

Central Tablelands Water

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Central Tablelands Water

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



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])	66
On the Financial Statements (Sect 417 [3])	69

Overview

Central Tablelands Water is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

30 Church Street
Blayney NSW 2799

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.ctw.nsw.gov.au

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.

Central Tablelands Water

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 professional pronouncements, and
- 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 30 October, 2020



CLlr David Somervaille
Chairperson
30 October 2020



CLlr Kevin Walker
Deputy Chairperson
30 October 2020



Gavin Rhodes
General Manager
30 October 2020



Peter McFarlane
Responsible Accounting Officer
30 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
	Income from continuing operations			
1,558	Annual charges	3a	1,573	1,523
4,919	User charges and fees	3b	5,015	4,929
43	Other revenues	3c	49	302
–	Grants and contributions provided for operating purposes	3d,3e	45	27
1,013	Grants and contributions provided for capital purposes	3d,3e	856	11,885
129	Interest and investment income	4	120	195
57	Net gains from the disposal of assets	6	40	–
22	Rental income	13c	22	–
7,741	Total income from continuing operations		7,720	18,861
	Expenses from continuing operations			
2,116	Employee benefits and on-costs	5a	1,991	2,026
83	Borrowing costs	5b	83	114
1,117	Materials and contracts	5c	1,236	1,046
2,227	Depreciation and amortisation	5d	2,803	2,761
1,124	Other expenses	5e	1,016	940
–	Net losses from the disposal of assets	6	–	7
6,667	Total expenses from continuing operations		7,129	6,894
1,074	Operating result from continuing operations		591	11,967
1,074	Net operating result for the year		591	11,967
1,074	Net operating result attributable to council		591	11,967
61	Net operating result for the year before grants and contributions provided for capital purposes		(265)	82

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		591	11,967
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	710	912
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10	—	170
Total items which will not be reclassified subsequently to the operating result		710	1,082
Total other comprehensive income for the year		710	1,082
Total comprehensive income for the year		1,301	13,049

Total comprehensive income attributable to Council	1,301	13,049
--	-------	--------

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	1,615	2,029
Investments	7(b)	5,200	4,100
Receivables	8	830	931
Inventories	9a	176	179
Contract assets	12a	93	—
Other	9b	2	6
Total current assets		7,916	7,245
Non-current assets			
Receivables	8	19	7
Infrastructure, property, plant and equipment	10	83,017	83,022
Intangible Assets	11	63	81
Total non-current assets		83,099	83,110
Total assets		91,015	90,355
LIABILITIES			
Current liabilities			
Payables	14	476	732
Income received in advance	14	11	10
Contract liabilities	12b	73	—
Borrowings	14	532	497
Provisions	15	852	814
Total current liabilities		1,944	2,053
Non-current liabilities			
Borrowings	14	413	945
Provisions	15	17	17
Total non-current liabilities		430	962
Total liabilities		2,374	3,015
Net assets		88,641	87,340
EQUITY			
Accumulated surplus	16	46,730	46,139
Revaluation reserves	16	41,911	41,201
Council equity interest		88,641	87,340
Total equity		88,641	87,340

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		46,139	41,201	87,340	34,172	40,119	74,291
Changes due to AASB 1058 and AASB 15 adoption	16	–	–	–	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
Net operating result for the year		591	–	591	11,967	–	11,967
Restated net operating result for the period		591	–	591	11,967	–	11,967
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	710	710	–	912	912
– Impairment (loss) reversal relating to IPP&E	10	–	–	–	–	170	170
Other comprehensive income		–	710	710	–	1,082	1,082
Total comprehensive income		591	710	1,301	11,967	1,082	13,049
Equity – balance at end of the reporting period		46,730	41,911	88,641	46,139	41,201	87,340

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
1,558	Rates and annual charges		1,577	1,523
4,919	User charges and fees		4,790	4,980
129	Investment and interest revenue received		129	195
1,013	Grants and contributions		881	508
65	Other		832	295
Payments:				
(2,284)	Employee benefits and on-costs		(1,957)	(1,922)
(907)	Materials and contracts		(1,615)	(989)
(83)	Borrowing costs		(83)	(114)
–	Bonds, deposits and retention amounts refunded		–	(5)
(1,158)	Other		(1,330)	(1,243)
	Net cash provided (or used in) operating activities	17b	3,224	3,228
3,252				
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		4,100	1,900
248	Sale of infrastructure, property, plant and equipment		321	154
–	Deferred debtors receipts		29	21
Payments:				
(1,000)	Purchase of investment securities		(5,200)	–
(1,977)	Purchase of infrastructure, property, plant and equipment		(2,351)	(3,576)
–	Purchase of intangible assets		–	(23)
–	Deferred debtors and advances made		(40)	(26)
(2,729)	Net cash provided (or used in) investing activities		(3,141)	(1,550)
Cash flows from financing activities				
Payments:				
(497)	Repayment of borrowings and advances		(497)	(466)
(497)	Net cash flow provided (used in) financing activities		(497)	(466)
26	Net increase/(decrease) in cash and cash equivalents		(414)	1,212
700	Plus: cash and cash equivalents – beginning of year	17a	2,029	817
726	Cash and cash equivalents – end of the year	17a	1,615	2,029
5,600	plus: Investments on hand – end of year	7(b)	5,200	4,100
6,326	Total cash, cash equivalents and investments		6,815	6,129

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	20
5	Expenses from continuing operations	21
6	Gain or loss from disposal of assets	24
7(a)	Cash and cash equivalents	25
7(b)	Investments	25
7(c)	Restricted cash, cash equivalents and investments	26
8	Receivables	27
9	Inventories and other assets	29
10	Infrastructure, property, plant and equipment	30
11	Intangible assets	33
12	Contract assets and liabilities	34
13	Leases	35
14	Payables and borrowings	37
15	Provisions	39
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	41
17	Statement of cash flow information	45
18	Commitments	46
19	Contingencies	47
20	Financial risk management	50
21	Material budget variations	53
22	Fair Value Measurement	54
23	Related party disclosures	58
24	Events occurring after the reporting date	59
25	Statement of developer contributions	60
26(a)	Statement of performance measures – consolidated results	61
Additional Council disclosures (unaudited)		
26(b)	Statement of performance measures – consolidated results (graphs)	62
27	Financial review	64
28	Council information and contact details	65

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(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 15.

Covid 19 Impacts

Covid 19 has caused some disruption to council's business practices. The offices were closed for a period of approximately 1 month and whilst this has caused some inconvenience it has not resulted in significant additional cost.

Water charges collections are marginally less than the previous year's. 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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.

Goods and Services Tax (GST)

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 16.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Governance	–	–	188	191	(188)	(191)	–	–	–	–
Water supplies	7,720	18,861	6,941	6,703	779	12,158	471	11,565	91,015	90,355
Total functions and activities	7,720	18,861	7,129	6,894	591	11,967	471	11,565	91,015	90,355

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance

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

Water supplies

Comprising the water supply systems servicing towns and villages within the Blayney, Cabonne, Weddin, Bland and Cowra Local Government Areas.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Annual charges			
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Residential	1058 (1)	1,077	1,048
Commercial	1058 (1)	251	243
Rural	1058 (1)	184	178
Industrial	1058 (1)	34	34
Other	1058 (1)	70	63
Less: pensioner rebates (mandatory)	1058 (1)	(96)	(97)
Annual charges levied		1,520	1,469
Pensioner subsidies received:			
– Water	1058 (1)	53	54
Total annual charges		1,573	1,523
TOTAL ANNUAL CHARGES		1,573	1,523

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 annual charges

Annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in certain annual charges for eligible pensioners’ place of residence in the local government council area. These rebates are funded 55% by the NSW Government and 45% by Council.

Pensioner subsidies are received from the NSW Government to provide a contribution 55% towards the pensioner rebates.

Control over assets acquired from annual charges is obtained when a quarterly water account is issued as it is an enforceable debt linked to the serviced property.

