

# Castlereagh Macquarie County Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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General Purpose Financial Statements

for the year ended 30 June 2020

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# Castlereagh Macquarie County Council

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## Castlereagh Macquarie County Council

### General Purpose Financial Statements

for the year ended 30 June 2020

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

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

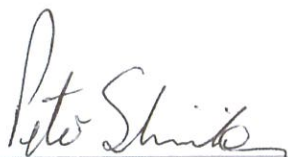
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 16th November 2020.



Councillor Peter Shinton  
**Chairperson**  
Dated 16th November 2020



Councillor Ray Lewis  
**Deputy Chairperson**  
Dated: 16th November 2020



Michael J Urquhart  
**General Manager**  
Dated: 16th November 2020



Michael J Urquhart  
**Responsible Accounting Officer**  
Dated: 16th November 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
	<b>Income from continuing operations</b>			
4	User charges and fees	3a	89	52
15	Other revenues	3b	8	10
1,104	Grants and contributions provided for operating purposes	3c,3d	864	1,107
3	Interest and investment income	4	2	10
1	Net gains from the disposal of assets	6	31	29
1,127	<b>Total income from continuing operations</b>		994	1,208
	<b>Expenses from continuing operations</b>			
718	Employee benefits and on-costs	5a	578	547
307	Materials and contracts	5b	292	24
60	Depreciation and amortisation	5c	86	58
205	Other expenses	5d	194	197
1,290	<b>Total expenses from continuing operations</b>		1,150	826
(163)	<b>Operating result from continuing operations</b>		(156)	382
(163)	<b>Net operating result for the year</b>		(156)	382
29	Net operating result attributable to council		(156)	382
29	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(156)	382

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

	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>Net operating result for the year (as per Income Statement)</b>	<b>(156)</b>	<b>382</b>
<b>Total comprehensive income for the year</b>	<b>(156)</b>	<b>382</b>
Total comprehensive income attributable to Council	(156)	382

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

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

## Statement of Financial Position

as at 30 June 2020

	Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	841	936
Investments	7(b)	121	121
Receivables	8	42	27
Inventories	9	20	33
<b>Total current assets</b>		<b>1,024</b>	<b>1,117</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	10	283	257
Right of use assets	11a	24	–
<b>Total non-current assets</b>		<b>307</b>	<b>257</b>
<b>Total assets</b>		<b>1,331</b>	<b>1,374</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	131	29
Lease liabilities	11b	5	–
Provisions	13	119	133
<b>Total current liabilities</b>		<b>255</b>	<b>162</b>
<b>Non-current liabilities</b>			
Lease liabilities	11b	19	–
Provisions	13	12	11
<b>Total non-current liabilities</b>		<b>31</b>	<b>11</b>
<b>Total liabilities</b>		<b>286</b>	<b>173</b>
<b>Net assets</b>		<b>1,045</b>	<b>1,201</b>
<b>EQUITY</b>			
Accumulated surplus	14	861	1,017
Revaluation reserves	14	184	184
<b>Council equity interest</b>		<b>1,045</b>	<b>1,201</b>
<b>Total equity</b>		<b>1,045</b>	<b>1,201</b>

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

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

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

	as at 30/06/20			as at 30/06/19		
	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance	1,017	184	1,201	635	184	819
Net operating result for the year	(156)	–	(156)	382	–	382
<b>Net operating result for the period</b>	<b>(156)</b>	<b>–</b>	<b>(156)</b>	<b>382</b>	<b>–</b>	<b>382</b>
<b>Total comprehensive income</b>	<b>(156)</b>	<b>–</b>	<b>(156)</b>	<b>382</b>	<b>–</b>	<b>382</b>
<b>Equity – balance at end of the reporting period</b>	<b>861</b>	<b>184</b>	<b>1,045</b>	<b>1,017</b>	<b>184</b>	<b>1,201</b>

