial Statements 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	7,839	-	-	7,839
User charges and fees	3,193	-	-	3,193
Other revenues	2,254	-	-	2,254
Grants and contributions provided for operating purposes	8,634	-	115	8,749
Grants and contributions provided for capital purposes	2,069	-	1,391	3,460
Interest and investment income	520	-	-	520
Net gains from the disposal of assets	322	-	-	322
Rental income	207	-	-	207
Total Income from continuing operations	25,038	-	1,506	26,544
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	7,783	-	-	7,783
Materials and contracts	5,432	-	-	5,432
Depreciation and amortisation	5,144	-	-	5,144
Other expenses	2,336	-	-	2,336
Total Expenses from continuing operations	20,695	-	-	20,695
Total Operating result from continuing operations	4,343	-	1,506	5,849
Net operating result for the year	4,343	-	1,506	5,849
Total comprehensive income	(22,928)	-	1,506	(21,422)

Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total assets	258,165	-	258,165
Contract liabilities	-	256	256
Total liabilities	4,163	256	4,419
Accumulated surplus	143,287	(256)	143,031
Total equity	254,002	(256)	253,746

continued on next page ...

Page 52 of 90

Narrandera Shire Council

Financial Statements 2020

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)

(iii) AASB 16 Leases

Council as a lessee

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

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

Financial statement impact of adoption of AASB 16

Council has made no adjustment for leases as at 1 July 2019 as the commitments are for copiers which are all low value assets.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	14

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	14
Less:	
Leases for low-value assets included in commitments note	(14)
Lease liabilities recognised at 1 July 2019	—

Council as a lessor

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

Narrandera Shire Council

Financial Statements 2020

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

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	2,554	2,320
Balance as per the Statement of Cash Flows		2,554	2,320
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,343	4,919
Adjust for non-cash items:			
Depreciation and amortisation		5,144	4,895
Net losses/(gains) on disposal of assets		(322)	134
Adoption of AASB 15/1058		(256)	-
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,829	(935)
Decrease/(increase) in inventories		88	(263)
Decrease/(increase) in contract assets		(398)	-
Increase/(decrease) in payables		(45)	325
Increase/(decrease) in other accrued expenses payable		70	-
Increase/(decrease) in other liabilities		102	15
Increase/(decrease) in contract liabilities		1,506	-
Increase/(decrease) in provision for employee benefits		60	2
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,121	9,092

Note 17. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2020 ¹ Net profit	2020 ¹ Net assets
Western Riverina Library Services	Provision of library services to member local government areas	(8,455)	542,253

Reasons for non-recognition

Council holds 7.22% equity share in Western Riverina Library Service, and has assessed this as not material, hence not recognised. The information provided above is for 2019 as this is the latest information available at the time of Council preparing the Financial Statements.

(1) This year represents 2019 year for the Western Riverina Library Services

Narrandera Shire Council

Financial Statements 2020

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

Note 18. Commitments

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

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	1,911	420
Lake Talbot Water Park	4,808	-
Lake Talbot Water Slides	-	1,011
Total commitments	6,719	1,431

These expenditures are payable as follows:

Within the next year	6,719	1,431
Total payable	6,719	1,431

Sources for funding of capital commitments:

Future grants and contributions	3,245	419
Unexpended grants	623	124
Unexpended Contributions	100	-
Internally restricted reserves	751	888
New loans (to be raised)	2,000	-
Total sources of funding	6,719	1,431

Details of capital commitments

Narrandera Sportsground new changerooms and clubrooms \$1,911,000
Lake Talbot Water Park redevelopment \$4,808,000

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

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

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

Within the next year	-	14
Total non-cancellable operating lease commitments	-	14

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

Narrandera Shire Council

Financial Statements 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 standard employer contributions and additional lump sum contributions to the fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years 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.

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

continued on next page ...

Page 56 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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 \$ 104,551.63. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$58,286. Council's expected contribution to the plan for the next annual reporting period is \$102,830.92

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.

Based on a Past Service Liabilities methodology, Council's share of the deficit that can be attributed is 0.14%.

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

continued on next page ...

Page 57 of 90

Narrandera Shire Council

Financial Statements 2020

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

Note 19. Contingencies (continued)

2. Other liabilities**(i) Third party claims**

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

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

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

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

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

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

(iii) Tips and quarries

Council operates a number of landfill sites and gravel quarries and will have to rehabilitate the sites at some time in the future. As at 30 June 2020 Council is unable to reliably estimate the financial cost of such work.

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.

(iii) Rural Fire Service (RFS) – Plant and Equipment ("Red Fleet")

As disclosed in Note 10, assets of the RFS, vest in Council, under Section 119 of the Rural Fires Act 1997

As Council does not have control over these assets Council does not recognise these as assets in our financial statements.