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)			
Residential	15 (1)	2,360	2,280
Commercial	15 (1)	668	646
Rural	15 (1)	972	971
Industrial	15 (1)	603	596
Bulk supplies to Council	15 (1)	70	94
Other	15 (1)	237	203
Total specific user charges		4,910	4,790
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	15 (1)	77	102
Section 603 certificates	15 (1)	24	17
Total fees and charges – statutory/regulatory		101	119
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Special meter readings and reconnection fees	15 (1)	4	20
Total fees and charges – other		4	20
TOTAL USER CHARGES AND FEES		5,015	4,929

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

User charges and fees are recognised as revenue when the service has been provided. Water user charges are normally recognised after the water has passed the point of supply (usually the water meter) and the actual usage has been determined by a meter reading, however for the last reading of the financial year Central Tablelands Water estimated the charges based on an average for the 3 previous corresponding reading periods (June readings for 2017, 2018, 2019). This decision was taken due to safety and security concerns for the meter readers during the Covid 19 restriction period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	22
Legal fees recovery – rates and charges (extra charges)	1058 (1)	9	–
Diesel rebate	1058 (1)	2	2
Insurance claims recoveries		–	186
Employee contributions to motor vehicles	15 (1)	26	25
Insurance incentives and rebates	1058 (1)	9	22
Pipeline project income		–	44
Other	15 (1)	3	1
<u>TOTAL OTHER REVENUE</u>		<u>49</u>	<u>302</u>

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.

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					
Specific purpose					
Water supplies	15 (2)	45	23	426	11,542
Total specific purpose		45	23	426	11,542
Total grants		45	23	426	11,542
Grant revenue is attributable to:					
– State funding		45	23	426	11,542
		45	23	426	11,542

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 64 – water supply contributions		1058 (1)	–	–	271	245
Total developer contributions – cash			–	–	271	245
Total developer contributions	25		–	–	271	245
Other contributions:						
Cash contributions						
Other councils – joint works/services		1058 (1)	–	–	87	88
Water supplies (excl. section 64 contributions)		1058 (1)	–	4	–	–
Developer charges – mains extensions		1058 (1)	–	–	72	10
Total other contributions – cash			–	4	159	98
Total other contributions			–	4	159	98
Total contributions			–	4	430	343
TOTAL GRANTS AND CONTRIBUTIONS			45	27	856	11,885

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

Control over grants and contributions is normally obtained upon their receipt (or acquittal) 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. Council has obligations to provide water network infrastructure from contribution revenues levied on developers under the provisions of section 64 of the Local Government Act 1993 and Council's Development Servicing Plan.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

(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.

Contributions

Unexpended at the close of the previous reporting period	1	–
Add: contributions recognised as income in the current period but not yet spent	–	1
Less: contributions recognised in a previous reporting period now spent	(1)	–
Unexpended and held as externally restricted assets (contributions)	–	1

Unexpended portion of contribution from Central West Joint Organisation for consultancy project.

Note 4. Interest and investment income

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

Interest on financial assets measured at amortised cost

– Overdue user and annual charges	17	16
– Cash and investments	103	179

Total Interest and investment income	120	195
---	------------	------------

Interest revenue is attributable to:**Restricted investments/funds – external:**

Water fund operations	120	195
Total interest and investment revenue	120	195

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	1,685	1,641
Employee termination costs (where material – other than vested leave paid)	–	24
Employee leave entitlements (ELE)	207	264
Superannuation – defined contribution plans	156	142
Superannuation – defined benefit plans	28	27
Workers' compensation insurance	31	26
Fringe benefit tax (FBT)	36	21
Payroll tax	46	66
Sick leave insurance	9	7
Employee assistance program	1	1
Total employee costs	2,199	2,219
Less: capitalised costs	(208)	(193)
TOTAL EMPLOYEE COSTS EXPENSED	1,991	2,026
Number of 'full-time equivalent' employees (FTE) at year end	21	21

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	83	114
Total interest bearing liability costs	83	114
Total interest bearing liability costs expensed	83	114
TOTAL BORROWING COSTS EXPENSED	83	114

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	545	699
Contractor and consultancy costs	603	304
Auditors remuneration ¹	45	43
Legal expenses:		
– Legal expenses: debt recovery	9	–
– Legal expenses: other	28	–
Expenses from leases of low value assets (2020 only)	6	–
Total materials and contracts	1,236	1,046
TOTAL MATERIALS AND CONTRACTS	1,236	1,046
1. Auditor remuneration		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	32	30
Remuneration for audit and other assurance services	32	30
Total Auditor-General remuneration	32	30
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services – Internal Audit	13	13
Remuneration for audit and other assurance services	13	13
Total remuneration of non NSW Auditor-General audit firms	13	13
Total Auditor remuneration	45	43

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		175	158
Office equipment		20	14
Furniture and fittings		1	1
Infrastructure:	10		
– Buildings – non-specialised		73	70
– Water supply network		2,516	2,509
Intangible assets	11	18	9
Total gross depreciation and amortisation costs		2,803	2,761
Total depreciation and amortisation costs		2,803	2,761
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		2,803	2,761

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 9 for IPPE assets and Note 10 for intangible assets.

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	29	13
Training costs (other than salaries and wages)	30	28
Travel expenses	6	7
Bad and doubtful debts	7	3
Bank charges	28	28
Member expenses – chairperson's fee	17	16
Member expenses – member fees	61	59
Member expenses (incl. chairperson) – other (excluding fees above)	10	12
Demand management (water wise programme) expenses	8	4
Donations, contributions and assistance to other organisations (Section 356)	13	14
Electricity and heating	428	432
Groundwater and unregulated access fees	33	34
Insurance	117	98
Postage	25	27
Printing and stationery	26	25
Subscriptions and publications	41	32
Telephone and communications	46	37
Other	91	71
<u>TOTAL OTHER EXPENSES</u>	<u>1,016</u>	<u>940</u>

Accounting policy for other expenses

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

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		321	154
Less: carrying amount of plant and equipment assets sold/written off		(269)	(125)
Net gain/(loss) on disposal		<u>52</u>	<u>29</u>
Infrastructure			
	10		
Less: carrying amount of infrastructure assets sold/written off		(12)	(36)
Net gain/(loss) on disposal		<u>(12)</u>	<u>(36)</u>
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		4,100	1,900
Less: carrying amount of investments sold/redeemed/matured		(4,100)	(1,900)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>40</u>	<u>(7)</u>

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	1,615	2,029
Total cash and cash equivalents	1,615	2,029

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
Financial assets at amortised cost	5,200	–	4,100	–
Total Investments	5,200	–	4,100	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	6,815	–	6,129	–
Loans and receivables				
Long term deposits	5,200	–	4,100	–
Total	5,200	–	4,100	–

Accounting policy for investments

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

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

Financial assets

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

Classification

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

Financial assets are not reclassified subsequent to their initial recognition. All Council's existing investments are measured at amortised cost.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	6,815	—	6,129	—
attributable to:				
External restrictions	73	—	1	—
Internal restrictions	6,243	—	5,628	—
Unrestricted	499	—	500	—
	6,815	—	6,129	—

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – water fund (2020 only)

External restrictions – included in liabilities	73	—
	73	—

External restrictions – other

Other	—	1
-------	---	---

External restrictions – other	—	1
-------------------------------	---	---

Total external restrictions	73	1
-----------------------------	----	---

Internal restrictions

Plant and vehicle replacement	357	325
-------------------------------	-----	-----

Infrastructure replacement	4,922	4,353
----------------------------	-------	-------

Employees leave entitlement	436	422
-----------------------------	-----	-----

Development reserve	488	488
---------------------	-----	-----

Consultancy	40	40
-------------	----	----

Total internal restrictions	6,243	5,628
-----------------------------	-------	-------

TOTAL RESTRICTIONS	6,316	5,629
--------------------	-------	-------

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				
User charges and fees	635	–	401	–
Contributions to works	11	–	39	–
Accrued revenues				
– Interest on investments	25	–	34	–
– Other income accruals	–	–	39	–
Amounts due from other councils	72	–	313	–
Deferred debtors	25	19	26	7
Government grants and subsidies	40	–	40	–
Net GST receivable	22	–	39	–
Other debtors	8	–	8	–
Total	838	19	939	7
Less: provision of impairment				
User charges and fees	(8)	–	(8)	–
Total provision for impairment – receivables	(8)	–	(8)	–
TOTAL NET RECEIVABLES	830	19	931	7

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year	8	5
+ new provisions recognised during the year	–	3
Balance at the end of the year	8	8

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

When considering the ECL for water 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

Covid 19

Council's water 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 outstanding water charges will have no interest applied from 1 July, 2020 to 31 December 2020. The impact this may have is not able to be measured at this stage however it is not expected to be significant.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	176	–	179	–
Total inventories at cost	176	–	179	–
<u>TOTAL INVENTORIES</u>	<u>176</u>	<u>–</u>	<u>179</u>	<u>–</u>
(b) Other assets				
Prepayments	2	–	6	–
<u>TOTAL OTHER ASSETS</u>	<u>2</u>	<u>–</u>	<u>6</u>	<u>–</u>

(i) Other disclosures**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. Freight costs incurred in getting stores into their current location is expensed.