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

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



## Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020 \$ '000		Notes	Actual 2020 \$ '000	Actual 2019 \$ '000
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
4	User charges and fees		98	52
3	Investment and interest revenue received		2	10
1,104	Grants and contributions		925	1,103
15	Other		–	169
<b>Payments:</b>				
(718)	Employee benefits and on-costs		(591)	(639)
(307)	Materials and contracts		(308)	(25)
(205)	Other		(140)	(192)
	<b>Net cash provided (or used in) operating activities</b>	15b	<b>(14)</b>	<b>478</b>
(104)				
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
20	Sale of infrastructure, property, plant and equipment		38	29
<b>Payments:</b>				
–	Purchase of investment securities		–	(121)
(73)	Purchase of infrastructure, property, plant and equipment		(119)	(52)
(53)	<b>Net cash provided (or used in) investing activities</b>		<b>(81)</b>	<b>(144)</b>
(157)	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(95)</b>	<b>334</b>
927	Plus: cash and cash equivalents – beginning of year	15a	936	602
770	<b>Cash and cash equivalents – end of the year</b>	15a	<b>841</b>	<b>936</b>
–	plus: Investments on hand – end of year	7(b)	121	121
770	<b>Total cash, cash equivalents and investments</b>		<b>962</b>	<b>1,057</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 16th November 2020

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

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

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

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

Council is a not-for-profit entity.

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

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) employee benefit provisions – refer Note 13.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### 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 7.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations

##### (b) The Trust Fund

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

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Council does not engage volunteers

#### 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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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 14.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	–	–	11	15	(11)	(15)	–	–	–	–
Administration	12	22	245	196	(233)	(174)	–	–	–	–
Environment	982	1,186	894	615	88	571	316	581	1,331	1,374
<b>Total functions and activities</b>	<b>994</b>	<b>1,208</b>	<b>1,150</b>	<b>826</b>	<b>(156)</b>	<b>382</b>	<b>316</b>	<b>581</b>	<b>1,331</b>	<b>1,374</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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#### **GOVERNANCE**

Includes costs related to Council's role as a component of democratic government, members' fees and expenses, subscriptions to local authority associations, meeting of Council and policy-making committees, public disclosure (e.g. GIPA) and legislative compliance.

#### **ADMINISTRATION**

Includes corporate support and other support services and any Council policy compliance.

#### **ENVIRONMENT**

Includes priority/noxious plants and insect/vermin control, other environmental protection.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) User charges and fees</b>		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Private works – section 67	86	50
Weeds certificates	1	2
<b>Total fees and charges – statutory/regulatory</b>	<b>87</b>	<b>52</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Sundry sales	2	–
<b>Total fees and charges – other</b>	<b>2</b>	<b>–</b>
<b><u>TOTAL USER CHARGES AND FEES</u></b>	<b><u>89</u></b>	<b><u>52</u></b>

**Accounting policy for user charges and fees**

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

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

**2019 accounting policy**

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



Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(b) Other revenues</b>		
Insurance claims recoveries	7	10
Sales – general	1	–
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>8</u></b>	<b><u>10</u></b>

**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.

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

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

	Operating 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
<b>(c) Grants</b>				
<b>Specific purpose</b>				
Noxious weeds	316	581	–	–
<b>Total specific purpose</b>	<b>316</b>	<b>581</b>	<b>–</b>	<b>–</b>
<b>Total grants</b>	<b>316</b>	<b>581</b>	<b>–</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– State funding	316	581	–	–
	<b>316</b>	<b>581</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	Operating 2020 Actual \$ '000	Operating 2019 Actual \$ '000	Capital 2020 Actual \$ '000	Capital 2019 Actual \$ '000
<b>(d) Contributions</b>				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Hudson pear contributions	9	–	–	–
Other councils – joint works/services	539	526	–	–
<b>Total other contributions – cash</b>	<b>548</b>	<b>526</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>	<b>548</b>	<b>526</b>	<b>–</b>	<b>–</b>
<u>Total contributions</u>	<u>548</u>	<u>526</u>	<u>–</u>	<u>–</u>
<u><b>TOTAL GRANTS AND CONTRIBUTIONS</b></u>	<u><b>864</b></u>	<u><b>1,107</b></u>	<u><b>–</b></u>	<u><b>–</b></u>