Should this be resolved in the future, that Council has to recognise them as assets, it means that Council has a potential contingent asset, at this stage.

Narrandera Shire Council

Financial Statements 2020

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.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	291	291	(291)	(291)
2019				
Possible impact of a 1% movement in interest rates	249	249	(249)	(249)

continued on next page ...

Page 59 of 90

Narrandera Shire Council

Financial Statements 2020

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

Note 20. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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.

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	390	189	53	35	667
2019						
Gross carrying amount	–	383	135	38	26	582

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	1,232	5	4	28	–	1,269
Expected loss rate (%)	0.00%	0.00%	0.00%	32.14%	0.00%	0.71%
ECL provision	–	–	–	9	–	9
2019						
Gross carrying amount	3,089	20	40	35	–	3,184
Expected loss rate (%)	0.00%	0.00%	0.00%	25.70%	0.00%	0.28%
ECL provision	–	–	–	9	–	9

continued on next page ...

Page 60 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	230	1,241	–	–	1,471	1,471
Total financial liabilities		230	1,241	–	–	1,471	1,471
2019							
Trade/other payables	0.00%	145	1,236	–	–	1,381	1,381
Total financial liabilities		145	1,236	–	–	1,381	1,381

Narrandera Shire Council

Financial Statements 2020

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 21/05/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	7,715	7,839	124	2% F
User charges and fees	3,346	3,193	(153)	(5)% U
Other revenues	477	2,254	1,777	373% F

Council sold part of the water allocation on a temporary basis for \$1,360,000.
Volunteer services revenue of \$460,000 was also accounted for as required under new accounting standards.

Operating grants and contributions	7,481	8,634	1,153	15% F
---	--------------	--------------	--------------	---------------------

Council received grants for the following projects which were not in the original budget;

Emergency Services \$37,000
Library \$36,000
Roads to Recovery additional \$498,000
Stronger Country Communities, Community Projects \$582,000

Capital grants and contributions	2,120	2,069	(51)	(2)% U
---	--------------	--------------	-------------	----------------------

There were an number of variations to capital grants;

Budgeted but not received;

Barellan Sewer \$720,000 (project only in design stage)
Narrandera West Sewer \$25,000
Narrandera Water Filtration Plant \$750,000

Additional capital grants were received for;

Stronger Country Communities \$601,000
Drought Communities \$20,000
Colinroobie Road \$524,000
Truck Wash \$424,000

Interest and investment revenue	626	520	(106)	(17)% U
--	------------	------------	--------------	-----------------------

Interest on investments was down due to the drop in interest rates.

continued on next page ...

Page 62 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Net gains from disposal of assets	92	322	230	250% F

Council sold its shares in Southern Phone Limited, which had a fair value of \$2, for a profit of \$786,000. Tywnam Street shops were also sold for a profit of \$278,000. Assets demolished for the revelopment of Lake Talbot Water Park had a carrying value of \$768,000 and water mains replaced had a carrying value of \$67,000.

Rental income	182	207	25	14% F
----------------------	------------	------------	-----------	--------------

Council provided rent relief of \$28,000 to the lessee of Lake Talbot Tourist Park during the Covid 19 lockdown. Rent from the Tywnam Street shops was also down \$12,000 following the sale of the property.

EXPENSES

Employee benefits and on-costs	7,542	7,783	(241)	(3)% U
Materials and contracts	4,168	5,432	(1,264)	(30)% U

Materials and contract expenses increased due to;

Stronger Country Communities, Community Projects, \$675,000
Joint project Colinroobie/ Koonadan Road, works carried out by Leeton Shire Council within their council area.

Depreciation and amortisation	4,917	5,144	(227)	(5)% U
Other expenses	1,783	2,336	(553)	(31)% U

Volunteer services contra expenses of \$460,000 was also accounted for as required under new accounting standards.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	8,300	12,121	3,821	46% F
---	--------------	---------------	--------------	--------------

Cash flows from operating activities increased due to additional grants being received.

Cash flows from investing activities	(8,080)	(11,887)	(3,807)	47% U
---	----------------	-----------------	----------------	--------------

Cash flows from investing activities was higher than budget due to the purchase of additional investments which was partially offset by some of the capital works not being completed.

Cash flows from financing activities	1,620	-	(1,620)	100% U
---	--------------	----------	----------------	---------------

Council did not borrow the funds due to a delay in commencement of capital projects.