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	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	5,382	–	5,382	966	571	–	–	(145)	–	6,774	–	6,774
Plant and equipment	1,346	(728)	618	–	484	(269)	(175)	–	–	1,370	(712)	658
Office equipment	119	(74)	45	–	15	–	(20)	–	–	134	(94)	40
Furniture and fittings	39	(33)	6	–	–	–	(1)	–	–	39	(34)	5
Land:												
– Operational land	2,306	–	2,306	–	–	–	–	–	–	2,306	–	2,306
Infrastructure:												
– Buildings	2,835	(998)	1,837	–	17	–	(73)	–	–	2,853	(1,072)	1,781
– Water supply network	146,355	(73,527)	72,828	130	168	(12)	(2,516)	145	710	148,025	(76,572)	71,453
Total Infrastructure, property, plant and equipment	158,382	(75,360)	83,022	1,096	1,255	(281)	(2,785)	–	710	161,501	(78,484)	83,017

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	4,851	–	4,851	3,047	97	–	–	–	(2,613)	–	–	5,382	–	5,382
Plant and equipment	1,284	(629)	655	246	–	(125)	(158)	–	–	–	–	1,346	(728)	618
Office equipment	84	(60)	24	25	10	–	(14)	–	–	–	–	119	(74)	45
Furniture and fittings	39	(32)	7	–	–	–	(1)	–	–	–	–	39	(33)	6
Land:														
– Operational land	2,306	–	2,306	–	–	–	–	–	–	–	–	2,306	–	2,306
Infrastructure:														
– Buildings – non-specialised	2,800	(929)	1,871	15	21	–	(70)	–	–	–	–	2,835	(998)	1,837
– Water supply network	129,578	(69,748)	59,830	4,349	7,474	(36)	(2,509)	170	2,613	25	912	146,355	(73,527)	72,828
Total Infrastructure, property, plant and equipment	140,942	(71,398)	69,544	7,682	7,602	(161)	(2,752)	170	–	25	912	158,382	(75,360)	83,022

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Land is not depreciated.

Plant and equipment	Years
Office equipment	5 to 10
Office furniture	10 to 20
Computer equipment	3
Vehicles	5 to 8
Heavy plant/road making equipment	5 to 8
Other plant and equipment	5 to 15

Water assets

Dams and reservoirs	80 to 100
Bores	20 to 40
Reticulation pipes: PVC	70 to 80
Reticulation pipes: other	25 to 75
Pumps and telemetry	15 to 20

Buildings

Buildings - masonry	50 to 100
Buildings - other	20 to 40

The assets' residual values (excepting water network assets) and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	90	67
Accumulated amortisation	(9)	–
Net book value – opening balance	81	67
Movements for the year		
– Purchases	–	23
– Amortisation charges	(18)	(9)
Closing values at 30 June		
Gross book value	90	90
Accumulated amortisation	(27)	(9)
Total software – net book value	63	81
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	63	81

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs relating to minor software purchases or modifications to existing software are expensed as incurred and are not capitalised,

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the development of the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Grants operating		45	—
Grants Capital		48	—
Total Contract assets		93	—

\$ '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)	73	—
Total grants received in advance		73	—
Total contract liabilities		73	—

Notes

(i) Council has received funding to investigate options for the upgrading and expansion of Lake Rowlands.. The funds received are under an enforceable contract which require Council to complete a comprehensive study with the view to expanding the lake which will be under Council's control on completion. The revenue is recognised as Council completes the study 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.

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

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

(i) Council as a lessee

Council has a lease for a photocopier. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

The lease for office equipment is for a low value asset. The lease is 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:

Expenses relating to low-value leases	6
	<u>6</u>

(b) Statement of Cash Flows

Total cash outflow for leases	6
	<u>6</u>

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Exceptions to lease accounting

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

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

Refer to Note 5c and Note 15.

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

Council leases out a number of properties for grazing purposes and communication towers, these leases been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position.

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

\$ '000	2020
(i) Operating lease income	
Other lease income	
Other	22
Total income relating to operating leases	22

(iv) Maturity analysis of contractual lease income

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

< 1 year	21
1–2 years	11
2–3 years	11
3–4 years	2
4–5 years	2
> 5 years	14
Total undiscounted contractual lease income receivable	61

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services	245	—	511	—
Accrued expenses:				
– Salaries and wages	57	—	57	—
– Other expenditure accruals	93	—	87	—
Prepaid user charges	81	—	77	—
Total payables	476	—	732	—
Income received in advance				
Payments received in advance	11	—	10	—
Total income received in advance	11	—	10	—
Borrowings				
Loans – secured ¹	532	413	497	945
Total borrowings	532	413	497	945
TOTAL PAYABLES AND BORROWINGS	1,019	413	1,239	945

(1) Loans are secured over the water charges income of Council.

(a) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,442	(497)	—	—	—	—	945
TOTAL	1,442	(497)	—	—	—	—	945

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	1,908	(466)	—	—	—		1,442
TOTAL	1,908	(466)	—	—	—		1,442

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
(b) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	45	45
Total financing arrangements	45	45
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	45	45
Total undrawn financing arrangements	45	45

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	288	–	257	–
Long service leave	564	17	557	17
Sub-total – aggregate employee benefits	852	17	814	17
TOTAL PROVISIONS	852	17	814	17

\$ '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	692	674
	692	674

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

On-costs

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. 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.

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.

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Additional line items of contract assets and contract liabilities

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	1,615	—	—	1,615	
Investments	5,200	—	—	5,200	
Receivables	830	93	—	923	
Inventories	176	—	—	176	
Contract assets	93	(93)	—	—	
Other	2	—	—	2	
Total current assets	7,916	—	—	7,916	
Current liabilities					
Payables	476	—	—	476	
Income received in advance	11	—	—	11	
Contract liabilities	73	—	(73)	—	
Borrowings	532	—	—	532	
Provisions	852	—	—	852	
Total current liabilities	1,944	—	(73)	1,871	
Non-current assets					
Receivables	19	—	—	19	
Infrastructure, property, plant and equipment	83,017	—	—	83,017	
Intangible assets	63	—	—	63	
Total non-current assets	83,099	—	—	83,099	
Non-current liabilities					
Borrowings	413	—	—	413	
Provisions	17	—	—	17	
Total Non-current liabilities	430	—	—	430	
Net assets	88,641	—	73	88,714	
Equity					
Accumulated surplus	46,730	—	73	46,803	
Revaluation reserves	41,911	—	—	41,911	
Council equity interest	88,641	—	73	88,714	
Total equity	88,641	—	73	88,714	

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	1,573	—	—	1,573	
User charges and fees	5,015	—	—	5,015	
Other revenues	49	—	—	49	
Grants and contributions provided for operating purposes	45	—	—	45	
Grants and contributions provided for capital purposes	856	—	73	929	
Interest and investment income	120	—	—	120	
Net gains from the disposal of assets	40	—	—	40	
Rental income	22	—	—	22	
Total Income from continuing operations	7,720	—	73	7,793	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	1,991	—	—	1,991	
Borrowing costs	83	—	—	83	
Materials and contracts	1,236	—	—	1,236	
Depreciation and amortisation	2,803	—	—	2,803	
Other expenses	1,016	—	—	1,016	
Total Expenses from continuing operations	7,129	—	—	7,129	
Total Operating result from continuing operations	591	—	73	664	
Net operating result for the year	591	—	73	664	
Total comprehensive income	1,301	—	73	1,374	