**Accounting policy for grants and contributions**

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
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(e) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

**Operating grants**

Unexpended at the close of the previous reporting period	241	–
<b>Add:</b> operating grants recognised in the current period but not yet spent	–	241
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(241)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>–</b>	<b>241</b>

	AASB 15 2020 Actual \$ '000	AASB 1058 2020 Actual \$ '000
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(f) Disaggregation of material revenue streams

The following shows the revenue recognition pattern for the material revenue streams of Council.

**Revenue recognition at a point in time**

User charges and fees	38	–
Grant revenue and non-developer contributions	–	915
Other	1	7
	<b>39</b>	<b>922</b>

Note 4. Interest and investment income

	2020 Actual \$ '000	2019 Actual \$ '000
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**Interest on financial assets measured at amortised cost**

– Cash and investments	2	10
<b>Total Interest and investment income</b>	<b>2</b>	<b>10</b>

**Interest revenue is attributable to:**

**Unrestricted investments/financial assets:**

General Council cash and investments	2	10
<b>Total interest and investment revenue</b>	<b>2</b>	<b>10</b>

**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

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	393	423
Employee termination costs (where material – other than vested leave paid)	4	–
Travel expenses	2	2
Employee leave entitlements (ELE)	124	73
Superannuation	38	36
Workers' compensation insurance	12	9
Training costs (other than salaries and wages)	1	1
Protective clothing	3	2
Other	1	1
<b>Total employee costs</b>	<b>578</b>	<b>547</b>
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>578</u></b>	<b><u>547</u></b>
Number of 'full-time equivalent' employees (FTE) at year end	6	6

**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.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(b) Materials and contracts</b>		
Raw materials and consumables	236	–
Auditors remuneration <sup>1</sup>	13	11
<b>Operating leases expense (2019 only):</b>		
Depot expense	43	13
<b>Total materials and contracts</b>	<u>292</u>	<u>24</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>292</u>	<u>24</u>
<b>1. Auditor remuneration</b>		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	13	11
<b>Remuneration for audit and other assurance services</b>	<u>13</u>	<u>11</u>
<b>Total Auditor-General remuneration</b>	<u>13</u>	<u>11</u>
<b>Total Auditor remuneration</b>	<u>13</u>	<u>11</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>(c) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		63	39
Office equipment		9	5
<b>Infrastructure:</b>	10		
– Buildings (non-specialised)		14	14
<b>Total gross depreciation and amortisation costs</b>		<u>86</u>	<u>58</u>
<b>Total depreciation and amortisation costs</b>		<u>86</u>	<u>58</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>86</u>	<u>58</u>

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

**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

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

**Impairment of non-financial assets**

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

	2020 Actual \$ '000	2019 Actual \$ '000
<b>(d) Other expenses</b>		
Advertising	7	16
Computer software charges	20	22
Member expenses – chairperson’s fee	2	2
Member expenses – member’s fees	8	11
Member’s expenses (incl. chairperson) – other (excluding fees above)	1	1
Insurance	52	53
Office expenses (including computer expenses)	9	7
Plant expenses	71	62
Postage	2	–
Printing and stationery	3	6
Subscriptions and publications	–	2
Telephone and communications	6	9
Write-down of inventories held for sale or distribution	–	(2)
regional Meeting Expenses	10	8
Membership	3	–
<b>Total other expenses</b>	<b>194</b>	<b>197</b>
<b>TOTAL OTHER EXPENSES</b>	<b>194</b>	<b>197</b>

**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

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		38	29
Less: carrying amount of plant and equipment assets sold/written off		(7)	–
<b>Net gain/(loss) on disposal</b>		<b>31</b>	<b>29</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>31</b>	<b>29</b>