Narrandera Shire Council

Financial Statements 2020

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 unobservable inputs		
Recurring fair value measurements						
Financial assets						
Investments						
	– 'Designated at fair value on initial recognition'	30/06/19	–	–	10	10
Total financial assets			–	–	10	10
Infrastructure, property, plant and equipment						
	Plant and equipment	30/06/19	–	–	3,107	3,107
	Office equipment	30/06/19	–	–	479	479
	Furniture and fittings	30/06/19	–	–	10	10
	Operational land	30/06/18	–	3,577	–	3,577
	Community land	30/06/16	–	–	6,634	6,634
	Land Improvements – non-depreciable	30/06/16	–	–	99	99
	Land Improvements - depreciable		–	–	–	–
	Buildings – non-specialised	30/06/16	–	–	8,101	8,101
	Buildings – specialised	30/06/16	–	–	6,205	6,205
	Other structures	30/06/16	–	–	4,571	4,571
	Roads, bridges, footpaths, bulk earthworks	30/06/15	–	–	146,237	146,237
	Stormwater drainage	30/06/15	–	–	6,548	6,548
	Sewerage network	30/06/17	–	–	18,518	18,518
	Water supply network	01/07/17	–	–	17,370	17,370
	Library books	30/06/18	–	–	124	124
	Swimming pools	30/06/16	–	–	1,134	1,134
	Other open space/recreational assets	30/06/16	–	–	733	733
	Other	30/06/16	–	–	146	146
Total infrastructure, property, plant and equipment			–	3,577	220,016	223,593

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

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

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

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

Infrastructure, property, plant and equipment (IPP&E)**Plant & Equipment, Office Equipment, Furniture & Fittings, Land Improvements and Library Books**

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

- Plant & Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computer, photocopiers, tablets etc.
- Furniture & Fittings - Chairs, desks, cupboards etc.
- Land Improvements - Formation of land.
- Library Books - Books and audio visual.

continued on next page ...

Page 65 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

Operational & Community Land

Community land values are based on either the Land Value provided by the Valuer-General or an external valuation service where the Valuer-General did not provide a land value. Community land has been valued using level 3 valuation inputs.

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2018 by Nicholas Lucas, Valuation Services) using level 2 inputs.

The valuation is the valuer's opinion of the Market Value of the property as at the date of inspection having regard to the supply and demand conditions for this category of property.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Buildings – Non-Specialised & Specialised

Non-Specialised & Specialised Buildings are valued by an external valuer, AssetVal Pty Ltd (last valuation 2016). The cost approach has been used whereby replacement cost was estimated for each asset. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

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

Other Structures

Other Structures comprise of lighting, irrigation systems, fencing, shade structures etc.

The cost approach has been used whereby replacement cost was estimated for each asset. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

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

Roads

Roads include bulk earthworks, carriageway, roadside shoulders & kerb & gutter. The cost approach using level 3 inputs was used to value this asset class. A revaluation was undertaken as at 30 June 2020 in-house based on actual costs and assumptions from Council's Technical Services Department. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges

Bridges were valued under the cost approach using level 3 inputs. A revaluation was undertaken as at 30 June 2020 in-house based on actual costs and assumptions from Council's Technical Services Department. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Footpaths

Footpaths were revalued in-house by Council's Technical Services Department as at 30 June 2020 and were based on actual cost per square meter of works carried out during the year.

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

Stormwater Drainage

continued on next page ...

Page 66 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Assets within this class comprise of pits and pipes.

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 meters of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

A revaluation was undertaken as at 30 June 2020 in-house by council technical services staff and there has been no change to the valuation process during the reporting period.

Water Supply Network

Assets within this class comprise of bores, water treatment plant, 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 meters of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

The assets in this class of assets were subject to a validation process and then a revaluation of each component, and there has been a subsequent upward movement in the Fair Value of these assets.

Sewerage Network

Assets within this class comprise of 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. While the unit rates based on linear meters of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

The assets in this class of assets were subject to a validation process and then a revaluation of each component, and there has been a subsequent upward movement in the Fair Value of these assets.

Swimming Pools

Swimming pools were valued using the cost approach. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

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

Other Open Space/Recreational Assets

Assets within this class comprise of BBQ's and outdoor play equipment.

Other Open Space/Recreational Assets were valued using the cost approach. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

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

continued on next page ...

Page 67 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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.

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and Equipment	3,424	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Office Equipment	498	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Furniture and Fittings	26	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Community Land	6,634	Level 3 Based on Valuer-General valuation	<ul style="list-style-type: none"> • Land value (price per square metre)
Land Improvements- Non-dep	99	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life
Land Improvements - depreciable	142	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life
Buildings Non-Specialised	7,982	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Buildings Specialised	6,995	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Other Structures	6,083	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Roads, bridges, footpaths, bulk earthworks	118,120	Level 3 Internal valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Stormwater Drainage	6,901	Level 3 Internal valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Water Supply Network	18,209	Level 3 Internal valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Sewerage Network	18,474	Level 3 Internal valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Swimming Pools	335	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Open Space and Recreational	640	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Library Books	138	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value

continued on next page ...