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Practical expedients used on transition

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

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

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	20
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	20
Less:	
Leases for low-value assets included in commitments note	(20)
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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	1,615	2,029
Balance as per the Statement of Cash Flows		1,615	2,029

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	591	11,967
Adjust for non-cash items:		
Depreciation and amortisation	2,803	2,761
Net losses/(gains) on disposal of assets	(40)	7
Non-cash capital grants and contributions	–	(11,404)
Non-cash Insurance Claim Recovery	–	–
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	100	(368)
Increase/(decrease) in provision for impairment of receivables	–	3
Decrease/(increase) in inventories	3	15
Decrease/(increase) in other current assets	4	2
Decrease/(increase) in contract assets	(93)	–
Increase/(decrease) in payables	(266)	127
Increase/(decrease) in other accrued expenses payable	6	27
Increase/(decrease) in other liabilities	5	(33)
Increase/(decrease) in contract liabilities	73	–
Increase/(decrease) in provision for employee benefits	38	124
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	3,224	3,228

(c) Non-cash investing and financing activities

Dedicated Assets - Shared Capital Grant - Carcoar to Orange Pipeline	–	11,258
Dedicated Asset - Insurance Claim Recovery	–	146
Total non-cash investing and financing activities	–	11,404

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

Water Infrastructure	–	108
Total commitments	–	108

These expenditures are payable as follows:

Within the next year	–	108
Total payable	–	108

Sources for funding of capital commitments:

Internally restricted reserves	–	108
Total sources of funding	–	108

Details of capital commitments

Council had committed funds for continuing works on the final stage of the renewal of Trunk Main K being the main connecting Gooloogong to Grenfell. These works are expected to be completed in early 2020.

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

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

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

Within the next year	–	15
Later than one year and not later than 5 years	–	5
Total non-cancellable operating lease commitments	–	20

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

Office Equipment

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to finance and operating leases:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

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 \$ 23,393. The last valuation of the Scheme was performed by Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$12,700. Council's expected contribution to the plan for the next annual reporting period is \$24,523.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of .03% as at 30 June 2020.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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.

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 corporate department 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	52	52	(52)	(52)
2019				
Possible impact of a 1% movement in interest rates	41	41	(41)	(41)

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) annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing debt recovery procedures. Council also encourages consumers to pay their water charges by the due date to avoid late payment charges.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are approved deposit institutions regulated by the Australian Prudential Regulatory Authority.

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 annual and user 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 water 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	537	98	–	–	–	635
2019						
Gross carrying amount	273	128	–	–	–	401

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	199	11	–	–	12	222
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	66.00%	3.57%
ECL provision	–	–	–	–	8	8
2019						
Gross carrying amount	467	–	–	–	40	507
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.50%	0.04%
ECL provision	–	–	–	–	8	8

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.

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows 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: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	–	395	–	–	395	395
Loans and advances	6.60%	–	581	427	–	1,008	945
Total financial liabilities		–	976	427	–	1,403	1,340
2019							
Trade/other payables	0.00%	–	655	–	–	655	655
Loans and advances	6.60%	–	581	1,007	–	1,588	1,442
Total financial liabilities		–	1,236	1,007	–	2,243	2,097

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

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

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
---------	----------------	----------------	------------------------------	--

REVENUES

Other revenues	43	49	6	14% F
----------------	----	----	---	--------------

Income of \$9,000 was received for legal costs associated with debt recovery which was not budgeted.

Operating grants and contributions	–	45	45	∞ F
------------------------------------	---	----	----	------------

Council received grant funding of \$45,000 for Caragabal Feasibility Study.

Capital grants and contributions	1,013	856	(157)	(15)% U
----------------------------------	-------	-----	-------	----------------

A number of grant funded projects had commenced however progress was slower than anticipated therefore reducing income.

Net gains from disposal of assets	57	40	(17)	(30)% U
-----------------------------------	----	----	------	----------------

Loss on the write off of infrastructure assets of \$12,000 was incurred.

EXPENSES

Materials and contracts	1,117	1,236	(119)	(11)% U
-------------------------	-------	-------	-------	----------------

Costs not budgeted for include Caragabal Feasibility Study, \$45,000, HR consultancy, \$54,000 and new branding \$16,000

Depreciation and amortisation	2,227	2,803	(576)	(26)% U
-------------------------------	-------	-------	-------	----------------

Depreciation expense was higher than budget due to the budget being adopted prior to the final costs being known for the Orange to Carcoar pipeline.

Other expenses	1,124	1,016	108	10% F
----------------	-------	-------	-----	--------------

Training costs were down significantly on the budgeted amount, saving \$53,000 and electricity costs were \$46,000 less than budget.

STATEMENT OF CASH FLOWS

Cash flows from investing activities	(2,729)	(3,141)	(412)	15% U
--------------------------------------	---------	---------	-------	--------------

Capital expenditure was less than budget due to the delay in commencement of some capital projects.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/20	—	—	658	658
Office Equipment	30/06/20	—	—	40	40
Furniture & Fittings	30/06/20	—	—	5	5
Operational Land	30/06/18	—	—	2,306	2,306
Buildings	30/06/18	—	328	1,453	1,781
Water Supply Network	30/06/17	—	—	71,453	71,453
Capital Works in Progress	30/06/20	—	—	6,774	6,774
Total infrastructure, property, plant and equipment		—	328	82,689	83,017

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/19	—	—	618	618
Office Equipment	30/06/19	—	—	45	45
Furniture & Fittings	30/06/19	—	—	6	6
Operational Land	30/06/18	—	—	2,306	2,306
Buildings	30/06/18	—	335	1,502	1,837
Water Supply Network	30/06/17	—	—	72,828	72,828
Capital Works in Progress	30/06/19	—	—	5,382	5,382
Total infrastructure, property, plant and equipment		—	335	82,687	83,022

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

(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 and Furniture & Fittings

Loader, vehicles, trucks, computers, desks, chairs, cupboards, etc. - (Level 3)

Valuation Technique - Cost approach

These assets are valued at cost but are disclosed at fair value in Note 10. The carrying amount of these assets are assumed to approximate fair value due to the nature of the items and their short useful lives.

Operational Land - (Level 3)

Valuation Technique - Market approach

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Australis Asset Advisory Group by Elise Wallace Certified Practising Valuer AAPI #66461.

Buildings – (Level 2 and 3)

Council Office, Council Depots and Council Filtration Plant Buildings

Council's Buildings were last valued on 30 June 2018 by Australis Asset Advisory Group by Elise Wallace Certified Practising Valuer AAPI#66461. Fair value was determined using the Cost approach (using depreciated current replacement cost). This method determines the cost to market participant to acquire or construct a similar building of comparable service potential adjusted for depreciation or obsolescence.

The market approach was applied to two buildings where sufficient sales evidence existed to permit recent sales history to permit a market value to be determined.

Water Supply Network

Trunk Mains, Reticulation Mains, Filtration Plants, Reservoirs, Pump Stations, Bores, Dams, Telemetry - (Level 3)

The Water Supply Network was last valued on 30 June 2017 utilising both "in house" staff and external consultants. A former employee with extensive experience and qualifications prepared the valuations of the Bores, Trunk Mains, Reticulation Mains, Telemetry and Pump Stations. The valuation methodology used for Reservoirs, Pump Stations Bores and Trunk Mains is based on use of the reference rates sourced from the NSW Office of Water Reference Rate Manual (RRM) in June 2014 and then applying the capital cost factor for 2019.

Dams and Treatment Plants were valued by Australia Asset Advisory Group whom have extensive experience and qualifications in the valuation of assets of this type. The valuation was completed in accord with fair valuation principles. These principles lead to valuations being made on the basis of depreciated replacement costs using standard unit rates. The valuation considered the nature and condition of the assets based upon physical inspection and asset data such as asset life.