**Accounting policy for disposal of assets**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

	2020 Actual \$ '000	2019 Actual \$ '000
Cash and cash equivalents		
Cash on hand and at bank	841	936
<b>Total cash and cash equivalents</b>	<b>841</b>	<b>936</b>

**Accounting policy for cash and cash equivalents**

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

Note 7(b). Investments

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
Investments				
'Financial assets at amortised cost	121	–	121	–
<b>Total Investments</b>	<b>121</b>	<b>–</b>	<b>121</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>962</b>	<b>–</b>	<b>1,057</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	121	–	121	–
<b>Total</b>	<b>121</b>	<b>–</b>	<b>121</b>	<b>–</b>

**Accounting policy for investments**

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
Total cash, cash equivalents and investments	962	–	1,057	–
<b>attributable to:</b>				
Unrestricted	849	–	696	–
Internal restrictions	113	–	120	–
External restrictions	–	–	241	–
	962	–	1,057	–

	2020 Actual \$ '000	2019 Actual \$ '000

Details of restrictions

**External restrictions – other**

Specific purpose unexpended grants (recognised as revenue) – general fund	–	241
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**Internal restrictions**

Plant and vehicle replacement	42	9
Employees leave entitlement	71	111
<b>Total internal restrictions</b>	<b>113</b>	<b>120</b>
<b>TOTAL RESTRICTIONS</b>	<b>113</b>	<b>361</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Purpose</b>				
Government grants and subsidies	4	–	18	–
Net GST receivable	36	–	9	–
Other debtors	2	–	–	–
<b>Total</b>	<b>42</b>	<b>–</b>	<b>27</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>42</u></b>	<b><u>–</u></b>	<b><u>27</u></b>	<b><u>–</u></b>
<b>Unrestricted receivables</b>	<b>42</b>	<b>–</b>	<b>27</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>42</b>	<b>–</b>	<b>27</b>	<b>–</b>

Accounting policy for receivables

Recognition and measurement

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	20	–	33	–
<b>Total inventories at cost</b>	<b>20</b>	<b>–</b>	<b>33</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>20</b>	<b>–</b>	<b>33</b>	<b>–</b>

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

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

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 \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Plant and equipment	381	(234)	147	94	–	7	(63)	329	(159)	170
Office equipment	27	(16)	11	–	25	–	(9)	52	(24)	28
<b>Land:</b>										
– Operational land	4	–	4	–	–	–	–	4	–	4
<b>Infrastructure:</b>										
– Buildings – non-specialised	287	(192)	95	–	–	–	(14)	287	(206)	81
<b>Total Infrastructure, property, plant and equipment</b>	<b>699</b>	<b>(442)</b>	<b>257</b>	<b>94</b>	<b>25</b>	<b>7</b>	<b>(86)</b>	<b>672</b>	<b>(389)</b>	<b>283</b>

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 \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Depreciation expense \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Plant and equipment	379	(246)	133	40	10	(39)	381	(234)	147
Office equipment	30	(13)	17	–	–	(5)	27	(16)	11
<b>Land:</b>									
– Operational land	4	–	4	–	–	–	4	–	4
<b>Infrastructure:</b>									
– Buildings – non-specialised	287	(178)	109	–	–	(14)	287	(192)	95
<b>Total Infrastructure, property, plant and equipment</b>	<b>700</b>	<b>(437)</b>	<b>263</b>	<b>40</b>	<b>10</b>	<b>(58)</b>	<b>699</b>	<b>(442)</b>	<b>257</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10. 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.

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

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

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

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

<b>Plant and equipment</b>	Years		
Office equipment	5 to 10		
Office furniture	10 to 20		
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Leases

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

(i) Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Leases are on a short-term basis with the building lease renewable in the 2024/2024 financial year.

Buildings

Council leases a depot building in Coonamble. The lease has a five (5) year term.