Page 68 of 90

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Other Assets	145	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Financial Assets	10	Level 3 Valued at cost	

(4) Highest and best use

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

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	755	780
Post-employment benefits	14	29
Other long-term benefits	27	22
Total	796	831

(b) Other transactions with KMP and their related parties

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2020					
Employee expenses relating to close family members of KMP	173	-	Council staff award	-	-
Related Parties, which are Suppliers of Council, supplying goods and services, such as printing services.	27	-	Contracts, purchase orders or tenders	-	-
2019					
Employee expenses relating to close family members of KMP	160	-	Council staff award	-	-
Related Parties, which are Suppliers of Council, supplying goods and services, such as printing services.	44	-	Contracts, purchase orders or tenders	-	-

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000	Cash	Non-cash						
S7.12 levies – under a plan	169	22	–	2	(21)	–	172	–
Total S7.11 and S7.12 revenue under plans	169	22	–	2	(21)	–	172	–
S64 contributions	374	18	–	5	–	–	397	–
Total contributions	543	40	–	7	(21)	–	569	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN - Pine Hill

Community facilities	169	22	–	2	(21)	–	172	–
Total	169	22	–	2	(21)	–	172	–

Narrandera Shire Council

Financial Statements 2020

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

Note 25. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	5,824	758	1,257
User charges and fees	1,565	1,471	157
Interest and investment revenue	332	166	29
Other revenues	2,254	-	-
Grants and contributions provided for operating purposes	8,634	-	-
Grants and contributions provided for capital purposes	1,997	9	63
Net gains from disposal of assets	389	-	-
Rental income	207	-	-
Total income from continuing operations	21,202	2,404	1,506
Expenses from continuing operations			
Employee benefits and on-costs	7,168	354	261
Borrowing costs	7	-	-
Materials and contracts	4,060	902	470
Depreciation and amortisation	4,340	499	305
Other expenses	1,912	208	216
Net losses from the disposal of assets	-	67	-
Total expenses from continuing operations	17,487	2,030	1,252
Operating result from continuing operations	3,715	374	254
Net operating result for the year	3,715	374	254
Net operating result attributable to each council fund	3,715	374	254
Net operating result for the year before grants and contributions provided for capital purposes	1,718	365	191

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.

continued on next page ...

Page 72 of 90

Narrandera Shire Council

Financial Statements 2020

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

Note 25. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,737	722	95
Investments	18,610	7,200	800
Receivables	1,398	373	138
Inventories	603	-	-
Contract assets	344	-	54
Total current assets	22,692	8,295	1,087
Non-current assets			
Receivables	26	237	-
Inventories	407	-	-
Infrastructure, property, plant and equipment	166,203	19,102	18,896
Total non-current assets	166,636	19,339	18,896
TOTAL ASSETS	189,328	27,634	19,983
LIABILITIES			
Current liabilities			
Payables	1,651	61	-
Contract liabilities	1,506	-	-
Borrowings	34	-	-
Provisions	2,563	-	-
Total current liabilities	5,754	61	-
Non-current liabilities			
Payables	3	-	-
Borrowings	237	-	-
Provisions	72	-	-
Total non-current liabilities	312	-	-
TOTAL LIABILITIES	6,066	61	-
Net assets	183,262	27,573	19,983
EQUITY			
Accumulated surplus	117,054	18,555	11,765
Revaluation reserves	66,208	9,018	8,218
Council equity interest	183,262	27,573	19,983
Total equity	183,262	27,573	19,983

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.

continued on next page ...

Page 73 of 90

Narrandera Shire Council

Financial Statements 2020

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*)

Details of individual internal loans	Council ID / Ref	Council ID / Ref	Council ID / Ref
Borrower (by purpose)	Coaches Box	Aerodrome Lighting	Festoon Lighting
Lender (by purpose)	Water Fund	Water Fund	Water Fund
Date of minister's approval	28/06/2017	28/06/2017	26/10/2017
Date raised	30/06/2017	30/06/2017	30/06/2018
Term (years)	10	10	10
Dates of maturity	30/06/2027	30/06/2027	30/06/2028
Rate of interest	2.47%	2.47%	2.47%
Amount originally raised	\$150,000	\$100,000	\$60,000
Total repaid during year (principal and interest)	\$16,975	\$11,316	\$6,790
Principal outstanding at end of year	\$108,810	\$72,540	\$49,152