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)

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

\$ '000	Notes	IPP&E
2019		
Opening balance		69,544
Transfers from/(to) level 2 FV hierarchy	22 4(b)	(335)
Purchases (GBV)		15,284
Disposals (WDV)		(161)
Depreciation and impairment		(2,752)
FV gains – other comprehensive income		1,107
Closing balance		82,687
2020		
Opening balance		82,687
Purchases (GBV)		2,340
Disposals (WDV)		(281)
Depreciation and impairment		(2,767)
FV gains – other comprehensive income		710
Closing balance		82,689

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

Purchases: Movements include purchases of plant & equipment, building, office equipment and water infrastructure construction.

Disposals: This movement includes the WDV of plant and equipment that was sold during the year.

Depreciation Expense: This represents the depreciation on Water Infrastructure Assets during the year.

FV Gains: Movement in FV Gains for the year relates to the FV revaluation adjustment for Level 3 Water Infrastructure Assets that were revalued in 2016/17.

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	658	Refer Note 22 above	Increase/decrease in cost of unit or useful life
Office Equipment	40	Refer Note 22 above	Increase/decrease in cost of unit or useful life
Furniture & Fittings	5	Refer Note 22 above	Increase/decrease in cost of unit or useful life
Operational Land	2,306	Refer Note 22 above	Increase/decrease in land value, land area
Buildings	1,500	Refer Note 22 above	Increase/decrease in cost of unit or useful life, asset condition
Water Supply Network	71,453	Refer Note 22 above	Increase/decrease in cost of unit or useful life, asset condition
Capital Works in Progress	6,774	Refer Note 22 above	Increase/decrease in cost of unit

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

Note 22. Fair Value Measurement (continued)

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 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	495	467
Post-employment benefits	47	47
Other long-term benefits	14	13
Total	556	527

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. water supply services by KMP) will not be disclosed. There were no related party transactions between KMP and Council during the year ended 30 June, 2020.

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

Note 24. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions

Under Section 64 of the Local Government Act 1993 , Council has obligations to provide water infrastructure in accordance with its Development Servicing Plan.

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					
S64 contributions	—	271	—	—	(271)	—	—	—
Total contributions	—	271	—	—	(271)	—	—	—

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2020

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

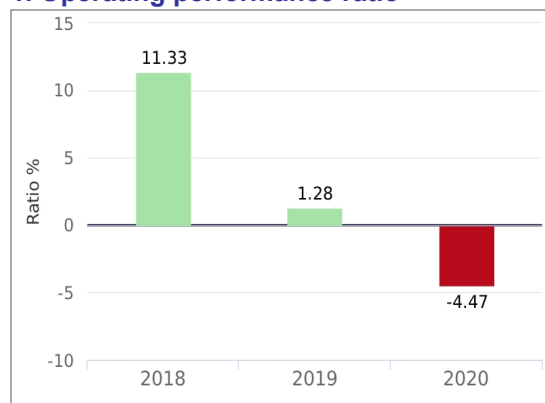
\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(305)	-4.47%	1.28%	11.33%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	6,824				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	6,779	88.27%	36.56%	95.71%	> 60.00%
Total continuing operating revenue ⁽¹⁾	7,680				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	7,843	6.65x	5.25x	8.38x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	1,179				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	2,581	4.45x	5.11x	5.19x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	580				
5. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	6,815	14.91 mths	15.5 mths	18.3 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	457				
WATER AVAILABILITY & USER CHARGES RATIO					
Council has operated under a "user pays" system since January 1994 and has not raised rates since that time. Since Council does not have any rates within its income base, the ratios shown below have more relevance:					
6. Annual water charges coverage ratio					
Annual water charges	6,483	94.45%	90.50%	92.22%	
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	6,864				
7. Annual water charges, interest and extra charges outstanding percentage					
Annual water and extra charges outstanding	635	9.22%	5.98%	6.96%	
Annual water and extra charges collectible	6,885				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(b). 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 (4.47)%

This ratio is lower than in previous years due to the higher depreciation expense associated with the Orange to Carcoar pipeline.

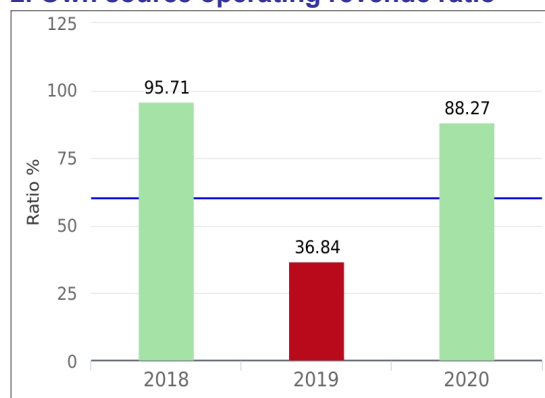
Benchmark: — > 0.00%

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 88.27%

This ratio is has returned to normal level with the sharp reduction in grant income.

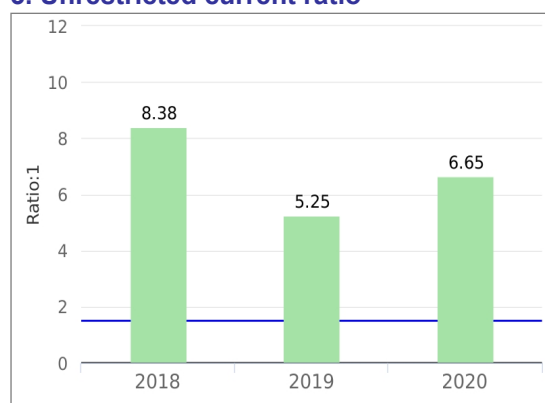
Benchmark: — > 60.00%

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 6.65x

This ratio indicates that Council has a strong liquidity position and is able to pay its debts as and when they fall due.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

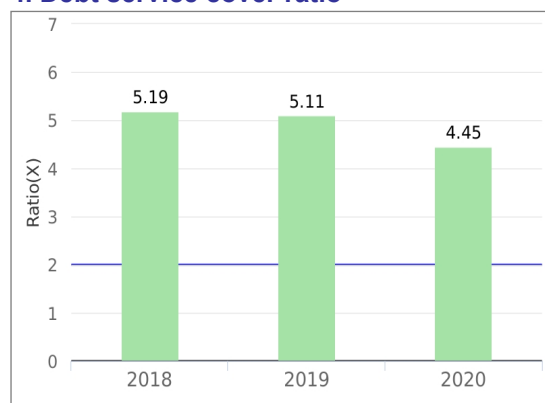
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 4.45x

Council is in a strong position to service its existing debt.

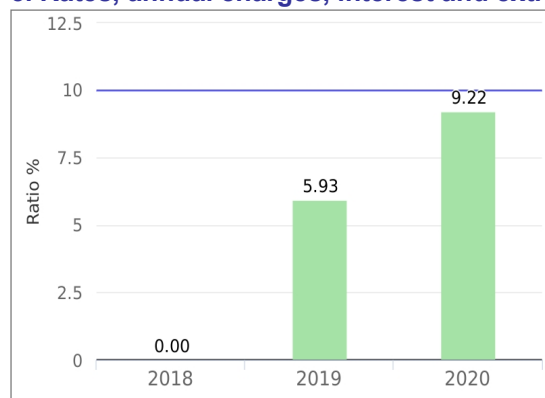
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 9.22%

This ratio has risen due to the delay in issue of the final water accounts for 2020.