The building lease contains an annual pricing mechanism based on a fixed increases of 3% at each anniversary of the lease inception.

Extension options

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

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

	Ready to use Actual \$ '000	Total Actual \$ '000
(a) Right of use assets		
Opening balance at 30 June 2019	-	-
Additions to right-of-use assets	24	24
<b>RIGHT OF USE ASSETS</b>	<b>24</b>	<b>24</b>

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
(b) Lease liabilities		
Lease liabilities	5	19
<b>TOTAL LEASE LIABILITIES</b>	<b>5</b>	<b>19</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11. Leases (continued)

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#### (i) The maturity analysis

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

Council's lease is at market value which is for:

- Coonamble depot

#### Accounting policy

Council has implemented AASB16 for Council's property lease from 1st July 2020.

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

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

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

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

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

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

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

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

#### Exceptions to lease accounting

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Payables and borrowings

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Payables</b>				
Accrued expenses:				
– Other expenditure accruals	125	–	29	–
Other	6	–	–	–
<b>Total payables</b>	<b>131</b>	<b>–</b>	<b>29</b>	<b>–</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>131</u></b>	<b><u>–</u></b>	<b><u>29</u></b>	<b><u>–</u></b>

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Payables and borrowings relating to restricted assets</b>				
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>131</b>	<b>–</b>	<b>29</b>	<b>–</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>131</u></b>	<b><u>–</u></b>	<b><u>29</u></b>	<b><u>–</u></b>

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Provisions

	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	65	–	58	–
Long service leave	54	12	75	11
<b>Sub-total – aggregate employee benefits</b>	<b>119</b>	<b>12</b>	<b>133</b>	<b>11</b>
<b>TOTAL PROVISIONS</b>	<b>119</b>	<b>12</b>	<b>133</b>	<b>11</b>

## (a) Provisions relating to restricted assets

<b>Total provisions relating to restricted assets</b>	–	–	–	–
<b>Total provisions relating to unrestricted assets</b>	<b>119</b>	<b>12</b>	<b>133</b>	<b>11</b>
<b>TOTAL PROVISIONS</b>	<b>119</b>	<b>12</b>	<b>133</b>	<b>11</b>

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

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

Provisions – employees benefits	33	36
	<b>33</b>	<b>36</b>

## (c) Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
<b>2020</b>			
At beginning of year	58	86	144
Additional provisions	29	10	39
Amounts used (payments)	(22)	(30)	(52)
<b>Total ELE provisions at end of year</b>	<b>65</b>	<b>66</b>	<b>131</b>
<b>2019</b>			
At beginning of year	43	73	116
Additional provisions	29	13	42
Amounts used (payments)	(18)	–	(18)
Other	4	–	4
<b>Total ELE provisions at end of year</b>	<b>58</b>	<b>86</b>	<b>144</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Provisions (continued)

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#### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

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

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

### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

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:

**(i) AASB 15 and AASB 1058****Transfer of control to a customer – over time or at a point in time**

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

**Principal v agent**

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

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

**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.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Statement of cash flow information

	Notes	2020 Actual \$ '000	2019 Actual \$ '000
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	841	936
<b>Balance as per the Statement of Cash Flows</b>		<b>841</b>	<b>936</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		(156)	382
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		86	58
Net losses/(gains) on disposal of assets		(31)	(29)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(15)	35
Decrease/(increase) in inventories		13	(1)
Increase/(decrease) in other accrued expenses payable		96	5
Increase/(decrease) in other liabilities		6	-
Increase/(decrease) in employee leave entitlements		(13)	28
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>(14)</b>	<b>478</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Contingencies

---

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

###### (i) 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.

###### (ii) 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.

###### (iii) Other guarantees

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

##### 2. Other liabilities

###### (i) Third party claims

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 17. 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 under policies approved by the Council.