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	Barellan Change Room
Lender (by purpose)	Water Fund
Date of minister's approval	26/10/2017
Date raised	30/06/2018
Term (years)	10
Dates of maturity	30/06/2028
Rate of interest	2.47%
Amount originally raised	\$50,000
Total repaid during year (principal and interest)	\$5,658
Principal outstanding at end of year	\$40,960

Note: Amounts displayed here are in full dollars

Narrandera Shire Council

Financial Statements 2020

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 periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,952	8.62%	5.65%	3.74%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	22,647				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	14,013	56.70%	51.81%	54.80%	>60.00%
Total continuing operating revenue ¹	24,716				
3. Unrestricted current ratio					
Current assets less all external restrictions	16,493	6.07x	6.63x	7.85x	>1.50x
Current liabilities less specific purpose liabilities	2,717				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,096	∞	∞	∞	>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	705	8.28%	7.70%	5.69%	<10.00%
Rates, annual and extra charges collectible	8,516				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,154	20.77	19.34	20.09	>3.00
Monthly payments from cash flow of operating and financing activities	1,404	mths	mths	mths	mths

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

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

Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	7.09%	2.02%	17.55%	23.46%	13.24%	18.43%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	48.74%	43.02%	99.64%	99.41%	95.82%	99.63%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	6.07x	6.64x	135.98x	146.64x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	138.27x	108.29x	∞	∞	∞	∞	>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	7.89%	7.45%	9.16%	8.72%	9.51%	8.31%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.90	15.04	65.20	69.22	11.34	8.22	>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 31a above.

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

Narrandera Shire Council

Financial Statements 2020

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 8.62%

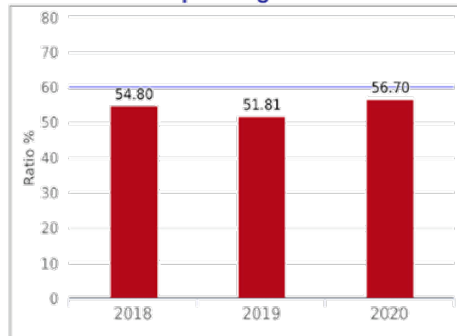
Council's operating performance ratio has again improved and remains well above the benchmark for all funds.

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 56.70%

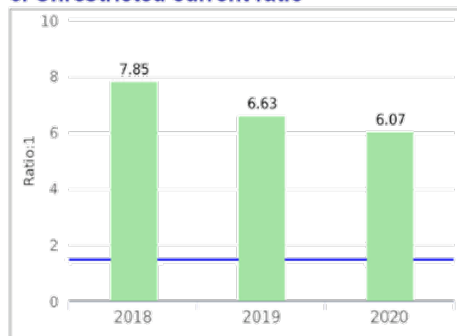
Own source revenue has again been impacted by additional grant funds for Stronger Country Communities and roads programs.

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 6.07x

Council's ratio remains well above the benchmark with more than adequate funds to satisfy its short term obligations.

Benchmark: — > 1.50x

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

Ratio achieves benchmark
Ratio is outside benchmark

4. Debt service cover ratio

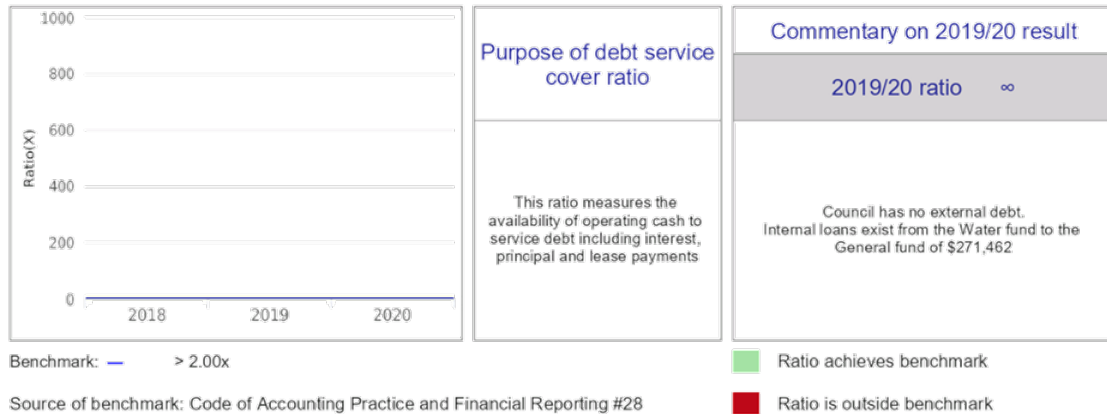
continued on next page ...