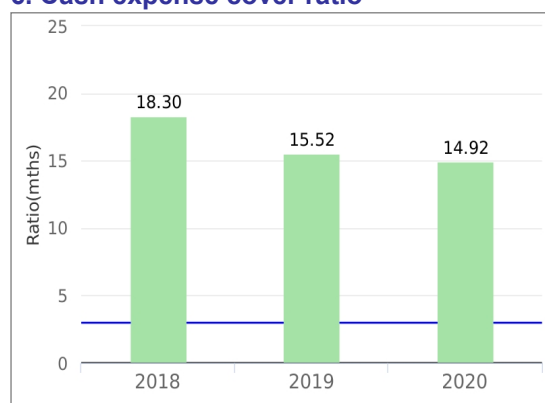
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 14.92 mths

This ratio indicates that Council Council's liquidity position is strong and can sustain its operations if short term revenue flows are disrupted.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Financial review

\$ '000	2020	2019	2018	2017	2016
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	1,573	1,523	1,490	1,216	1,216
User charges revenue	5,015	4,929	4,861	3,941	3,941
Interest and investment revenue (losses)	120	195	182	206	206
Grants income – operating and capital	471	11,565	–	56	56
Total income from continuing operations	7,720	18,861	7,028	5,903	5,903
Sale proceeds from I,PP&E	321	154	243	232	232
Outflows:					
Employee benefits and on-cost expenses	1,991	2,026	1,933	1,766	1,766
Borrowing costs	83	114	144	198	198
Materials and contracts expenses	1,236	1,046	971	769	769
Total expenses from continuing operations	7,129	6,894	5,958	5,371	5,371
Total cash purchases of I,PP&E	2,351	3,576	3,391	826	826
Total loan repayments (incl. finance leases)	497	466	437	383	383
Operating surplus/(deficit) (excl. capital income)	(265)	82	824	245	245
Financial position figures					
Current assets	7,916	7,245	7,580	8,611	8,611
Current liabilities	1,944	2,053	1,452	1,565	1,565
Net current assets	5,972	5,192	6,128	7,046	7,046
Available working capital (Unrestricted net current assets)	1,858	1,785	950	956	956
Cash and investments – unrestricted	499	500	501	500	500
Cash and investments – internal restrictions	6,243	5,628	6,316	7,373	7,373
Cash and investments – total	6,815	6,129	6,817	7,873	7,873
Total borrowings outstanding (Loans, advances and finance leases)	945	1,442	1,908	2,754	2,754
Total value of I,PP&E (excl. land and earthworks)	159,195	156,076	138,636	125,199	125,199
Total accumulated depreciation	78,484	75,360	71,398	71,251	71,251
Indicative remaining useful life (as a % of GBV)	51%	52%	48%	45%	43%

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

Principal place of business:

30 Church Street
BLAYNEY NSW 2799

Contact details

Contact Details
Mailing Address
PO Box 61
BLAYNEY NSW 2799

Opening hours:

9.00am - 4.30pm
Monday to Friday

Telephone: 02 6391 7200

Internet: www.ctw.nsw.gov.au

Email: water@ctw.nsw.gov.au

Officers

General Manager
Gavin Rhodes

Responsible Accounting Officer
Peter McFarlane

Public Officer
Peter McFarlane

Auditors
Audit Office of NSW
Level 19
Tower 2 Darling Park
201 Sussex Street
NSW 2000

Elected members

CHAIRPERSON
Cllr David Somerville

DEPUTY CHAIRPERSON

Cllr Kevin Walker

Councillors

Cllr John Newstead
Cllr Anthony Durkin
Cllr Paul Best
Cllr Craig Bembrick

Other information

ABN: 43 721 523 632



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central Tablelands County Council

To the Councillors of Central Tablelands County Council

Opinion

I have audited the accompanying financial statements of Central Tablelands County 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.

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.

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.
- 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.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

24 November 2020
SYDNEY



Councillor David Somervaille
Chairman
Central Tablelands County Council
PO Box 61
BLAYNEY NSW 2799

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2027418/1817

24 November 2020

Dear Chairman

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Central Tablelands County Council**

I have audited the general purpose financial statements (GPFS) of the Central Tablelands County 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

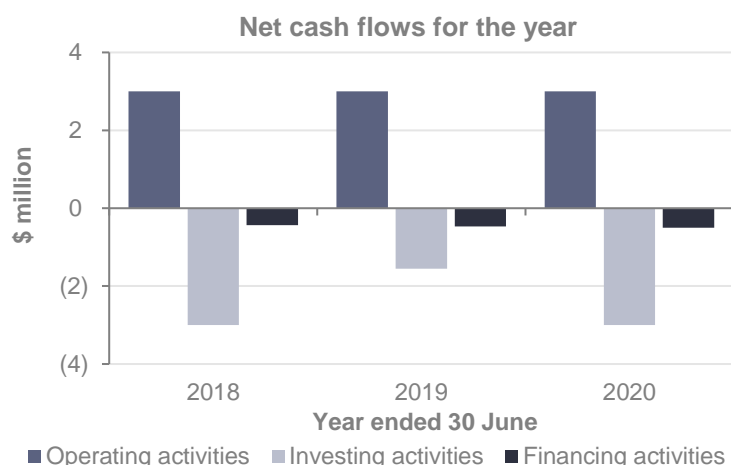
	2020	2019*	Variance
	\$m	\$m	%
Annual charges revenue	1.57	1.52	3.3
User charges revenue	5.01	4.93	1.6
Grants and contributions revenue	0.90	11.91	92.4
Operating result from continuing operations	0.59	11.97	95.1
Net operating result before capital grants and contributions	(0.27)	0.08	437.5

The Council's operating result from continuing operations (\$0.59 million including depreciation and amortisation expense of \$2.80 million) was \$11.38 million lower than the 2018–19 result. This was mainly due to an \$11.54 million capital grant recognised in 2018–19 for part of a pipeline from Carcoar Water Treatment Plant to Orange Water Treatment Plant.

The net operating result before capital grants and contributions (\$0.27 million) was \$0.35 million lower than the 2018–19 result (\$0.08 million profit).

STATEMENT OF CASH FLOWS

The reduction in net payments for investment securities was the main contributor to the decrease in cash flows from investing activities over the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	0.07	--	Externally restricted balances included unexpended grants.
Internal restrictions	6.24	5.63	
Unrestricted	0.50	0.50	Balances are internally restricted due to Council policy or decisions for forward plans including work programs.
Cash and investments	6.81	6.13	Unrestricted balances provide liquidity for day-to-day operations.

Debt

At 30 June 2020, Council had external borrowings of \$0.95 million (2019: \$1.44 million). The loans are secured against Council's general income. Council also had an unused credit card facility of \$45,000.

PERFORMANCE

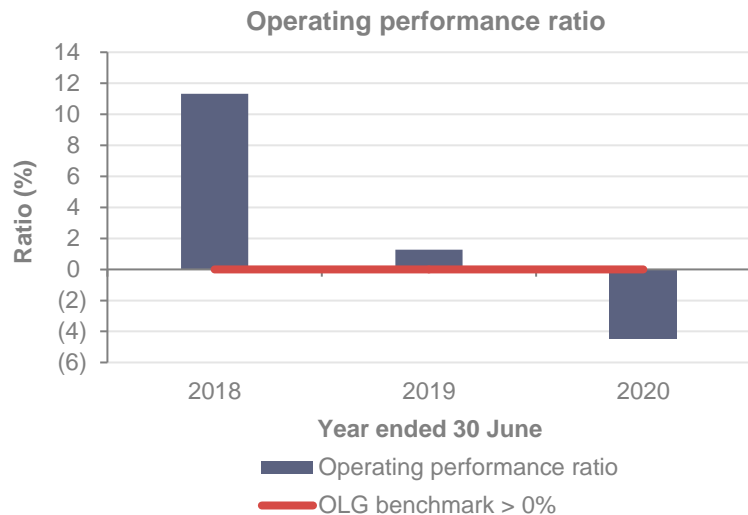
Performance measures

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

Council has fallen below the benchmark for the current year. Due to Council's relatively small size from an operational perspective, small dollar movements can result in large per centage movements.