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

	Carrying value 2020 \$ '000	Carrying value 2019 \$ '000	Fair value 2020 \$ '000	Fair value 2019 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	841	936	841	936
Receivables	42	27	42	27
Investments				
– 'Financial assets at amortised cost'	121	121	121	121
<b>Total financial assets</b>	<b>1,004</b>	<b>1,084</b>	<b>1,004</b>	<b>1,084</b>
<b>Financial liabilities</b>				
Payables	131	29	131	29
Lease liabilities	24	–	24	–
<b>Total financial liabilities</b>	<b>155</b>	<b>29</b>	<b>155</b>	<b>29</b>

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

Council's General Manager manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the instruments held are:

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Financial risk management (continued)

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2020</b>				
Possible impact of a 1% movement in interest rates	8	8	(8)	(8)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	9	9	(9)	(9)

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Financial risk management (continued)

## (b) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2020</b>							
Trade/other payables	0.00%	–	131	–	–	131	131
Lease liabilities	0.00%	–	5	19	–	24	24
<b>Total financial liabilities</b>		<b>–</b>	<b>136</b>	<b>19</b>	<b>–</b>	<b>155</b>	<b>155</b>
<b>2019</b>							
Trade/other payables	0.00%	–	29	–	–	29	29
<b>Total financial liabilities</b>		<b>–</b>	<b>29</b>	<b>–</b>	<b>–</b>	<b>29</b>	<b>29</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Material budget variations

Council’s original financial budget for 19/20 was adopted by the Council on 24th June 2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>User charges and fees</b>	4	89	85	2,125% <b>F</b>
Actual private works income greater than original budget predictions.				
<b>Other revenues</b>	15	8	(7)	(47)% <b>U</b>
The budget made allowance for income streams that were not realised.				
<b>Operating grants and contributions</b>	1,104	864	(240)	(22)% <b>U</b>
The budget made provision for additional operating grants that were not realised during the year.				
<b>Interest and investment revenue</b>	3	2	(1)	(33)% <b>U</b>
Actual Investment income was less than anticipated due to lower interest rates.				
<b>Net gains from disposal of assets</b>	1	31	30	3,000% <b>F</b>
No profit on sale for motor vehicles allowed for in the original budget.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	718	578	140	19% <b>F</b>
Additional expenditure associated with a grant was not incurred as the grant did not take place.				
<b>Materials and contracts</b>	307	292	15	5% <b>F</b>
Additional costs associated with grant expenditure were originally budgeted, this did not take place.				
<b>Depreciation and amortisation</b>	60	86	(26)	(43)% <b>U</b>
Increased motor vehicle depreciation a result of new plant items purchased in previous year.				
<b>Other expenses</b>	205	194	11	5% <b>F</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>STATEMENT OF CASH FLOWS</b>				
<b>Cash flows from operating activities</b>	(104)	(14)	90	(87)% <b>F</b>
Operating expenditure less than previously estimated in original budget				
<b>Cash flows from investing activities</b>	(53)	(81)	(28)	53% <b>U</b>
Purchase of additional motor vehicle.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2020		Fair value measurement hierarchy				
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		Total
\$ '000						
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
Plant and Office Equipment	30/06/17	–	–	198		198
Operational Land	30/06/17	–	–	4		4
Buildings (non specialised)	30/06/17	–	–	81		81
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>283</b>		<b>283</b>
<b>2019</b>						
		Fair value measurement hierarchy				
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		Total
\$ '000						
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
Plant and Office Equipment	30/06/17	–	–	158		158
Operational Land	30/06/17	–	–	4		4
Buildings (non specialised)	30/06/17	–	–	95		95
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>257</b>		<b>257</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Related party disclosures

(a) Key management personnel

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

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

	2020 \$ '000	2019 \$ '000
<b>Compensation:</b>		
Short-term benefits	49	27
<b>Total</b>	<b>49</b>	<b>27</b>

(b) Other transactions with KMP and their related parties

Council has determined that there were no other KMP or related party transactions.

Note 21. 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 22(a). Statement of performance measures – consolidated results

	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
\$ '000	Actual	Actual	Restated Actual	Actual	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(187)	(19.42)%	29.94%	29.89%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	963				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	99	10.28%	6.11%	7.94%	>60.00%
Total continuing operating revenue <sup>1</sup>	963				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	1,024	4.61x	6.95x	7.73x	>1.50x
Current liabilities less specific purpose liabilities	222				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	(101)	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
<b>5. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	962	11.11 mths	14.82 mths	9.13 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	87				

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

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Castlereagh Macquarie County Council**

To the Councillors of Castlereagh Macquarie County Council

**Opinion**

I have audited the accompanying financial statements of Castlereagh Macquarie 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.

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

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

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

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

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Manuel Moncada

Delegate of the Auditor-General for New South Wales

27 November 2020  
SYDNEY



Cr Peter Shinton  
Chairperson  
Castlereagh Macquarie County Council  
PO Box 664  
WALGETT NSW 2832

Contact: Manuel Moncada  
Phone no: 02 9275 7333  
Our ref: D2027983/1815

27 November 2020

Dear Chairman

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
Castlereagh Macquarie County Council**

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

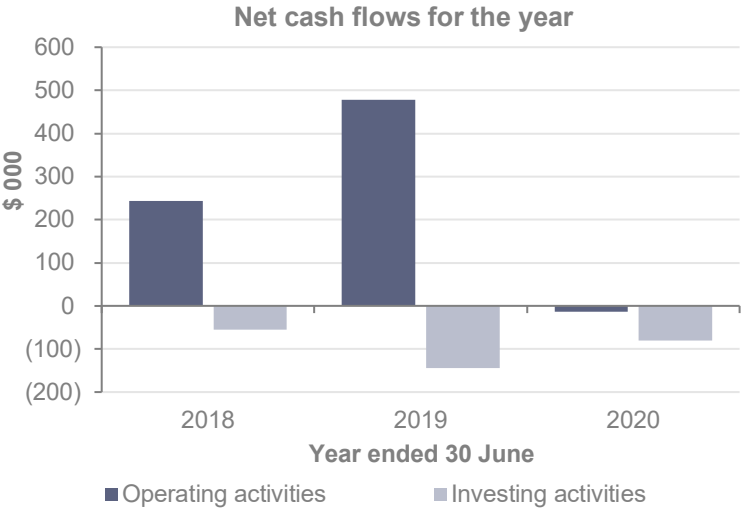
	2020	2019	Variance
	\$000	\$000	%
Grants and contributions revenue	864	1,107	↓ 22
Operating result from continuing operations	(156)	382	↓ 141

Council’s operating result (\$156,000 deficit including the effect of depreciation and amortisation expense of \$86,000) was \$538,000 lower than the 2018–19 result. This was mainly due to reduced grant revenue and increased expenditure as unspent grant funding from the prior year was spent.

Grants and contributions revenue (\$864,000) decreased by \$243,000 (22 per cent) in 2019–2020 as additional project funding was received from the NSW Department of Primary Industries in the previous year.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$95,000 to \$841,000 at the close of the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$'000	\$'000	
External restrictions	-	241	<ul style="list-style-type: none"> <li>External restrictions represent unspent specific purpose grants</li> <li>Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> </ul>
Internal restrictions	113	120	
Unrestricted	849	696	
<b>Cash and investments</b>	<b>962</b>	<b>1,057</b>	<ul style="list-style-type: none"> <li>Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>

## PERFORMANCE

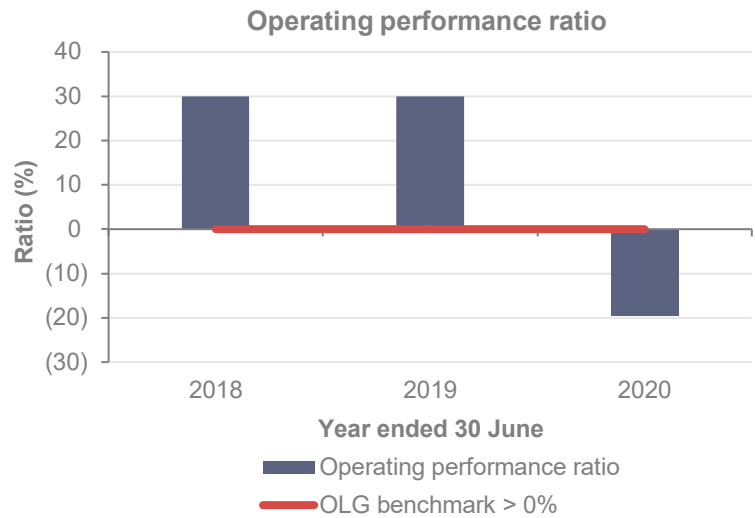
### Performance measures

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

### Operating performance ratio

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

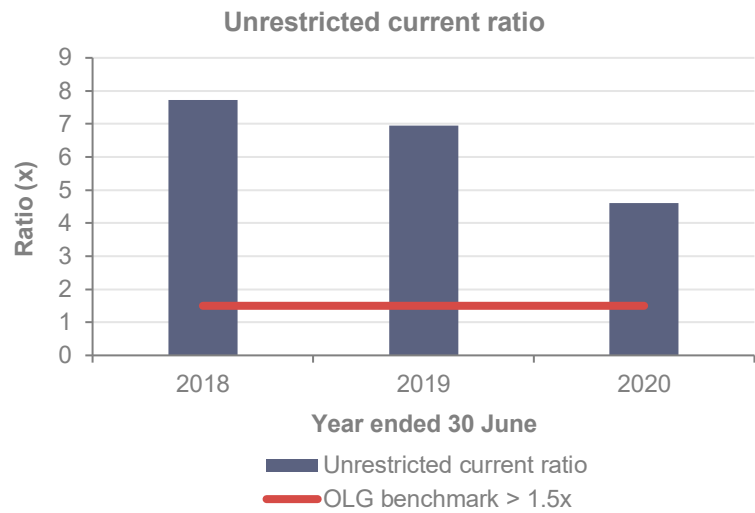
The Council did not meet the OLG benchmark for the current reporting period due to increased expenditure on materials and contracts as unspent grant funding from the prior year was spent.



### Unrestricted current ratio

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

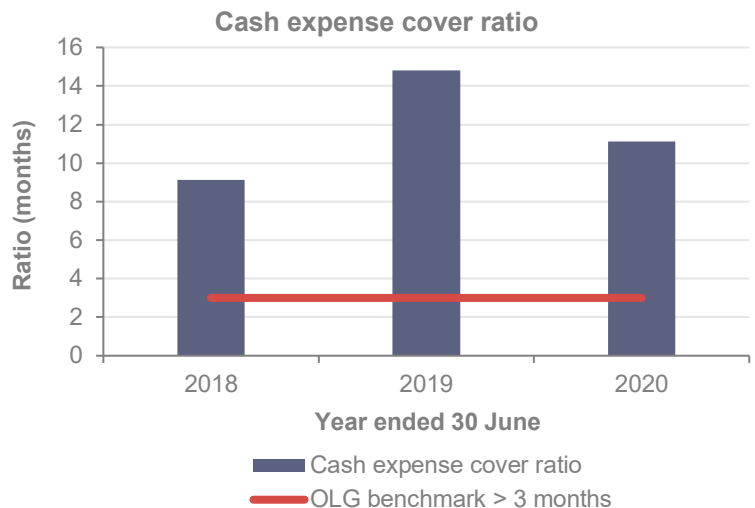
The Council exceeded the OLG benchmark for the current reporting period.



### Cash expense cover ratio

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

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



## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

There was no impact on the financial statements on adoption of AASB 15 and AASB 1058.

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

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

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

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

### Legislative compliance

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

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

The Council's:

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



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

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