Narrandera Shire Council

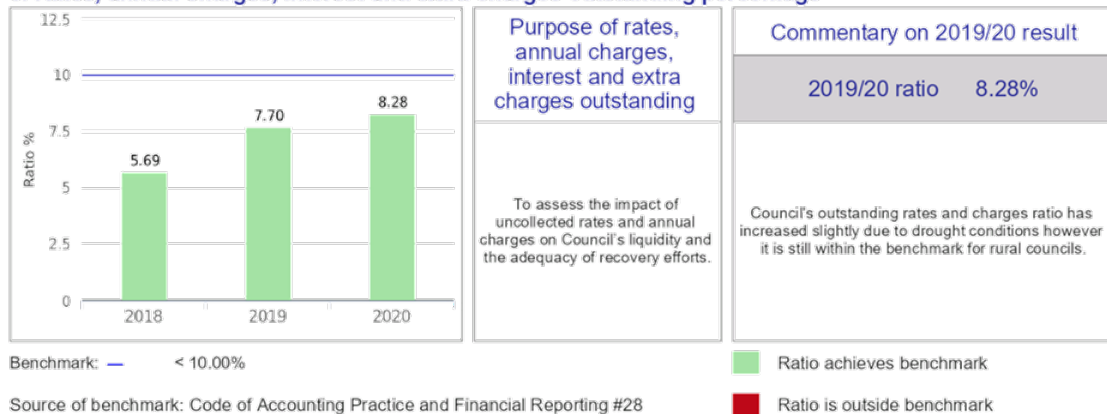
Financial Statements 2020

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

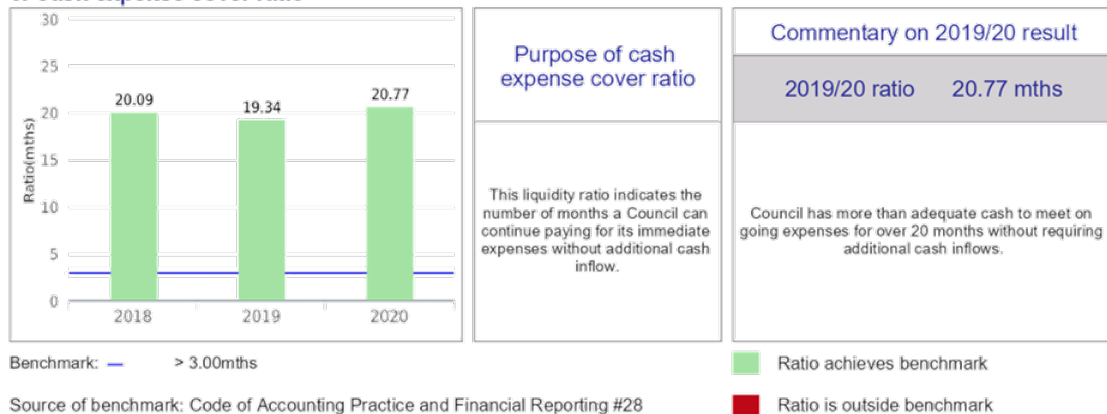
Note 26(c). Statement of performance measures – consolidated results (graphs)



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



6. Cash expense cover ratio



Narrandera Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details**Principal place of business:**141 East St
Narrandera NSW 2700**Contact details****Mailing Address:**141 East St
Narrandera NSW 2700**Telephone:** 02 6959 5510**Facsimile:** 02 6959 1884**Opening hours:**Office Hours
Monday to Friday
8:30am - 4:30pm**Internet:** www.narrandera.nsw.gov.au**Email:** council@narrandera.nsw.gov.au**Officers****General Manager**

Mr George Cowan

Responsible Accounting Officer

Mr Martin Hiscox

Public Officer

Mr Martin Hiscox

AuditorsNSW Audit Office
Level 15
1 Margaret Street
Sydney NSW 2001GPO Box 12
Sydney NSW 2001**Elected members****Mayor**

Cr Neville Kschenka

CouncillorsCr David Fahey
Cr Jenny Clarke
Cr Tammy Galvin
Cr Tracey Lewis
Cr Kevin Morris
Cr Barbara Bryon
CR Narelle Payne**Other information****ABN:** 96 547 765 569



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Narrandera Shire Council

To the Councillors of Narrandera Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 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.