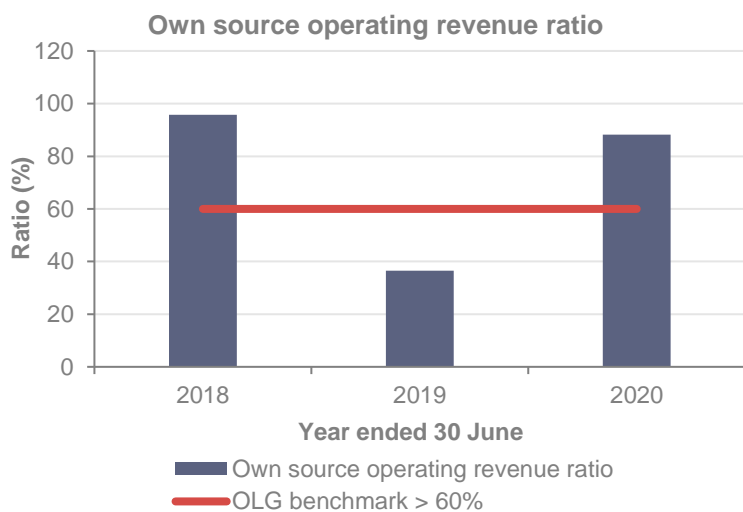
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The disproportionately high level of capital contributions received by Council in the prior year saw this ratio drop below the benchmark. Council returned to a typical year and consequently has returned to being above the benchmark. Council's own source operating has remained consistent in terms of dollar value.

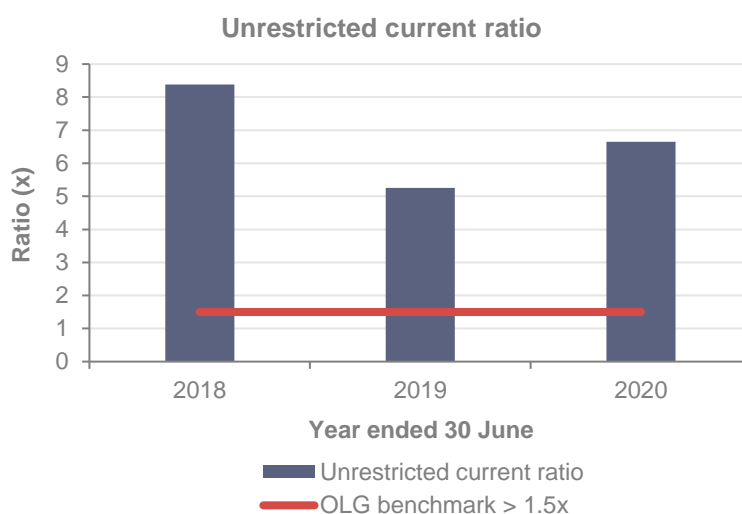
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio continues to exceed the benchmark.

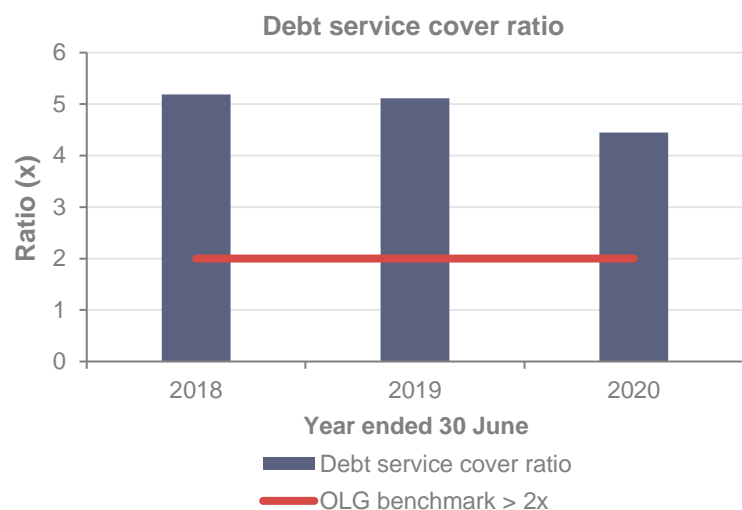
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio continues to exceed the benchmark.

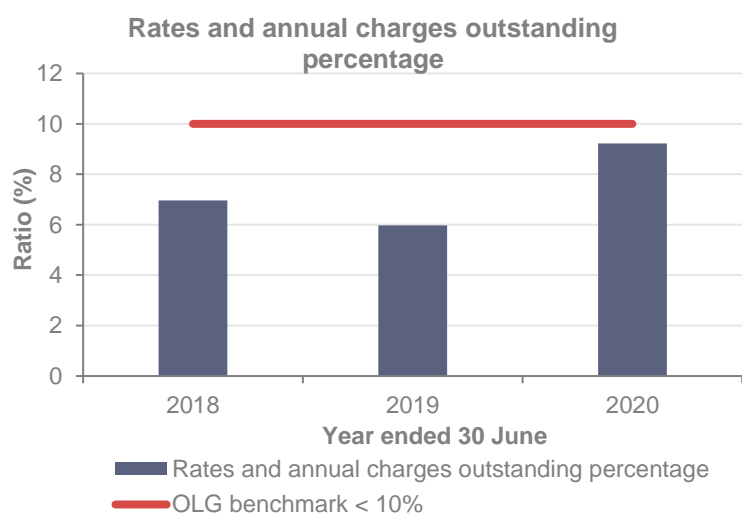
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding per centage

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years. Delays in finalising the last billing run for 2019–20 meant the Council's last quarter billings were sent out later than usual. This resulted in an increased level of receivables for user charges and fees at 30 June 2020, which increased the ratio.

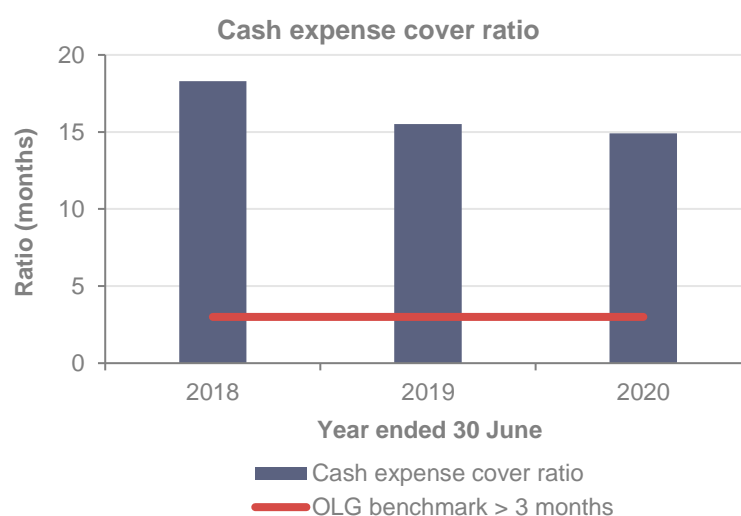
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's liquidity is reflected by this measure. Council has comfortably exceeded the benchmark and has done so for several years.

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.



Infrastructure, property, plant and equipment renewals

Council has renewed \$1.10 million of assets in 2019–20 compared to \$7.68 million in 2018–19. The lower level of expenditure is due to the prior year being abnormally high as Council undertook the renewal of 'Trunk Main K'.

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 its 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 determined it did not need to recognise an 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 16.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in its 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.

Council determined it did not have any right-of-use assets or lease liabilities either at 1 July 2019 or at 30 June 2020 which required recognition on adoption of AASB 16.

Legislative compliance

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

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

The Council's:

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Central Tablelands Water

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



**Central
Tablelands
Water**

Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Note 1 – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	9

Background

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

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

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

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

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

Central Tablelands Water

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

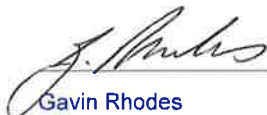
Signed in accordance with a resolution of Council made on 30 October 2020



Cllr David Somervaille
Chairperson
30 October 2020



Cllr Kevin Walker
Deputy Chairperson
30 October 2020



Gavin Rhodes
General Manager
30 October 2020



Peter McFarlane
Responsible Accounting Officer
30 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,573	1,523
User charges	5,015	4,929
Interest	120	195
Grants and contributions provided for non-capital purposes	45	27
Profit from the sale of assets	40	–
Other income	49	302
Rental income	22	–
Total income from continuing operations	6,864	6,976
Expenses from continuing operations		
Employee benefits and on-costs	1,991	2,070
Borrowing costs	83	114
Materials and contracts	1,236	1,037
Depreciation, amortisation and impairment	2,803	2,761
Loss on sale of assets	–	7
Other expenses	1,016	905
Total expenses from continuing operations	7,129	6,894
Surplus (deficit) from continuing operations before capital amounts	(265)	82
Grants and contributions provided for capital purposes	856	11,885
Surplus (deficit) from continuing operations after capital amounts	591	11,967
Surplus (deficit) from all operations before tax	591	11,967
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(23)
SURPLUS (DEFICIT) AFTER TAX	591	11,944
Plus accumulated surplus	46,139	34,172
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	23
Closing accumulated surplus	46,730	46,139
Return on capital %	(0.2)%	0.2%
Subsidy from Council	913	–
Calculation of dividend payable:		
Surplus (deficit) after tax	591	11,944
Less: capital grants and contributions (excluding developer contributions)	(856)	(11,885)
Surplus for dividend calculation purposes	–	59
Potential dividend calculated from surplus	–	30

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,615	2,029
Contract assets	93	–
Investments	5,200	4,100
Receivables	830	931
Inventories	176	179
Other	2	6
Total current assets	7,916	7,245
Non-current assets		
Receivables	19	7
Infrastructure, property, plant and equipment	83,017	83,022
Intangible assets	63	81
Total non-current assets	83,099	83,110
TOTAL ASSETS	91,015	90,355
LIABILITIES		
Current liabilities		
Payables	476	655
Income received in advance	11	87
Borrowings	532	497
Contract liabilities	73	–
Provisions	852	814
Total current liabilities	1,944	2,053
Non-current liabilities		
Borrowings	413	945
Provisions	17	17
Total non-current liabilities	430	962
TOTAL LIABILITIES	2,374	3,015
NET ASSETS	88,641	87,340
EQUITY		
Accumulated surplus	46,730	46,139
Revaluation reserves	41,911	41,201
TOTAL EQUITY	88,641	87,340

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Central Tablelands Water Supplies

Comprising the whole of the operations and net assets of the water supply systems servicing towns and villages within the Local Government Areas of Blayney, Cabonne, Cowra, Bland and Weddin.

Category 2

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

Council has no Category 2 Business Activities.

Monetary amounts

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

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

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Central Tablelands Water does not pay dividends as funding is required for the large capital works program as outlined in its 30 Year Strategic Business Plan,



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Central Tablelands County Council

To the Councillors of Central Tablelands County Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

24 November 2020
SYDNEY

Central Tablelands Water

SPECIAL SCHEDULES
for the year ended 30 June 2020

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Special Schedules
for the year ended 30 June 2020

Contents	Page
Special Schedules	
Report on Infrastructure Assets - Values	3

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	Estimated cost	2019/20	2019/20	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	Required maintenance ^a	Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	226	150	144	159	1,781	2,853	58.0%	31.0%	0.0%	10.0%	1.0%
	Sub-total	226	150	144	159	1,781	2,853	58.0%	31.0%	0.0%	10.0%	1.0%
Water supply network	Filtration Plants	1,935	1,204	598	527	9,410	15,638	51.0%	33.0%	1.0%	7.0%	8.0%
	Reticulation Mains	3,093	70	353	424	16,918	29,083	51.0%	35.0%	14.0%	0.0%	0.0%
	Trunk Mains	3,426	—	168	148	24,615	61,573	29.0%	63.0%	8.0%	0.0%	0.0%
	Bores	57	27	85	139	122	439	33.0%	50.0%	5.0%	12.0%	0.0%
	Reservoirs	2,051	504	88	71	5,606	13,959	7.0%	74.0%	12.0%	7.0%	0.0%
	Dams	11,551	155	175	148	10,343	19,775	19.0%	4.0%	76.0%	0.0%	1.0%
	Pump Stations	350	93	298	261	4,220	7,054	59.0%	34.0%	4.0%	3.0%	0.0%
	Telemetry	159	5	47	67	117	402	23.0%	24.0%	50.0%	3.0%	0.0%
	Other	—	—	—	—	102	102	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	22,622	2,058	1,812	1,785	71,453	148,025	33.7%	45.9%	17.8%	1.6%	1.0%
TOTAL - ALL ASSETS		22,848	2,208	1,956	1,944	73,234	150,878	34.2%	45.6%	17.5%	1.7%	1.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	1,096	42.33%	192.40%	25.19%	>=100.00%
Depreciation, amortisation and impairment	2,589				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	22,848	31.20%	30.44%	36.64%	<2.00%
Net carrying amount of infrastructure assets	73,234				
Asset maintenance ratio					
Actual asset maintenance	1,944	99.39%	99.41%	108.77%	>100.00%
Required asset maintenance	1,956				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,208	1.46%	1.43%	1.63%	
Gross replacement cost	150,878				

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

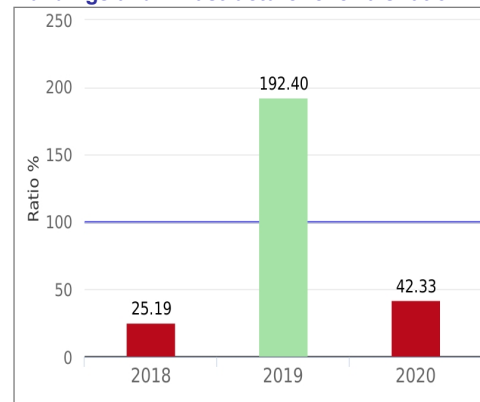
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 42.33%

Council undertook various renewal works in 19/20. This ratio on average over the 4 years is 93%. It is not possible to maintain 100% ratio with water assets as renewal occurs in large block when assets reach end of life.

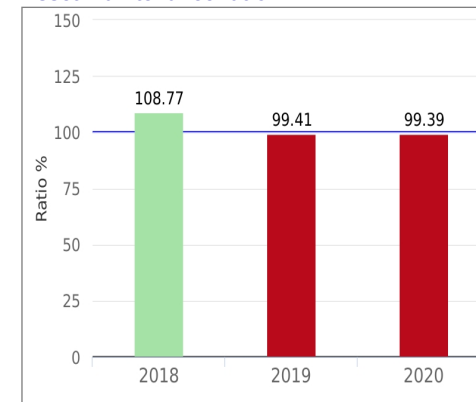
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

19/20 ratio 99.39%

This indicates that Council is maintaining its assets in accordance with its Asset Management Plan to enable high levels of service to be continued. This ratio is consistent with the result in previous years.

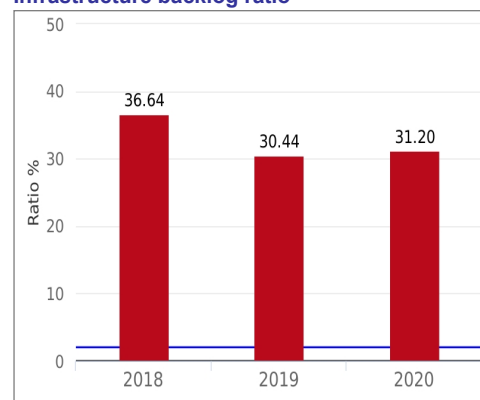
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 31.20%

This ratio is consistent with past years and indicates a minor increase in the Infrastructure backlog. The backlog will be addressed in accord with the framework set in Council's Asset Management Plan.

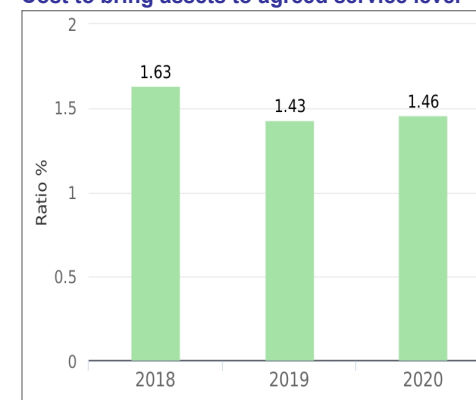
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 1.46%

Council's assets are currently meeting the level of service agreed with its consumers.