Michael Kharzoo
Delegate of the Auditor-General for New South Wales

4 September 2020
SYDNEY



Cr Neville Kschenka
 Mayor
 Narrandera Shire Council
 141 East Street
 NARRANDERA NSW 2705

Contact: Michael Kharzoo
 Phone no: 02 9275 7188
 Our ref: D2018115/FA1768

04 September 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Narrandera 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

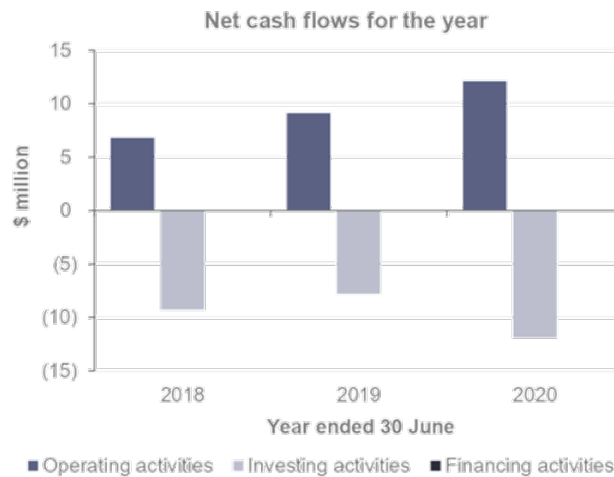
	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	7.8	7.6	↑ 3.5
Grants and contributions revenue	10.7	11.6	↓ 7.8
Operating result from continuing operations	4.3	4.9	↓ 11.7
Net operating result before capital grants and contributions	2.3	1.0	↑ 126.3

The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue (\$7.8 million) have increased by \$0.2 million (3.5 per cent) in 2019–20 due to the IPART rate peg, which increased general rates revenue by 2.7 per cent in 2019–20 and a 0.7 per cent increase in the number of assessments issued in 2019–20.
- Grants and contributions revenue (\$10.7 million) have decreased by \$0.9 million (7.8 per cent) in 2019–20 mainly due to higher capital grants received in the previous year such as the \$1.6 million of grants received as a result of the floods in 2018–19.
- The Council's operating result from continuing operations was a surplus of \$4.3 million (\$4.9 million surplus for the year ended 30 June 2019). The decrease of \$0.6 million is primarily due to an increase in material and contracts expense of \$0.7 million.
- The net operating result before capital grants and contributions was a surplus of \$2.3 million (\$1 million surplus for the year ended 30 June 2019). The increase is primarily due to the \$1.3 million of temporary water allocations that were sold during the year.

STATEMENT OF CASH FLOWS

- Councils cash and cash equivalents was \$29.2 million (\$24.9 million for the year ended 30 June 2019). There was a net increase in cash and cash equivalents of \$4.3 million at 30 June 2020.
- Net cash provided by operating activities has increased by \$3.0 million. This is mainly due to the increase in cash receipts from grants and contributions of \$2.3 million and the sale of water allocation income of \$1.3 million.
- Net cash used in investing activities has increased by \$4.1 million. This is primarily due to a \$9.3 million increase in cash payments to purchase investments. This was offset by the \$4.3 million increase in cash receipts from sales of investment securities.
- No movement in the net cash used in financing activities. Council has no external borrowings as at 30 June 2020 (nil at 30 June 2019).



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	15.0	13.0	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$2.0 million is primarily due to a \$1.5 million increase in unexpended grants and contributions and a \$0.5 million increase in water supply restrictions. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$2.3 million in the internal restrictions is primarily due to a \$2.0 million increase in restrictions relating to the sale of temporary water allocations and the sale of southern phone shares. Unrestricted cash and investments was \$0.1 million, which is available to provide liquidity for day-to-day operations of the Council. There was \$0.1 million decrease in the unrestricted cash and investments balance.
Internal restrictions	14.1	11.8	
Unrestricted	0.1	0.2	
Cash and investments	29.2	25.0	

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 exceeded the OLG benchmark for the current reporting period.
- The operating performance ratio increased to 8.6% (2019: 5.6%) due to the increase in operating grants and contributions and sale of water allocation income (within other revenue).



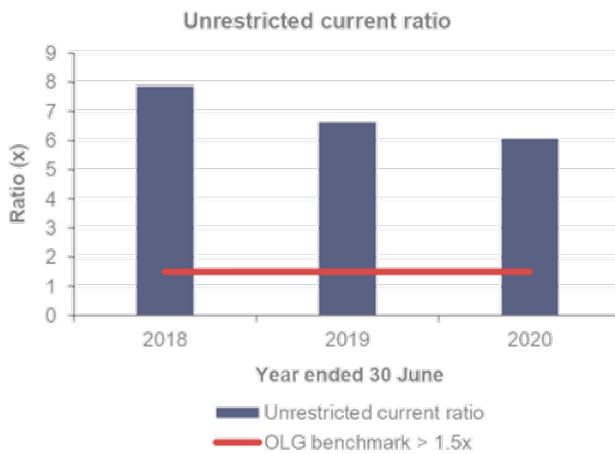
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 56.7% is below the industry benchmark of 60%. This indicates that the Council is more reliant on external funding sources, such as grants and contributions. The increased level in grants and contributions received by Council in 2020 (\$10.7 million) and 2019 (\$11.6 million), compared to the 2018 level (\$9.9 million), has a direct impact on this ratio and the trend analysis.
- The own source operating revenue ratio increased in 2020, due to the sale of water allocation income (within other revenue),



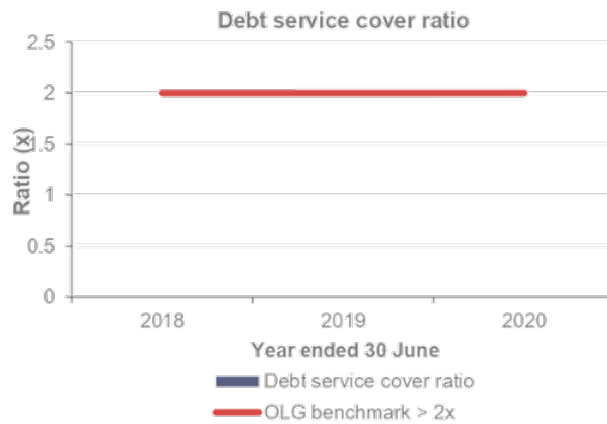
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 6.1 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained steady.



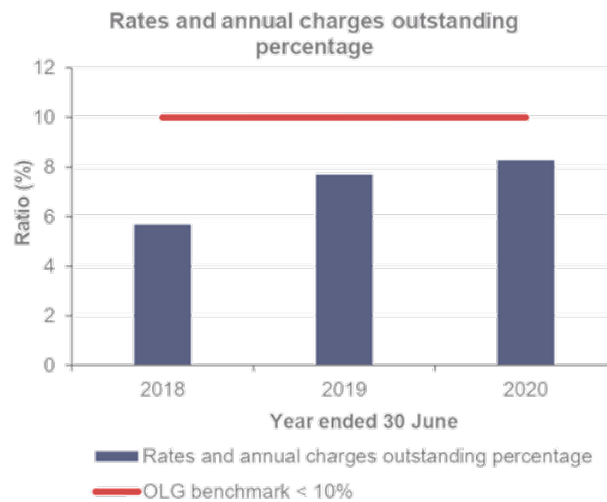
Debt service cover ratio

- 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.
- Council holds no external debt as at 30 June 2020.



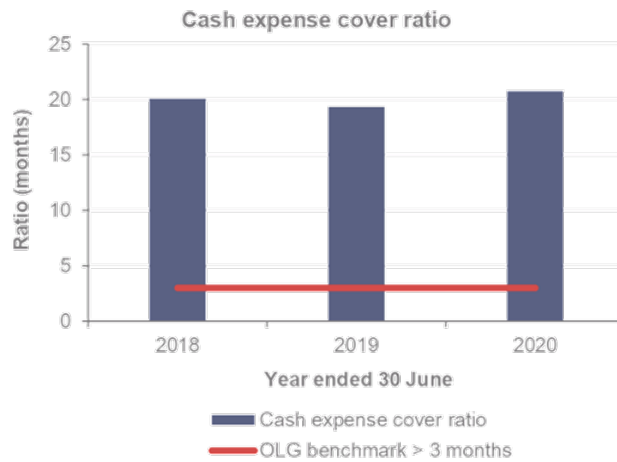
Rates and annual charges outstanding per centage

- The 'rates and annual charges outstanding per centage' 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's rates and annual charges outstanding ratio of 8.3% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding per centage has increased from the previous year but remains below the OLG benchmark which is a reflection of sound debt recovery procedures at the Council.



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’s cash expense cover ratio was 20.8 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 20.8 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The cash expense cover ratio has remained steady.



Infrastructure, property, plant and equipment renewals

The Council renewed \$5.0 million of assets in the 2019–20 financial year, compared to \$2.7 million of assets in the 2018–19 financial year. The increase is primarily due to \$3.1 million more of capital work in progress renewals that were subsequently transferred to water supply network, roads and buildings.

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 \$0.3 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

AASB 16 'Leases'

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

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

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

The Council did not recognise right-of-use assets or lease liabilities at 1 July 2019 on adoption of AASB 16.

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

Legislative compliance

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

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



Michael Kharzoo
Delegate of the Auditor-General for New South Wales

cc: Mr George Cowan, General Manager
Mr Roger Fitzgerald, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment