



Planning and Strategy Committee of the Whole

9 September 2020

**UNDER SEPARATE COVER
ATTACHMENTS**

ITEM 8.8

**QUEANBEYAN-PALERANG REGIONAL COUNCIL
PLANNING AND STRATEGY COMMITTEE OF THE WHOLE**

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QUEANBEYAN-PALERANG REGIONAL COUNCIL

Planning and Strategy Committee of the Whole Meeting Attachment

9 SEPTEMBER 2020

ITEM 8.8 QPRC 2019/20 FINANCIAL STATEMENTS - REFERRAL TO
AUDIT

ATTACHMENT 1 DRAFT - READY FOR AUDIT - 30 JUNE 20 GENERAL
PURPOSE FINANCIAL STATEMENTS

DRAFT

Queanbeyan-Palerang Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Our reputation matters



Queanbeyan-Palerang Regional Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

Queanbeyan-Palerang Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

256 Crawford Street
Queanbeyan NSW 2620

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.qprc.nsw.gov.au.

Queanbeyan-Palerang Regional Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Queanbeyan-Palerang Regional Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 09 September 2020.

Cr Timothy Overall
Mayor
09 September 2020

Cr Trudy Taylor
Deputy Mayor
09 September 2020

Peter Tegart
Chief Executive Officer
09 September 2020

Kate Monaghan
Responsible Accounting Officer
09 September 2020

Queanbeyan-Palerang Regional Council

Financial Statements 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
	Income from continuing operations			
71,784	Rates and annual charges	3a	72,292	70,158
30,181	User charges and fees	3b	36,336	33,652
2,566	Other revenues	3c	1,601	2,120
14,440	Grants and contributions provided for operating purposes	3d,3e	27,869	17,494
154,063	Grants and contributions provided for capital purposes	3d,3e	57,227	64,780
3,780	Interest and investment income	4	3,911	7,090
276,814	Total income from continuing operations		199,236	195,294
	Expenses from continuing operations			
44,835	Employee benefits and on-costs	5a	40,899	41,070
3,540	Borrowing costs	5b	3,554	2,965
37,611	Materials and contracts	5c	55,911	40,466
24,153	Depreciation and amortisation	5d	26,554	24,909
11,571	Other expenses	5e	10,633	14,080
(1,037)	Net losses from the disposal of assets	6	1,000	3,232
-	Revaluation decrement / impairment of IPP&E	5d	8,224	-
120,673	Total expenses from continuing operations		146,775	126,722
156,141	Operating result from continuing operations		52,461	68,572
156,141	Net operating result for the year		52,461	68,572
156,141	Net operating result attributable to council		52,461	68,572
2,078	Net operating result for the year before grants and contributions provided for capital purposes		(4,766)	3,792

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.

Queanbeyan-Palerang Regional Council

Financial Statements 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		52,461	68,572
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	2,466	4,107
Total items which will not be reclassified subsequently to the operating result		2,466	4,107
Total other comprehensive income for the period		2,466	4,107
Total comprehensive income for the year		54,927	72,679
 Total comprehensive income attributable to Council		 54,927	 72,679

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.

Queanbeyan-Palerang Regional Council

Financial Statements 2020

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	13,296	12,580	16,176
Investments	7(b)	105,461	125,833	70,687
Receivables	8	36,058	15,689	15,028
Inventories	9a	272	269	266
Other	9b	804	722	885
Current assets classified as 'held for sale'	10	120	520	120
Total current assets		156,011	155,613	103,162
Non-current assets				
Investments	7(b)	71,200	83,750	80,250
Receivables	8	80	422	535
Infrastructure, property, plant and equipment	11(a)	1,461,009	1,408,335	1,319,479
Intangible Assets	12	7,002	7,265	3,059
Right of use assets	14a	172	—	—
Total non-current assets		1,539,463	1,499,772	1,403,323
Total assets		1,695,474	1,655,385	1,506,485
LIABILITIES				
Current liabilities				
Payables	15	16,381	24,529	13,775
Income received in advance	15	—	179	177
Contract liabilities	13	20,549	—	—
Lease liabilities	14b	52	—	—
Borrowings	15	5,373	5,386	1,619
Provisions	16	14,918	15,419	12,119
Total current liabilities		57,273	45,513	27,690
Non-current liabilities				
Lease liabilities	14b	121	—	—
Borrowings	15	75,677	79,396	35,218
Provisions	16	2,342	935	3,626
Total non-current liabilities		78,140	80,331	38,844
Total liabilities		135,413	125,844	66,534
Net assets		1,560,061	1,529,541	1,439,951
EQUITY				
Accumulated surplus	17	1,545,680	1,517,626	1,432,143
Revaluation reserves	17	14,381	11,915	7,808
Council equity interest		1,560,061	1,529,541	1,439,951
Total equity		1,560,061	1,529,541	1,439,951

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.

Queanbeyan-Palerang Regional Council

Financial Statements 2020

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

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,517,626	11,915	1,529,541	1,431,636	7,808	1,439,444
Correction of prior period errors	17b	–	–	–	17,418	–	17,418
Changes due to AASB 1058 and AASB 15 adoption	17	(24,407)	–	(24,407)	–	–	–
Restated opening balance		1,493,219	11,915	1,505,134	1,449,054	7,808	1,456,862
Net operating result for the year		52,461	–	52,461	68,572	–	68,572
Restated net operating result for the period		52,461	–	52,461	68,572	–	68,572
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	11(a)	–	2,466	2,466	–	4,107	4,107
Other comprehensive income		–	2,466	2,466	–	4,107	4,107
Total comprehensive income		52,461	2,466	54,927	68,572	4,107	72,679
Equity – balance at end of the reporting period		1,545,680	14,381	1,560,061	1,517,626	11,915	1,529,541

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.

Queanbeyan-Palerang Regional Council

Financial Statements 2020

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
71,784	Rates and annual charges		71,364	69,565
30,181	User charges and fees		34,134	34,511
3,780	Investment and interest revenue received		4,660	6,766
168,503	Grants and contributions		57,403	71,985
–	Bonds, deposits and retention amounts received		592	1,201
2,566	Other		10,883	9,128
Payments:				
(44,835)	Employee benefits and on-costs		(40,531)	(40,206)
(37,611)	Materials and contracts		(76,247)	(48,097)
(3,540)	Borrowing costs		(3,499)	(2,426)
–	Bonds, deposits and retention amounts refunded		(1,182)	(911)
(11,571)	Other		(12,271)	(5,726)
179,257	Net cash provided (or used in) operating activities	18b	45,306	95,790
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		117,686	109,968
1,037	Sale of infrastructure, property, plant and equipment		1,454	1,032
–	Deferred debtors receipts		16	48
Payments:				
–	Purchase of investment securities		(84,089)	(168,614)
(149,381)	Purchase of infrastructure, property, plant and equipment		(75,600)	(85,176)
–	Purchase of intangible assets		(251)	(4,551)
(148,344)	Net cash provided (or used in) investing activities		(40,784)	(147,293)
Cash flows from financing activities				
Receipts:				
4,884	Proceeds from borrowings and advances		1,634	50,400
Payments:				
(5,426)	Repayment of borrowings and advances		(5,386)	(2,493)
–	Lease liabilities (principal repayments)		(54)	–
(542)	Net cash flow provided (used in) financing activities		(3,806)	47,907
30,371	Net increase/(decrease) in cash and cash equivalents		716	(3,596)
12,580	Plus: cash and cash equivalents – beginning of year	18a	12,580	16,176
42,951	Cash and cash equivalents – end of the year	18a	13,296	12,580
176,661	plus: Investments on hand – end of year	7(b)	176,661	209,583
219,612	Total cash, cash equivalents and investments		189,957	222,163

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.

Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (ii) estimated tip remediation provisions – refer Note 16
- (iii) employee benefit provisions – refer Note 16

Significant judgements in applying the council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of the Council.

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

- General purpose operations
- Water service

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Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Sewerage service

(b) The Trust Fund

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

Trust monies and property subject to Council's control have not been included in these reports.

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

- South East Weights and Loads
- Unclaimed money, funds held for sale of land, RFS donations and other money held in trust

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 recognise volunteer services in the income statement. Council does not rely on volunteers in the provision of services, and would not purchase those services if they were not provided for free.

New accounting standards and interpretations issued but not yet effective

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

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

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

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 18.

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Covid-19 global pandemic

In February 2020 a global pandemic was declared due to the spread of the Covid-19 virus. To limit the spread of the disease social distancing practices were implemented, including the closure of many Council sporting and cultural facilities, and workplaces. The financial impact of Covid-19 on Council's operating result is not considered to be material. Reduced revenue from facilities has been offset by reduced employee costs, as many facilities are staffed by casual workers. Restrictions on movement (stay at home orders) has reduced travel and face to face training costs. There has been an increase in outstanding rates due to reduced Council debt collection actions in acknowledgement of financial hardships faced by ratepayers. While other levels of government have waived some costs, such as NSW payroll tax.

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
\$ '000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Community	5,606	5,828	13,095	13,847	(7,489)	(8,019)	1,491	1,626	5,973	2,455
Choice	2,428	1,376	3,615	2,533	(1,187)	(1,157)	1,142	524	—	—
Character	23,885	23,591	23,635	21,067	250	2,524	2,391	1,148	100,319	115,861
Connection	84,784	67,614	102,007	74,765	(17,223)	(7,151)	16,795	47,969	1,491,554	1,405,005
Capability	82,533	96,885	4,423	14,510	78,110	82,375	44,702	11,857	97,628	132,064
Total functions and activities	199,236	195,294	146,775	126,722	52,461	68,572	66,521	63,124	1,695,474	1,655,385

Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

Community

- We are a friendly and caring community.
- We feel safe in the places we visit in our built and natural environment.
- We respect the indigenous relationships with the land we live on.
- Our community and our identity are made vibrant by the expression of arts and culture around us.

Choice

- We have a diverse, resilient and smart economy fostering businesses that create jobs and wealth for all in our community.

Character

- We enjoy the natural beauty and opportunity of our natural environment, and act to protect it through our management of waste and energy.

Connection

- We are well connected to accessible services and facilities that provide our needs for living, work and leisure.

Capability

- We are served by a Council that listens to us and responds in our best interests in all their actions, and provides the leadership we need to achieve our common aspirations.

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058	28,872	27,963
Farmland	1058	2,532	2,428
Mining	1058	25	25
Business	1058	6,179	5,991
Less: pensioner rebates (mandatory)		(522)	(582)
Rates levied to ratepayers		37,086	35,825
Pensioner rate subsidies received	1058	256	259
Total ordinary rates		37,342	36,084
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058	7,220	6,897
Stormwater management services	1058	368	361
Water supply services	1058	6,798	6,760
Sewerage services	1058	16,403	16,002
Waste management services (non-domestic)	1058	3,828	3,693
Recycled water services	1058	549	511
Less: pensioner rebates (mandatory)		(447)	(389)
Annual charges levied		34,719	33,835
Pensioner subsidies received:			
– Water	1058	85	91
– Sewerage	1058	85	90
– Domestic waste management	1058	61	58

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
Total annual charges		34,950	34,074
TOTAL RATES AND ANNUAL CHARGES		72,292	70,158

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

15 indicates income recognised under AASB 15,
1058 indicates income recognised under AASB 1058

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

\$ '000	AASB	2020	2019
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(b) User charges and fees

Specific user charges

(per s.502 - specific 'actual use' charges)

Water supply services	15	16,194	16,242
Sewerage services	15	1,153	1,068
Waste management services (non-domestic)	15	45	35
Total specific user charges		17,392	17,345

Other user charges and fees

(i) Fees and charges – statutory and regulatory functions (per s.608)

Inspection services	1058	238	241
Planning and building regulation	1058	1,807	1,836
Private works – section 67	15	1,957	295
Regulatory/ statutory fees	1058	35	65
Registration fees	1058	66	53
Section 10.7 certificates (EP&A Act)	1058	148	153
Section 603 certificates	1058	242	130
Town planning	1058	651	665
Other	1058	21	4
Total fees and charges – statutory/regulatory		5,165	3,442

(ii) Fees and charges – other (incl. general user charges (per s.608))

Cemeteries	15	1,102	653
Child care	15	89	99
Community centres	15	371	421

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
Lease rentals	15	423	791
Leaseback fees – Council vehicles	15	462	488
Library and art gallery	15	23	27
Recycling income (non-domestic waste)	15	90	77
RMS charges (state roads not controlled by Council)	15	7,459	5,617
Saleyards	15	60	153
Sundry sales	15	27	212
Swimming centres	15	1,084	1,360
Waste disposal tipping fees	15	1,332	1,131
Plant and equipment hire	15	17	20
Pound fees	15	88	67
The Q ticket sales	15	790	1,326
Kiosk sales	15	283	356
Indoor sports centre sales	15	65	58
Other		14	9
Total fees and charges – other		13,779	12,865
TOTAL USER CHARGES AND FEES		36,336	33,652

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.

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

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Fines	1058	872	744
Legal fees recovery – rates and charges (extra charges)	1058	7	252
Commissions and agency fees	15	16	62
Diesel rebate		4	16
Insurance claims recoveries	1058	88	53
OHS rebate	1058	216	192
Other reimbursements	1058	196	35
Other	15	202	766
TOTAL OTHER REVENUE		1,601	2,120

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.

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Queanbeyan-Palerang Regional Council

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

2019 accounting policy:

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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.

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058	1,830	1,785	–	–
Financial assistance – local roads component	1058	1,242	1,224	–	–
Payment in advance - future year allocation					
Financial assistance	1058	1,937	1,851	–	–
Financial assistance – general component	1058	1,319	1,270	–	–
Total general purpose		6,328	6,130	–	–
Specific purpose					
Bushfire and emergency services	1058	2,080	335	–	352
Community care	15	1,252	7,454	–	–
Economic development		1,142	–	–	–
Employment and training programs		37	17	–	–
Environmental programs		18	276	–	13
Heritage and cultural		13	39	–	2
Library	1058	176	129	28	50
LIRS subsidy	1058	551	18	–	–
Noxious weeds	15	328	941	–	–
Recreation and culture	1058	–	20	605	83
Sewerage services	1058	39	–	300	–
Street lighting	1058	168	168	–	–
Storm/flood/fire damage	1058	11,126	–	–	–
Transport (roads to recovery)	1058	1,528	–	–	2,074
Transport (road safety)		84	110	–	–
Transport (other roads and bridges funding)	1058	1,997	1,227	30,576	39,859
Other regional roads	1058	–	–	–	–
Other (stronger communities)	1058	60	–	7,938	3,789
Water supplies		53	–	–	–
Other	1058	94	38	–	–
Total specific purpose		20,746	10,772	39,447	46,222
Total grants		27,074	16,902	39,447	46,222

Grant revenue is attributable to:

– Commonwealth funding	4,074	1,716	41	421
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Queanbeyan-Palerang Regional Council

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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
– State funding		23,000	15,176	39,246	45,801
– Other funding		–	10	160	–
		<u>27,074</u>	<u>16,902</u>	<u>39,447</u>	<u>46,222</u>

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
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(e) Contributions

Developer contributions:
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):

Cash contributions

S 7.11 – contributions towards amenities/services	1058	365	277	2,968	2,000
S 64 – water supply contributions	1058	–	–	1,142	1,046
S 64 – sewerage service contributions	1058	–	–	818	48
Other developer contributions	1058	–	–	–	1
Googong offsite roads	1058	–	–	1,231	3,497
Total developer contributions – cash		<u>365</u>	<u>277</u>	<u>6,159</u>	<u>6,592</u>

Non-cash contributions

Gifted assets - Googong	1058	–	–	–	6,532
Gifted assets - other	1058	–	–	11,546	5,434
Total developer contributions non-cash		<u>–</u>	<u>–</u>	<u>11,546</u>	<u>11,966</u>

Total developer contributions	26	<u>365</u>	<u>277</u>	<u>17,705</u>	<u>18,558</u>
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Other contributions:

Cash contributions

Family day care operations	1058	213	234	–	–
Other	1058	217	81	75	–
Total other contributions – cash		<u>430</u>	<u>315</u>	<u>75</u>	<u>–</u>

Total other contributions		<u>430</u>	<u>315</u>	<u>75</u>	<u>–</u>
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Total contributions		<u>795</u>	<u>592</u>	<u>17,780</u>	<u>18,558</u>
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TOTAL GRANTS AND CONTRIBUTIONS

		<u>27,869</u>	<u>17,494</u>	<u>57,227</u>	<u>64,780</u>
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Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

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Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

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

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Queanbeyan-Palerang Regional Council

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
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	4,514	1,051
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	1,772	4,766
Add: operating grants received for the provision of goods and services in a future period	65	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(1,475)	(1,303)
Less: operating grants received in a previous reporting period now spent and recognised as income	(486)	–
Unexpended and held as externally restricted assets (operating grants)	4,390	4,514
Capital grants		
Unexpended at the close of the previous reporting period	29,414	14,195
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	2,480	18,043
Add: capital grants received for the provision of goods and services in a future period	14,579	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(2,022)	(2,824)
Less: capital grants received in a previous reporting period now spent and recognised as income	(18,072)	–
Unexpended and held as externally restricted assets (capital grants)	26,379	29,414
Contributions		
Unexpended at the close of the previous reporting period	49,364	43,103
Add: contributions recognised as income in the current period but not yet spent	6,885	6,945
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(5,411)	(684)
Unexpended and held as externally restricted assets (contributions)	50,838	49,364

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	237	341
– Cash and investments	3,635	6,722
Dividend income (other)	39	27
Total Interest and investment income	3,911	7,090

Accounting policy for interest and investment revenue

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

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

Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	34,230	33,003
Employee termination costs (where material – other than vested leave paid)	149	35
Employee leave entitlements (ELE)	4,029	5,361
Superannuation	3,130	2,943
Superannuation – defined benefit plans	586	711
Workers' compensation insurance	1,107	1,456
Fringe benefit tax (FBT)	114	140
Payroll tax	79	96
Total employee costs	43,424	43,745
Less: capitalised costs	(2,525)	(2,675)
TOTAL EMPLOYEE COSTS EXPENSED	40,899	41,070

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 17 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,464	2,805
Interest on leases		3	–
Total interest bearing liability costs		3,467	2,805
Total interest bearing liability costs expensed		3,467	2,805
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	16	67	122
Interest applicable on interest free (and favourable) loans to Council		20	38
Total other borrowing costs		87	160
TOTAL BORROWING COSTS EXPENSED		3,554	2,965

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.

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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	4,485	5,162
Contractor and consultancy costs	34,100	18,384
Auditors remuneration ²	194	188
Legal expenses:		
– Legal expenses: debt recovery	84	314
– Legal expenses: other	640	422
Expenses from short-term leases (2020 only)	5	–
Expenses from leases of low value assets (2020 only)	53	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	123
IT Software	1,901	2,199
Cleaning	406	362
Water charges – Icon Water	12,551	11,979
Security Contracts	209	119
Repairs and maintenance	585	1,422
Motor vehicle expenses	3,309	3,195
Other	16	8
Total materials and contracts	58,538	43,877
Less: capitalised costs	(2,627)	(3,411)
TOTAL MATERIALS AND CONTRACTS	55,911	40,466

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Other	–	123
	–	123

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	150	143
Remuneration for audit and other assurance services	150	143
Total Auditor-General remuneration	150	143

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services (internal audit services)	44	45
Remuneration for audit and other assurance services	44	45
Total remuneration of non NSW Auditor-General audit firms	44	45

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Total Auditor remuneration	194	188
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\$ '000	Notes	2020	2019
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(d) Depreciation, amortisation and impairment of non-financial assets

Depreciation and amortisation

Plant and equipment		3,067	2,702
Office equipment		650	594
Furniture and fittings		38	32

Infrastructure:

– Buildings	11	2,454	2,259
– Roads		7,406	7,074
– Bridges		742	721
– Footpaths		406	387
– Other road assets		548	542
– Stormwater drainage		1,804	1,770
– Water supply network		2,135	2,074
– Sewerage network		5,105	4,636
– Swimming pools		100	86
– Park structures		1,146	1,122

Other assets:

– Library books		102	103
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Right of use assets

	14	55	–
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Reinstatement, rehabilitation and restoration assets:

– Tip assets	10,16	289	462
Intangible assets	12	507	345

Total gross depreciation and amortisation costs

		26,554	24,909
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Total depreciation and amortisation costs

		26,554	24,909
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Impairment / revaluation decrement of IPP&E

Infrastructure:

– Roads	11	4,623	–
– Bridges		1,649	–
– Other road assets		1,259	–
– Stormwater drainage		693	–

Total gross IPP&E impairment / revaluation decrement costs / (reversals)

		8,224	–
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Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement

		8,224	–
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TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS

		34,778	24,909
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Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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.

Council has recorded an impairment expense across a number of infrastructure asset classes as result of fires and floods during the year. Asset revaluation reserves were not brought across from former Councils on amalgamation, therefore all impairment has been recognised in the Income Statement. It is expected the impairment losses will be reversed in 2020/21 as the assets are rehabilitated.

\$ '000	2020	2019
(e) Other expenses		
Advertising	457	505
Bad and doubtful debts	(37)	17
Bank charges	230	253
Contributions/levies to other levels of government		
Contributions/levies to other levels of government	1,222	1,037
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	223	218
Councillors' expenses (incl. mayor) – other (excluding fees above)	53	39
Donations, contributions and assistance to other organisations	585	3,246
Electricity and heating	1,859	1,709
Insurance	1,397	1,338
Postage	304	232
Printing and stationery	292	301
Street lighting	544	370
Subscriptions and publications	658	505
Telephone and communications	846	698
Training costs (other than salaries and wages)	379	528
Licence fees	826	811
Travel expenses	54	99
Land valuation fees	182	156
Water usage	–	1,460
Asset valuation fees	4	13
Rent	10	1
Meeting expenses	38	64
Child care – parent payments	1,113	1,207
Waterwise subsidy	29	47
Other	257	292
Total other expenses	11,569	15,189

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
Less: capitalised costs	(936)	(1,109)
TOTAL OTHER EXPENSES	10,633	14,080

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	11(a)		
Proceeds from disposal – plant and equipment		861	1,026
Less: carrying amount of plant and equipment assets sold/written off		(703)	(608)
Net gain/(loss) on disposal		158	418
Infrastructure	11(a)		
Less: carrying amount of infrastructure assets sold/written off		(2,019)	(3,656)
Net gain/(loss) on disposal		(2,019)	(3,656)
Investments			
Proceeds from disposal/redemptions/maturities – investments		117,686	109,968
Less: carrying amount of investments sold/redeemed/matured		(117,011)	(109,968)
Net gain/(loss) on disposal		675	–
Non-current assets classified as 'held for sale'	10		
Proceeds from disposal – non-current assets 'held for sale'		593	–
Less: carrying amount of 'held for sale' assets sold/written off		(400)	–
Net gain/(loss) on disposal		193	–
Intangible assets	12		
Less: carrying amount of intangible assets sold/written off		(7)	–
Net gain/(loss) on disposal		(7)	–
Other (library books)			
Proceeds from disposal – library books		–	6
Net gain/(loss) on disposal		–	6
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,000)	(3,232)

Accounting policy for disposal of assets

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

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
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Cash and cash equivalents

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Cash on hand and at bank	2,487	6,366
Cash-equivalent assets		
– Deposits at call	10,809	6,214
Total cash and cash equivalents	13,296	12,580

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
b. 'Financial assets at amortised cost'	73,500	71,200	93,900	83,750
d. 'Financial assets at fair value through other comprehensive income'	31,961	–	31,933	–
Total Investments	105,461	71,200	125,833	83,750
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	118,757	71,200	138,413	83,750
Financial assets at amortised cost				
Long term deposits	51,000	22,000	79,400	27,000
NCD's, FRN's (with maturities > 3 months)	22,500	49,200	14,500	56,750
Total	73,500	71,200	93,900	83,750
Financial assets at fair value through other comprehensive income				
Managed funds	31,961	–	31,822	–
Unlisted equity securities	–	–	111	–
Total	31,961	–	31,933	–

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)

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

Council holds TCorp managed funds over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

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

Council does not hold any financial assets measured at fair value through 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	118,757	71,200	138,413	83,750
attributable to:				
External restrictions	109,358	71,200	104,079	83,750
Internal restrictions	9,311	–	24,444	–
Unrestricted	88	–	9,890	–
	118,757	71,200	138,413	83,750

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	2,320	13,467
Specific purpose unexpended loans – water	269	269

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for the year ended 30 June 2020

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

\$ '000	2020	2019
Specific purpose unexpended grants – general fund (2020 only)	20,492	–
External restrictions – included in liabilities	23,081	13,736
External restrictions – other		
Developer contributions – general	30,012	30,315
Developer contributions – water fund	8,280	7,126
Developer contributions – sewer fund	12,546	11,923
Specific purpose unexpended grants (recognised as revenue) – general fund	10,277	33,928
Sewerage services	62,107	57,022
Water supplies	24,511	23,705
Domestic waste management	8,505	8,026
Stormwater management	989	1,007
Other	250	1,041
External restrictions – other	157,477	174,093
Total external restrictions	180,558	187,829
Internal restrictions		
Plant and vehicle replacement	2,211	3,358
Infrastructure replacement	798	9,626
Employees leave entitlement	480	2,480
Deposits, retentions and bonds	196	1,196
Corporate reserve	42	342
Business waste management	3,380	3,799
WH&S	62	227
Risk management	165	518
Heritage grant program	83	65
Property reserve	492	853
Environmental & sustainability	347	424
Elections	306	226
Revolving energy	197	345
Strategic	158	182
Other	394	803
Total internal restrictions	9,311	24,444
TOTAL RESTRICTIONS	189,869	212,273

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	6,913	316	3,270	260
Interest and extra charges	566	75	679	66
User charges and fees	12,555	–	8,558	–
Accrued revenues				
– Interest on investments	508	–	1,078	–
– Other income accruals	95	–	42	–
Deferred debtors	16	80	16	96
Government grants and subsidies	13,633	–	1,401	–
Net GST receivable	1,803	–	713	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total	36,089	471	15,757	422
Less: provision of impairment				
Rates and annual charges	–	(316)	(54)	–
Interest and extra charges	–	(75)	–	–
User charges and fees	(31)	–	(14)	–
Total provision for impairment – receivables	(31)	(391)	(68)	–
TOTAL NET RECEIVABLES	36,058	80	15,689	422

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Rates and annual charges outstanding are secured against the property.

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	272	–	269	–
Total inventories at cost	<u>272</u>	<u>–</u>	<u>269</u>	<u>–</u>
TOTAL INVENTORIES	<u>272</u>	<u>–</u>	<u>269</u>	<u>–</u>
(b) Other assets				
Prepayments	804	–	722	–
TOTAL OTHER ASSETS	<u>804</u>	<u>–</u>	<u>722</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Note 10. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	120	–	520	–
Total non-current assets 'held for sale'	<u>120</u>	<u>–</u>	<u>520</u>	<u>–</u>
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	<u>120</u>	<u>–</u>	<u>520</u>	<u>–</u>

(ii) Details of assets and disposal groups

The assets held for sale represent small parcels of land previously identified and agreed by Council to be sold as soon as practicable, the timing of which is reflective of the activities required to be undertaken.

(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

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for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale (continued)

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	520	120
Less: carrying value of assets/operations sold	(400)	—
Balance still unsold after 12 months:	120	120
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	—	400
Closing balance of 'held for sale' non-current assets and operations	120	520

Accounting policy for non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Queanbeyan-Palerang Regional Council

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

Note 11(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation & impairment Restated	Net carrying amount Restated	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements (transfer to intangible assets)	This from/to 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation & impairment	Net carrying amount
Capital work in progress	89,143	—	89,143	9,898	11,841	—	—	—	(47,837)	—	—	—	—	83,045	—	83,045
Plant and equipment	22,304	(11,958)	10,346	3,031	—	(703)	(3,067)	—	125	—	—	—	—	23,318	(13,586)	9,732
Office equipment	4,195	(2,188)	2,007	375	—	—	(850)	—	116	—	—	—	—	4,686	(2,838)	1,848
Furniture and fittings	441	(303)	138	135	—	—	(38)	—	—	—	—	—	—	576	(341)	235
Land:																
— Operational land	50,634	—	50,634	—	15	—	—	—	—	(4,708)	—	—	—	45,941	—	45,941
— Community land	69,456	—	69,456	—	—	—	—	—	—	4,708	—	—	—	74,164	—	74,164
— Crown land	23,186	—	23,186	—	—	—	—	—	—	—	—	—	—	23,186	—	23,186
— Land under roads (post 30/6/08)	3,638	—	3,638	—	—	—	—	—	—	—	—	—	—	3,638	—	3,638
Infrastructure:																
— Buildings	122,249	(53,935)	68,314	384	916	(47)	(2,454)	—	9,405	2,187	—	—	—	137,797	(59,092)	78,705
— Roads	661,427	(91,590)	569,837	6,512	26,389	(230)	(7,406)	(4,623)	23,915	(392,479)	—	—	—	325,167	(103,252)	221,915
— Bridges	71,884	(30,638)	41,246	2,303	11,546	(102)	(742)	(1,649)	104	417	—	—	—	86,190	(33,067)	53,123
— Footpaths	36,643	(10,236)	26,407	496	566	(86)	(406)	—	427	145	—	—	—	38,158	(10,609)	27,549
— Bulk earthworks (non-depreciable)	—	—	—	879	3,562	(1,111)	—	(1,259)	3,229	395,800	—	—	—	402,359	(1,259)	401,100
— Other road assets	50,501	(17,658)	32,843	68	270	—	(548)	—	245	(3,155)	—	—	—	47,930	(18,207)	29,723
— Stormwater drainage	179,736	(66,485)	113,251	2,083	—	—	(1,804)	(693)	312	(298)	—	—	—	181,659	(68,808)	112,851
— Water supply network	161,185	(56,097)	105,088	399	—	(46)	(2,135)	—	1,021	533	—	—	987	164,511	(58,664)	105,847
— Sewerage network	260,702	(90,767)	169,935	3,042	—	(397)	(5,105)	—	7,629	(533)	—	—	1,479	271,728	(95,678)	176,050
— Swimming pools	4,455	(2,339)	2,116	131	—	—	(100)	—	—	3,439	—	—	—	11,811	(6,225)	5,586
— Park structures	43,656	(13,626)	30,030	2,173	—	—	(1,146)	—	1,309	(6,056)	—	—	—	34,537	(8,227)	26,310
Other assets:																
— Library books	1,081	(743)	338	132	—	—	(102)	—	—	—	—	—	—	1,213	(845)	368
Reinstatement, rehabilitation and restoration assets (refer Note 13):																
— Tip assets	5,089	(4,707)	382	—	—	—	(289)	—	—	—	—	—	—	4,701	(4,608)	93
Total Infrastructure, property, plant and equipment	1,861,605	(453,270)	1,408,335	32,041	55,105	(2,722)	(25,992)	(8,224)	—	—	—	—	2,466	1,946,315	(485,306)	1,461,009

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

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

Note 11(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions/renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (transfer to intangibles)	Transfers from/to 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated
Capital work in progress	20,045	—	20,045	23,442	47,819	—	—	(11,163)	—	—	—	—	89,143	—	89,143
Plant and equipment	21,504	(10,859)	10,645	—	2,835	(607)	(2,702)	180	(5)	—	—	—	22,304	(11,958)	10,346
Office equipment	7,248	(2,730)	4,518	—	323	—	(594)	—	—	(2,240)	—	—	4,195	(2,188)	2,007
Furniture and fittings	430	(275)	155	—	10	—	(32)	—	5	—	—	—	441	(303)	138
Land:															
— Operational land	57,845	—	57,845	—	—	—	—	—	(6,811)	—	(400)	—	50,834	—	50,834
— Community land	84,963	—	84,963	—	808	—	—	—	(16,375)	—	—	—	69,456	—	69,456
— Crown land	—	—	—	—	—	—	—	—	23,186	—	—	—	23,186	—	23,186
— Land under roads (post 30/6/08)	288	—	288	—	3,350	—	—	—	—	—	—	—	3,638	—	3,638
Infrastructure:															
— Buildings	119,888	(54,505)	65,383	261	2,542	(2,193)	(2,259)	4,580	—	—	—	—	122,249	(53,935)	68,314
— Roads	649,752	(85,519)	564,233	5,611	6,606	(961)	(7,074)	1,422	—	—	—	—	661,427	(91,590)	569,837
— Bridges	70,147	(29,917)	40,230	—	242	—	(721)	1,495	—	—	—	—	71,884	(30,638)	41,246
— Footpaths	35,828	(9,866)	25,962	—	841	(17)	(387)	8	—	—	—	—	36,843	(10,236)	26,407
— Other road assets	49,988	(17,121)	32,867	—	577	(81)	(542)	22	—	—	—	—	50,501	(17,658)	32,843
— Stormwater drainage	175,936	(64,703)	111,233	—	3,788	—	(1,770)	—	—	—	—	—	179,736	(66,485)	113,251
— Water supply network	155,959	(53,475)	102,484	10	1,169	(265)	(2,074)	2,114	—	—	—	1,650	161,185	(56,097)	105,088
— Sewerage network	241,792	(84,442)	157,350	447	14,320	(15)	(4,836)	12	—	—	—	2,457	260,702	(90,767)	169,935
— Swimming pools	4,356	(2,252)	2,104	—	—	—	(86)	99	(1)	—	—	—	4,455	(2,339)	2,116
— Park structures	41,941	(12,722)	29,219	37	994	(124)	(1,122)	1,026	—	—	—	—	43,856	(13,626)	30,030
Other assets:															
— Library books	773	(661)	112	—	128	—	(103)	205	—	(4)	—	—	1,081	(743)	338
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
— Tip assets	5,089	(4,246)	843	—	—	—	(462)	—	1	—	—	—	5,089	(4,707)	382
Total Infrastructure, property, plant and equipment	1,752,772	(433,293)	1,319,479	29,808	86,412	(4,263)	(24,564)	—	—	(2,244)	(400)	4,107	1,861,605	(453,270)	1,408,335

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by DPI NSW Office of Water.

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 25	Playground equipment	40
Office furniture	10	Benches, seats etc.	40
Computer equipment	4	Library Books	5
Vehicles	5 to 10		
Heavy plant/road making equipment	5 to 10	Buildings	60 to 200
Other plant and equipment	5 to 10		
Water and sewer assets		Stormwater assets	
Dams	100	Culverts	100
Reservoirs	25 to 100	Drains	100
Bores	5 to 30	Other infrastructure assets	
Reticulation pipes: PVC	80	Bulk earthworks	n/a
Reticulation pipes: other	80	Swimming pools	50
Pumps and telemetry	5 to 20	Other open space/recreational assets	5 to 100
		Other infrastructure	5 to 20
Transportation assets			
Sealed roads: surface	10 to 40		
Sealed roads: structure	20 to 100		
Unsealed roads	20		
Bridge: concrete	100		
Bridge: other	80		
Road pavements	60		
Kerb, gutter and footpaths	80		
Car parks	100		

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

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

Land under roads

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Council recognises RFS buildings and the Land on which RFS buildings are built in these financial statements. However, at this time, due to the itinerant nature of RFS plant and equipment assets Council does not recognise them in these financial statements.

Note 11(b). Infrastructure, property, plant and equipment – current year impairments

Council has recognised impairment losses across a number of infrastructure classes due to the impact of fires and flood between December 2019 and February 2020. Details can be found in note 5(d). The impaired assets are expected to be renewed in the 2020/21 financial year.

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
(a) Software		
Opening values at 1 July		
Gross book value	5,707	–
Accumulated amortisation	(1,501)	–
Net book value – opening balance	4,206	–
Movements for the year		
– Purchases	251	2,306
– Development costs	–	3,400
– Amortisation charges	(507)	(345)
– Gross book value written off	(1,033)	–
– Accumulated amortisation charges written off	1,026	–
Closing values at 30 June		
Gross book value	4,925	5,707
Accumulated amortisation	(982)	(1,501)

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Note 12. Intangible assets (continued)

Total software – net book value	3,943	4,206
\$ '000	2020	2019
Bio-banking credit		
Opening values at 1 July		
Gross book value	3,059	3,059
Net book value – opening balance	3,059	3,059
Closing values at 30 June		
Gross book value	3,059	3,059
Total Bio-banking credit – net book value	3,059	3,059
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	7,002	7,265

Accounting policy for intangible assets

Amortisation

Amortisation on Intangible assets is calculated using the straight line method with estimated useful lives as follows:

Intangible Assets	Years
Software	5-10
Bio-banking credits	n/a

Bio-banking credit

Bio-banking credits are held by QPRC for Yellow Box and Inland Scribbly Gum. These credits are able to be bought and sold to those wanting to invest in conservation outcomes. QPRC is required to hold these assets as part of the Ellerton Drive environmental offset. At this stage QPRC is required to hold the credits in perpetuity and they are unable to be sold unless further environmental work is undertaken. With no further environmental works scheduled, the credits are held as intangible assets with no amortisation.

Note 13. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	20,320	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	172	–
Total grants received in advance		20,492	–
Other	(iii)	57	–
Total contract liabilities		20,549	–

Notes

(i) Council has received funding to construct assets including sporting facilities, roads and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's

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for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

(iii) Upfront membership fees for the aquatic centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

Gift card income for the Q performing arts centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue as the gift cards are redeemed.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	18,072
Operating grants (received prior to performance obligation being satisfied)	486
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	18,558

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.

Note 14. 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.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, and the payments are fixed.

\$ '000	Office Equipment	Total
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	Office Equipment	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	123	123
Additions to right-of-use assets	104	104
Depreciation charge	(55)	(55)
RIGHT OF USE ASSETS	172	172

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liability - office equipment	52	121
TOTAL LEASE LIABILITIES	52	121

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	55	124	–	179	173

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

(c) Income Statement

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

Interest on lease liabilities	3
Depreciation of right of use assets	55
Expenses relating to short-term leases	5
Expenses relating to low-value leases	53
	116

(d) Statement of Cash Flows

Total cash outflow for leases	(112)
	(112)

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Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

Leases at significantly below market value – concessionary / peppercorn leases

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

- sewerage treatment works

The lease is for 99 years and requires payments of a maximum amount of \$80 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 15.

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	10,228	–	19,179	–

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Queanbeyan-Palerang Regional Council

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Accrued expenses:				
– Borrowings	527	–	558	–
– Salaries and wages	1,125	–	1,487	–
Security bonds, deposits and retentions	1,992	–	2,582	–
Prepaid rates	2,509	–	–	–
Other	–	–	723	–
Total payables	16,381	–	24,529	–
Income received in advance (2019 only)				
Payments received in advance	–	–	179	–
Total income received in advance	–	–	179	–
Borrowings				
Loans – secured ¹	5,373	75,677	5,386	79,396
Total borrowings	5,373	75,677	5,386	79,396
TOTAL PAYABLES AND BORROWINGS	21,754	75,677	30,094	79,396

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

\$ '000	2020	2019
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	642	991
Total payables and borrowings	642	991

(b) Changes in liabilities arising from financing activities

	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
\$ '000							
Loans – secured	84,782	(3,732)	–	–	–	–	81,050
Lease liabilities	–	(54)	104	–	123	–	173
TOTAL	84,782	(3,786)	104	–	123	–	81,223

	as at 30/06/18	Non-cash changes			as at 30/06/19	
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	36,837	47,945	–	–	–	84,782
TOTAL	36,837	47,945	–	–	–	84,782

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Queanbeyan-Palerang Regional Council

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020	2019
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	210	210
Total financing arrangements	2,210	2,210
Drawn facilities as at balance date:		
– Credit cards/purchase cards	77	122
Total drawn financing arrangements	77	122
Undrawn facilities as at balance date:		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	133	88
Total undrawn financing arrangements	2,133	2,088

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

Accounting policy for payables and borrowings

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

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

Payables

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

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.

Finance leases (2019 only)

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Note 16. Provisions

	2020	2020	2019	2019
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Queanbeyan-Palerang Regional Council

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

\$ '000	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	3,843	–	3,770	–
Long service leave	7,772	594	7,059	372
Other leave (TIL and RDOs)	175	–	343	–
Sub-total – aggregate employee benefits	11,790	594	11,172	372
Asset remediation/restoration:				
Asset remediation/restoration (future works)	3,128	1,748	4,247	563
Sub-total – asset remediation/restoration	3,128	1,748	4,247	563
TOTAL PROVISIONS	14,918	2,342	15,419	935

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

(a) 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	8,014	7,351
	<u>8,014</u>	<u>7,351</u>

(b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	3,770	7,431	343	11,544
Additional provisions	2,501	769	133	3,403
Amounts used (payments)	(2,492)	(416)	(301)	(3,209)
Remeasurement effects	64	582	—	646
Total ELE provisions at end of year	3,843	8,366	175	12,384
2019				
At beginning of year	3,536	5,796	387	9,719
Additional provisions	2,526	1,549	655	4,730
Amounts used (payments)	(2,448)	(574)	(742)	(3,764)
Remeasurement effects	156	660	43	859
Total ELE provisions at end of year	3,770	7,431	343	11,544

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	4,810	4,810
Unwinding of discount	66	66

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Queanbeyan-Palerang Regional Council

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
Total other provisions at end of year	4,876	4,876
2019		
At beginning of year	6,026	6,026
Amounts used (payments)	(1,339)	(1,339)
Unwinding of discount	123	123
Total other provisions at end of year	4,810	4,810

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

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.

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Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Note 17. 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) Correction of errors relating to a previous reporting period

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Nature of prior-period error

Non-cash capital contributions in the form of gifted assets have been identified as previously unrecognised in the asset register.

Balances carried forward as Work in Progress have been identified as non-capital transactions and moved to expenditure.

Adjustments were identified in prior year Business Activity Statements, resulting in a refund of GST from the Australian Taxation Office.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2018

Statement of Financial Position

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	1,318,972	507	1,319,479
Total assets	1,505,978	507	1,506,485
Accumulated surplus	1,431,636	507	1,432,143
Total equity	1,439,444	507	1,439,951

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Receivables	15,613	76	15,689
Infrastructure, property, plant and equipment	1,390,993	17,342	1,408,335
Total assets	1,637,967	17,418	1,655,385
Accumulated surplus	1,500,208	17,418	1,517,626
Total equity	1,512,123	17,418	1,529,541

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

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

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

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

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Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Financial Position

(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.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Upfront fees – Council aquatic centre

Prior to adopting AASB 15, the Council recognised membership fees and learn to swim lessons on receipt. Under AASB 15, since the membership fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e. the membership life). Learn to swim lessons relate to a performance obligation and are recognised as income upon transfer of services (provision of lesson) to the customer.

Prepaid gift certificates - The Q centre

Prior to adopting AASB 15, the Council recognised the sale of gift certificates on receipt. Under AASB 15, since the gift certificates create a performance obligation, they are recognised as income either upon redemption by the customer, or upon lapsing (3 years from issue date).

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

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.

Licences

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

Prepaid rates

Under AASB 1004, rates were required to be recognised as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. However, Council previously recognised the prepaid rates as an offset against the rates debtor accounts. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.
- Indication of applicable standard against income lines.

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	593
– Under AASB 1058	23,814
Total Contract liabilities	24,407

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. 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	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	13,296	—	—	13,296	
Investments	105,461	—	—	105,461	
Receivables	36,058	—	—	36,058	
Inventories	272	—	—	272	
Other	804	—	—	804	
Current assets classified as 'held for sale'	120	—	—	120	
Total current assets	156,011	—	—	156,011	
Current liabilities					
Payables	16,381	—	—	16,381	
Contract liabilities	20,549	—	(20,549)	—	
Lease liabilities	52	—	—	52	
Borrowings	5,373	—	—	5,373	
Provisions	14,918	—	—	14,918	
Total current liabilities	57,273	—	(20,549)	36,724	
Non-current assets					
Investments	71,200	—	—	71,200	
Receivables	80	—	—	80	
Infrastructure, property, plant and equipment	1,461,009	—	—	1,461,009	
Intangible assets	7,002	—	—	7,002	
Right of use assets	172	—	—	172	
Total non-current assets	1,539,463	—	—	1,539,463	
Non-current liabilities					
Lease liabilities	121	—	—	121	
Borrowings	75,677	—	—	75,677	
Provisions	2,342	—	—	2,342	
Total Non-current liabilities	78,140	—	—	78,140	
Net assets	1,560,061	—	20,549	1,580,610	
Equity					
Accumulated surplus	1,545,680	—	20,549	1,566,229	
Revaluation reserves	14,381	—	—	14,381	
Total Equity	1,560,061	—	20,549	1,580,610	

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for the year ended 30 June 2020

Note 17. 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	72,292	—	—	72,292	
User charges and fees	36,336	—	45	36,381	
Other revenues	1,601	—	12	1,613	
Grants and contributions provided for operating purposes	27,869	—	(421)	27,448	
Grants and contributions provided for capital purposes	57,227	—	(3,494)	53,733	
Interest and investment income	3,911	—	—	3,911	
Total Income from continuing operations	199,236	—	(3,858)	195,378	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	40,899	—	—	40,899	
Borrowing costs	3,554	—	—	3,554	
Materials and contracts	55,911	—	—	55,911	
Depreciation and amortisation	26,554	—	—	26,554	
Other expenses	10,633	—	—	10,633	
Net losses from the disposal of assets	1,000	—	—	1,000	
Revaluation decrement / impairment of IPP&E	8,224	—	—	8,224	
Total Expenses from continuing operations	146,775	—	—	146,775	
Total Operating result from continuing operations	52,461	—	(3,858)	48,603	
Net operating result for the year	52,461	—	(3,858)	48,603	
Total comprehensive income	54,927	—	—	54,927	

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	—	—	—
Contract liabilities	—	24,407	24,407
Total liabilities	125,844	24,407	150,251
Accumulated surplus	1,500,208	(24,407)	1,475,801
Total equity	(125,844)	(24,407)	(150,251)

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(iii) AASB 16 Leases

Council as a lessee

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

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

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 recognised right-of-use assets and lease liabilities of \$123,192 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.85%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	358

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	234
Less:	
Short-term leases included in commitments note	(5)
Leases for low-value assets included in commitments note	(106)
Lease liabilities recognised at 1 July 2019	123

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.

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
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for the year ended 30 June 2020

Note 18. Statement of cash flow information (continued)

\$ '000	Notes	2020	2019
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(a) Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7(a)	13,296	12,580
Balance as per the Statement of Cash Flows		13,296	12,580

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

Net operating result from Income Statement		52,461	68,572
Adjust for non-cash items:			
Depreciation and amortisation		26,554	24,909
Net losses/(gains) on disposal of assets		1,000	3,232
Non-cash capital grants and contributions		(11,546)	(11,966)
Adoption of AASB 15/1058		(24,407)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		8,224	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		20	38
Unwinding of discount rates on reinstatement provisions		66	123
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(20,397)	(464)
Increase/(decrease) in provision for impairment of receivables		354	(56)
Decrease/(increase) in inventories		(3)	(3)
Decrease/(increase) in other current assets		(82)	163
Increase/(decrease) in payables		(8,951)	(29)
Increase/(decrease) in accrued interest payable		(31)	378
Increase/(decrease) in other accrued expenses payable		(362)	10,558
Increase/(decrease) in other liabilities		1,017	(151)
Increase/(decrease) in contract liabilities		20,549	–
Increase/(decrease) in provision for employee benefits		840	1,825
Increase/(decrease) in other provisions		–	(1,339)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		45,306	95,790

(c) Non-cash investing and financing activities

Developer contributions 'in kind'		11,546	11,966
Total non-cash investing and financing activities		11,546	11,966

Note 19. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

\$ '000	2020	2019
recognised in the financial statements as liabilities:		
Ellerton Drive extension	–	8,000
Bicentennial centre retractable seating	1,222	–
Concept design Queanbeyan HOSH	180	257
Old Cooma road duplication	3,342	22,379
Sewage treatment plant upgrade	8,723	11,384
South Jerrabomberra northern entry	18,253	–
Other	1,716	524
Total commitments	33,436	42,544

Details of capital commitments

QPRC hold commitments for major projects as listed. The projects are due to be completed within the next 5 years and are funded by a combination of grants, contributions, loans and Council reserves.

(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	–	106
Later than one year and not later than 5 years	–	252
Total non-cancellable operating lease commitments	–	358

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

QPRC hold leasing agreements in place for multi-function devices and printers.

Conditions relating to finance and operating leases:

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

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

Note 20. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

– 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.

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 \$617,465.24. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$579,274.24.

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.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.66% 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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Note 21. Financial risk management

Risk management

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

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

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

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

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.

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	13,296	12,580	13,296	12,580
Receivables	36,138	16,111	36,138	16,111
Investments				
– 'Financial assets at amortised cost'	144,700	177,650	144,700	177,650
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income'	31,961	31,933	31,961	31,933
Total financial assets	226,095	238,274	226,095	238,274
Financial liabilities				

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Payables	16,381	24,529	16,381	24,529
Lease liabilities	173	–	173	–
Loans/advances	81,050	84,782	81,050	84,782
Total financial liabilities	97,604	109,311	97,604	109,311

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) 'at fair value through profit and loss' or (ii) 'available-for-sale' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's 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.

(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 10% movement in market values	3,196	3,196	(3,196)	(3,196)
Possible impact of a 1% movement in interest rates	1,579	1,579	(1,579)	(1,579)

2019

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	3,182	3,182	(3,182)	(3,182)
Possible impact of a 1% movement in interest rates	1,890	1,890	(1,890)	(1,890)

(b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	4,327	1,442	1,204	256	7,229
2019						
Gross carrying amount	–	3,270	260	–	–	3,530

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 due	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	23,905	1,820	2,012	62	1,532	29,331
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.02%	0.11%
ECL provision	–	–	–	–	31	31
2019						
Gross carrying amount	11,950	31	65	98	505	12,649
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	3.38%	0.13%
ECL provision	–	–	–	–	17	17

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Payable by due date	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Loans and advances	4.20%	–	5,373	28,644	47,033	81,050	81,050
Trade/other payables	0.00%	1,992	11,880	–	–	13,872	13,872
Total financial liabilities		1,992	17,253	28,644	47,033	94,922	94,922
2019							
Loans and advances	4.22%	–	5,386	32,751	46,645	84,782	84,782
Trade/other payables	0.00%	2,582	–	–	–	2,582	24,529
Total financial liabilities		2,582	5,386	32,751	46,645	87,364	109,311

Loan agreement breaches

There have not been any loan agreement breaches during the reporting year.

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 26/06/2019 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 -----
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for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	71,784	72,292	508	1% F
User charges and fees	30,181	36,336	6,155	20% F
Variance is attributed to higher than expected state roads private works income and increased income from RMS state roads contract as well as increase in cemetery fees.				
Other revenues	2,566	1,601	(965)	(38)% U
Recovered legal fees from debt collection are decreased due to lower levels of debt collection for the year. A decrease due to the removal of NSW police lease income for Morrissey carpark. Other variances due to reclassification of "other" income to user fees and charges.				
Operating grants and contributions	14,440	27,869	13,429	93% F
Natural disaster funding of \$11.1m was received due to fires and floods in the region. Roads to Recovery grant income has been reclassified as operating.				
Capital grants and contributions	154,063	57,227	(96,836)	(63)% U
Capital grants and non-cash contributions included in the original budget included \$50k from the State Government towards the completion of Ellerton Drive. This was not completed until July 2020, so the non-cash contribution will be realised in the 2020/21 year.				
Interest and investment revenue	3,780	3,911	131	3% F
EXPENSES				
Employee benefits and on-costs	44,835	40,899	3,936	9% F
Borrowing costs	3,540	3,554	(14)	0% U
Materials and contracts	37,611	55,911	(18,300)	(49)% U
Natural disasters throughout the region (fires and floods) increased materials and contracts costs with additional increases due to higher state roads private and contract works undertaken. This is offset by increased income.				
Depreciation and amortisation	24,153	26,554	(2,401)	(10)% U
The increase in depreciation over budget and in relation to prior years can be attributed to:				
<ul style="list-style-type: none"> • found developer contributed and gifted assets to the value of \$19m; • indexation on water and sewer assets at 30 June 2019; • change in accounting standards now includes leases (previously expensed) as a right of use asset; • replacement of previously fully depreciated plant & equipment • work in progress previously carried forward commissioned throughout the year. 				
Other expenses	11,571	10,633	938	8% F
Net losses from disposal of assets	(1,037)	1,000	(2,037)	196% U
Variation due to the write-off of infrastructure assets (roads, water, sewer) which were subject to replacement or major rehabilitation.				
Revaluation decrement / impairment of IPP&E	–	8,224	(8,224)	∞ U
Impairment of infrastructure assets caused by natural disasters have not been included in the original budget as they cannot be predicted.				

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Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	179,257	45,306	(133,951)	(75)% U
Capital grants in original budget not received due to late completion of capital projects, increased materials and contracts due to restoration works after fires and floods.				
Cash flows from investing activities	(148,344)	(40,784)	107,560	(73)% F
Deferment of capital projects has resulted in lower capital expenditure, investment holdings have reduced to fund operations.				
Cash flows from financing activities	(542)	(3,806)	(3,264)	602% U
Drawdown of new loans was deferred due to deferment of capital projects.				

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

In order to determine an appropriate value for sale, external guidance was sought from appropriately qualified experts to provide a current value for assets 'held for sale'.

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	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets at fair value through other comprehensive income'					
	30/06/20	–	31,961	–	31,961
Total financial assets		–	31,961	–	31,961

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Note 23. Fair Value Measurement (continued)

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 unobservable inputs	
Infrastructure, property, plant and equipment					
Plant and equipment	13/05/16	—	—	9,732	9,732
Office equipment	13/05/16	—	—	1,848	1,848
Furniture and fittings	13/05/16	—	—	235	235
Operational land	13/05/16	—	—	45,941	45,941
Community land	13/05/16	—	—	74,164	74,164
Crown land	13/05/16	—	—	23,186	23,186
Land under roads	13/05/16	—	—	3,638	3,638
Buildings	13/05/16	—	—	78,705	78,705
Roads	13/05/16	—	—	221,915	221,915
Bridges	13/05/16	—	—	53,123	53,123
Footpaths	13/05/16	—	—	27,549	27,549
Bulk earthworks (non-depreciable)	13/05/16	—	—	401,100	401,100
Other road assets	13/05/16	—	—	29,723	29,723
Stormwater drainage	13/05/16	—	—	112,851	112,851
Water supply network	30/06/20	—	—	105,847	105,847
Sewerage network	30/06/20	—	—	176,050	176,050
Swimming pools	13/05/16	—	—	5,586	5,586
Park structures	13/05/16	—	—	26,310	26,310
Library books	13/05/16	—	—	368	368
Tip assets	30/06/20	—	—	93	93
Total infrastructure, property, plant and equipment		—	—	1,397,964	1,397,964
Non-current assets classified as 'held for sale'					
Land	13/05/16	—	—	120	120
Total NCA's classified as 'held for sale'		—	—	120	120

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets at fair value through other comprehensive income'	30/06/19	–	31,933	–	31,933
Total financial assets		–	31,933	–	31,933
Infrastructure, property, plant and equipment					
Plant and equipment	13/05/16	–	–	10,346	10,346
Office equipment	13/05/16	–	–	2,007	2,007
Furniture and fittings	13/05/16	–	–	138	138
Operational land	13/05/16	–	–	50,634	50,634
Community land	13/05/16	–	–	69,456	69,456
Crown land	13/05/16	–	–	23,186	23,186
Land under roads	13/05/16	–	–	3,638	3,638
Buildings	13/05/16	–	–	68,314	68,314
Roads	13/05/16	–	–	569,837	569,837
Bridges	13/05/16	–	–	41,246	41,246
Footpaths	13/05/16	–	–	26,407	26,407

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Note 23. Fair Value Measurement (continued)

	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2019					
Bulk earthworks (non-depreciable)	13/05/16	–	–	–	–
Other road assets	13/05/16	–	–	32,843	32,843
Stormwater drainage	13/05/16	–	–	113,251	113,251
Water supply network	30/06/19	–	–	105,088	105,088
Sewerage network	30/06/19	–	–	169,935	169,935
Swimming pools	13/05/16	–	–	2,116	2,116
Park structures	13/05/16	–	–	30,030	30,030
Library books	13/05/16	–	–	338	338
Tip assets	13/05/16	–	–	382	382
Total infrastructure, property, plant and equipment		–	–	1,319,192	1,319,192
Non-current assets classified as 'held for sale'					
Land	13/05/16	–	–	520	520
Total NCA's classified as 'held for sale'		–	–	520	520

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

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

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

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

Financial assets

Where investments are valued at fair value through Profit or Loss, Council obtains valuations from its investment adviser (Laminar Capital) at the end of each reporting period ensuring financial statements reflect the most up to date valuation.

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

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

Upon amalgamation, QPRC reviewed the level 3 unobservable inputs of both former Councils. It was realised the unobservable inputs significantly differed. QPRC undertook an independent valuation through Pickles Valuation Services to gather, consolidate and provide a valuation for all infrastructure assets of QPRC.

(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	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land
2019					
Opening balance	10,645	4,518	155	57,845	84,963
Transfers from/(to) another asset class	175	–	5	(6,811)	(16,375)
Purchases (GBV)	2,835	323	10	–	868
Disposals (WDV)	(607)	–	–	–	–
Depreciation and impairment	(2,702)	(594)	(32)	–	–
Other asset transfers	–	(2,240)	–	(400)	–
Closing balance	10,346	2,007	138	50,634	69,456
2020					
Opening balance	10,346	2,007	138	50,634	69,456

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Note 23. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land
Transfers from/(to) another asset class	125	116	–	(4,708)	4,708
Purchases (GBV)	3,031	375	135	15	–
Disposals (WDV)	(703)	–	–	–	–
Depreciation and impairment	(3,067)	(650)	(38)	–	–
Other asset transfers	–	–	–	–	–
Closing balance	9,732	1,848	235	45,941	74,164

\$ '000	Crown land	Land under roads	Buildings	Roads	Bridges
2019					
Opening balance	–	288	65,383	564,233	40,230
Transfers from/(to) another asset class	23,186	–	4,580	1,422	1,495
Purchases (GBV)	–	3,350	2,803	12,217	242
Disposals (WDV)	–	–	(2,193)	(961)	–
Depreciation and impairment	–	–	(2,259)	(7,074)	(721)
Other asset transfers	–	–	–	–	–
Closing balance	23,186	3,638	68,314	569,837	41,246
2020					
Opening balance	23,186	3,638	68,314	569,837	41,246
Transfers from/(to) another asset class	–	–	11,592	(368,564)	521
Purchases (GBV)	–	–	1,300	32,901	13,849
Disposals (WDV)	–	–	(47)	(230)	(102)
Depreciation and impairment	–	–	(2,454)	(12,029)	(2,391)
Other asset transfers	–	–	–	–	–
Closing balance	23,186	3,638	78,705	221,915	53,123

\$ '000	Footpaths	Bulk earthworks	Other road assets	Stormwater drainage	Water supply network
2019					
Opening balance	25,962	–	32,867	111,233	102,484
Transfers from/(to) another asset class	8	–	22	–	2,114
Purchases (GBV)	841	–	577	3,788	1,179
Disposals (WDV)	(17)	–	(81)	–	(265)
Depreciation and impairment	(387)	–	(542)	(1,770)	(2,074)
FV gains – other comprehensive income	–	–	–	–	1,650
Other asset transfers	–	–	–	–	–
Closing balance	26,407	–	32,843	113,251	105,088
2020					
Opening balance	26,407	–	32,843	113,251	105,088
Transfers from/(to) another asset class	572	399,029	(2,910)	14	1,554
Purchases (GBV)	1,062	4,441	338	2,083	399
Disposals (WDV)	(86)	(1,111)	–	–	(46)

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Note 23. Fair Value Measurement (continued)

\$ '000	Footpaths	Bulk earthworks	Other road assets	Stormwater drainage	Water supply network
Depreciation and impairment	(406)	(1,259)	(548)	(2,497)	(2,135)
FV gains – other comprehensive income	–	–	–	–	987
Other asset transfers	–	–	–	–	–
Closing balance	27,549	401,100	29,723	112,851	105,847

\$ '000	Sewerage network	Swimming pools	Park structures
2019			
Opening balance	157,350	2,104	29,219
Transfers from/(to) another asset class	12	98	1,026
Purchases (GBV)	14,767	–	1,031
Disposals (WDV)	(15)	–	(124)
Depreciation and impairment	(4,636)	(86)	(1,122)
FV gains – other comprehensive income	2,457	–	–
Other asset transfers	–	–	–
Closing balance	169,935	2,116	30,030
2020			
Opening balance	169,935	2,116	30,030
Transfers from/(to) another asset class	7,096	3,439	(4,747)
Purchases (GBV)	3,042	131	2,173
Disposals (WDV)	(397)	–	–
Depreciation and impairment	(5,105)	(100)	(1,146)
FV gains – other comprehensive income	1,479	–	–
Other asset transfers	–	–	–
Closing balance	176,050	5,586	26,310

\$ '000	Library books	Tip assets	Total
2019			
Opening balance	112	843	1,290,434
Transfers from/(to) another asset class	201	–	11,158
Purchases (GBV)	128	–	44,959
Disposals (WDV)	–	–	(4,263)
Depreciation and impairment	(103)	(462)	(24,564)
FV gains – other comprehensive income	–	–	4,107
Other asset transfers	–	1	(2,639)
Closing balance	338	382	1,319,192
2020			
Opening balance	338	382	1,319,192
Transfers from/(to) another asset class	–	–	47,837
Purchases (GBV)	132	–	65,407
Disposals (WDV)	–	–	(2,722)
Depreciation and impairment	(102)	(289)	(34,216)
FV gains – other comprehensive income	–	–	2,466
Other asset transfers	–	–	–
Closing balance	368	93	1,397,964

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Note 23. Fair Value Measurement (continued)

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

Nil

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			
Land (operational, community, crown)	143,291	Market Approach	Land acquired by Council and valued at acquisition cost
Land under roads	3,638	As per code	Land acquired by Council for roads since 1 July 2008 has been valued at acquisition cost. Further discount has been applied for Englobo and Access.
Buildings	78,705	Cost approach	Building construction costs from recent council projects, building cost data from "Rawlinson's Construction Handbook", and industry data from building cost manuals.
Roads, earthworks, other road assets	680,287	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Bridges	53,123	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as "Rawlinson's Construction Handbook"
Stormwater	112,851	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook"
Water	105,847	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook"
Sewerage	176,050	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook"
Swimming Pools	5,586	Cost approach	Construction cost data from QPRC and "Rawlinson's Construction Handbook".
Park Structures	26,310	Cost approach	Costs sourced from recent purchases by QPRC, catalogues and product brochures from suppliers of park furniture, structures and playground equipment, and prices obtained from landscaping suppliers.

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Note 23. Fair Value Measurement (continued)

d. The valuation process for level 3 fair value measurements

QPRC engaged the services of an independent valuer to undertake a fair value review of Council's assets. The findings from the undertaking were deemed to be immaterial (<10%). Council intends to undertake a comprehensive revaluation exercise on all asset classes during the 2020/21 financial year.

(4) Highest and best use

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

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Queanbeyan-Palerang Regional Council

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Note 24. 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	1,856	1,914
Post-employment benefits	206	194
Total	2,062	2,108

(b) Other transactions with KMP and their related parties

Nature of the transaction	Ref	Value of transactions during year
\$ '000		
2020		
Rent of Premises (KMP Spouse is a Board member)	2	82
KMP reimbursement of Expenses	6	6
Employee wages & reimbursements (KMP family members)	5	244
2019		
Payment of Insurance Premiums	1	1,541
Rent of Premises (KMP Spouse is a Board member)	2	79
Grants awarded to organisation (Two KMP on the board)	3	174
Contributions to sporting bodies	4	51

1 KMP is a Board member (non paid) of the Mutual servicing the Local Government industry with insurance products (not applicable 2020).

2 Spouse of KMP is a volunteer board member of the organisation renting premises from QPRC. Rent is established at market rates.

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Note 24. Related party disclosures (continued)

- 3 QPRC awarded grants to a non profit organisation where two KMP are volunteer members of the organisations board.
- 4 KMP holds a coaching position with a sporting body in receipt of donations.
- 5 Council wages & reimbursements paid to family members of KMP who are employed by Council.
- 6 Reimbursed expenses incurred in the course of Council business.

Note 25. Events occurring after the reporting date

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

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash						
Roads	6,203	724	–	49	(475)	–	6,501	–
Parking	2	–	–	1	–	–	3	–
Open space	238	22	–	3	–	–	263	–
Community facilities	4,034	486	–	33	(17)	–	4,536	–
Other	15,500	1,682	–	87	(4,471)	–	12,798	–
Bushfire	215	7	–	1	(51)	–	172	–

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Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Waste management	300	–	–	2	–	–	302	–
Rural addressing	18	–	–	–	–	–	18	–
Recreation facilities	875	157	–	8	–	–	1,040	–
Pathway	175	63	–	2	–	–	240	–
Street upgrade	376	168	–	4	–	–	548	–
S7.11 contributions – under a plan	27,936	3,309	–	190	(5,014)	–	26,421	–
Total S7.11 and S7.12 revenue under plans	27,936	3,309	–	190	(5,014)	–	26,421	–
S7.11 not under plans	2,317	1,160	–	21	(62)	–	3,436	–
S7.11 planning agreements	62	93	11,546	–	–	–	155	–
S64 contributions	19,049	1,960	–	152	(335)	–	20,826	–
Total contributions	49,364	6,522	11,546	363	(5,411)	–	50,838	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN (former Palerang)

Roads	4,300	666	–	34	(422)	–	4,578	–
Community facilities	1,768	171	–	14	(17)	–	1,936	–
Bushfire	215	7	–	1	(51)	–	172	–
Waste management	300	–	–	2	–	–	302	–
Rural addressing	18	–	–	–	–	–	18	–
Recreation facilities	875	157	–	8	–	–	1,040	–
Pathway	175	63	–	2	–	–	240	–
Street upgrade	376	168	–	4	–	–	548	–
Total	8,027	1,232	–	65	(490)	–	8,834	–

CONTRIBUTION PLAN (former QCC)

Roads	1,903	58	–	15	(53)	–	1,923	–
Parking	2	–	–	1	–	–	3	–

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Note 26. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	
Open space	238	22	–	3	–	–	263	–
Community facilities	2,266	315	–	19	–	–	2,600	–
Other (Googong Development, Extractive Industries - C.S.R)	15,500	1,682	–	87	(4,471)	–	12,798	–
Total	19,909	2,077	–	125	(4,524)	–	17,587	–

S7.11 Contributions – not under a plan

(former Palerang)

Roads	2,197	1,160	–	20	(62)	–	3,315	–
Parking	59	–	–	1	–	–	60	–
Community facilities	61	–	–	–	–	–	61	–
Total	2,317	1,160	–	21	(62)	–	3,436	–

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for the year ended 30 June 2020

Note 27. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	49,460	6,759	16,369
User charges and fees	17,690	17,788	2,024
Interest and investment revenue	1,745	674	1,492
Other revenues	1,520	5	76
Grants and contributions provided for operating purposes	27,588	138	143
Grants and contributions provided for capital purposes	54,967	1,142	1,118
Total income from continuing operations	152,970	26,506	21,222
Expenses from continuing operations			
Employee benefits and on-costs	37,521	1,301	2,077
Borrowing costs	2,887	340	327
Materials and contracts	39,374	14,507	3,492
Depreciation and amortisation	19,151	2,183	5,220
Other expenses	3,124	3,758	3,751
Net losses from the disposal of assets	520	44	436
Revaluation decrement /impairment of IPPE	8,224	–	–
Total expenses from continuing operations	110,801	22,133	15,303
Operating result from continuing operations	42,169	4,373	5,919
Net operating result for the year	42,169	4,373	5,919
Net operating result attributable to each council fund	42,169	4,373	5,919
Net operating result for the year before grants and contributions provided for capital purposes	(12,798)	3,231	4,801

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

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

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,041	2,931	6,324
Investments	46,685	17,986	40,790
Receivables	27,001	7,135	1,922
Inventories	272	–	–
Other	804	–	–
Non-current assets classified as 'held for sale'	120	–	–
Total current assets	78,923	28,052	49,036
Non-current assets			
Investments	31,518	12,143	27,539
Receivables	80	–	–

continued on next page ...

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Infrastructure, property, plant and equipment	1,166,582	110,015	184,413
Intangible assets	7,002	–	–
Right of use assets	172	–	–
Total non-current assets	1,205,354	122,158	211,952
TOTAL ASSETS	1,284,277	150,210	260,988
LIABILITIES			
Current liabilities			
Payables	13,601	2,690	90
Contract liabilities	20,549	–	–
Lease liabilities	52	–	–
Borrowings	4,852	204	317
Provisions	14,059	497	362
Total current liabilities	53,113	3,391	769
Non-current liabilities			
Lease liabilities	121	–	–
Borrowings	63,351	4,803	7,523
Provisions	2,301	25	16
Total non-current liabilities	65,773	4,828	7,539
TOTAL LIABILITIES	118,886	8,219	8,308
Net assets	1,165,391	141,991	252,680
EQUITY			
Accumulated surplus	1,165,391	131,547	248,742
Revaluation reserves	–	10,444	3,938
Council equity interest	1,165,391	141,991	252,680
Total equity	1,165,391	141,991	252,680

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4,458	3.14%	5.38%	0.39%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	142,009				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	114,140	57.29%	57.87%	62.37%	>60.00%
Total continuing operating revenue ¹	199,236				

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Queanbeyan-Palerang Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(a). Statement of performance measures – consolidated results (continued)

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
3. Unrestricted current ratio					
Current assets less all external restrictions	37,596	1.57x	1.34x	2.05x	>1.50x
Current liabilities less specific purpose liabilities	23,965				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	34,566	3.84x	6.39x	6.64x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,995				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	7,479	9.74%	5.68%	5.05%	<10.00%
Rates, annual and extra charges collectible	76,757				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	86,296	7.44 mths	14.30 mths	9.41 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	11,598				

(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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3.70)%	(3.54)%	12.74%	14.91%	23.88%	31.28%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	45.51%	46.37%	95.17%	95.80%	94.06%	92.92%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.57x	1.34x	8.27x	7.02x	63.77x	32.91x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.22x	4.26x	16.92x	7.20x	31.65x	20.56x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	13.95%	5.04%	0.00%	7.30%	0.00%	7.09%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	6.64	24.78	∞	1.51	∞	1.51	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

(1) - (2) Refer to Notes at Note 25a above.

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

Queanbeyan-Palerang Regional Council

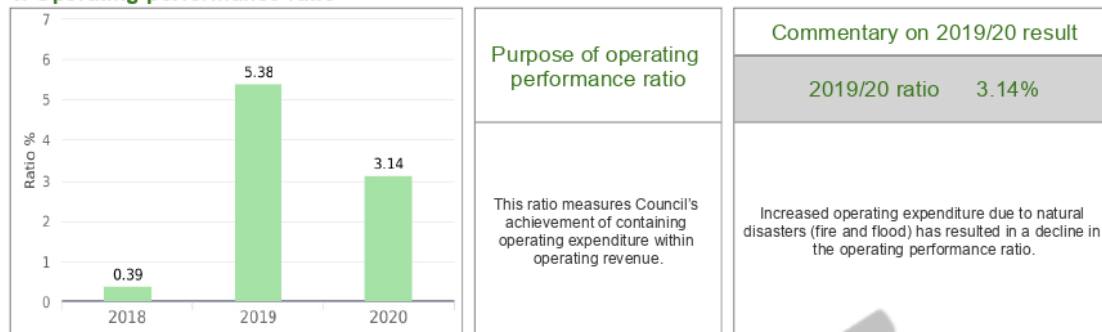
Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



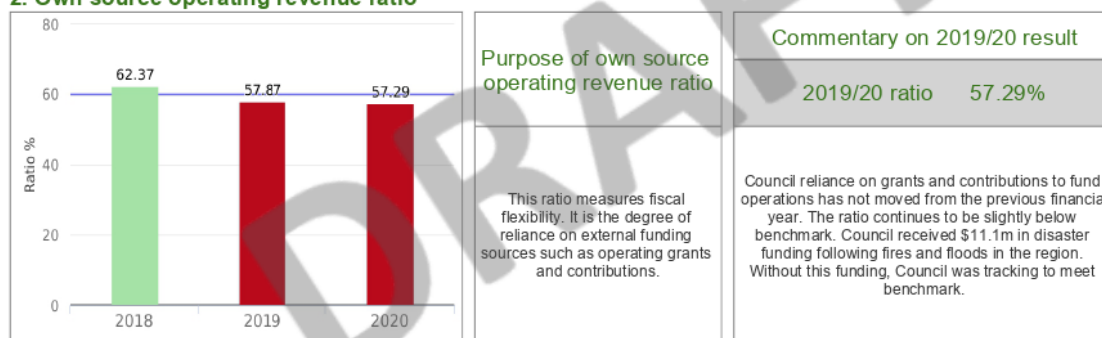
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



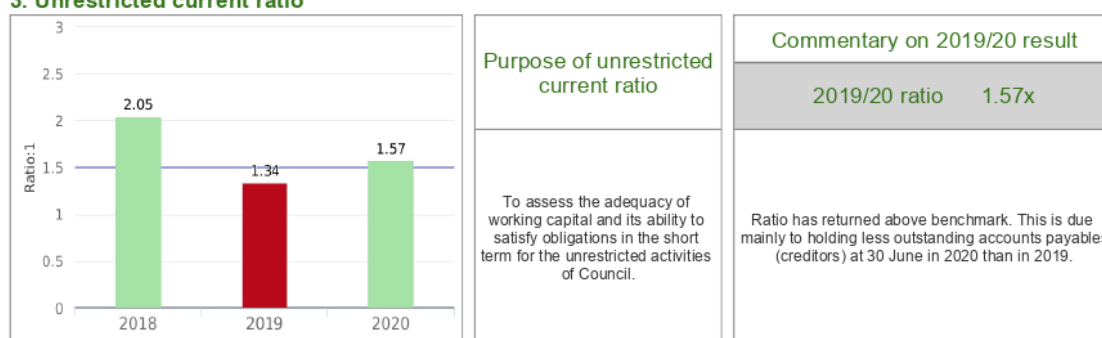
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Benchmark: — > 1.50x

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

Ratio achieves benchmark

Ratio is outside benchmark

4. Debt service cover ratio

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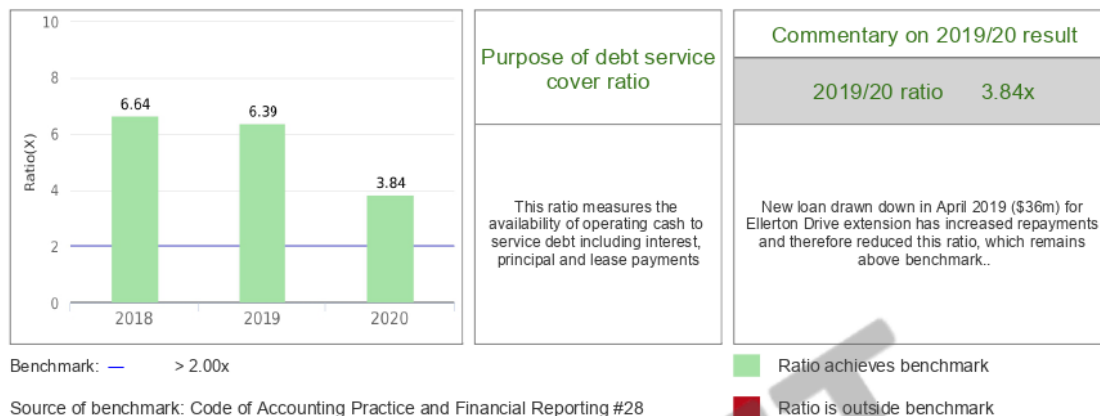
Queanbeyan-Palerang Regional Council

Financial Statements 2020

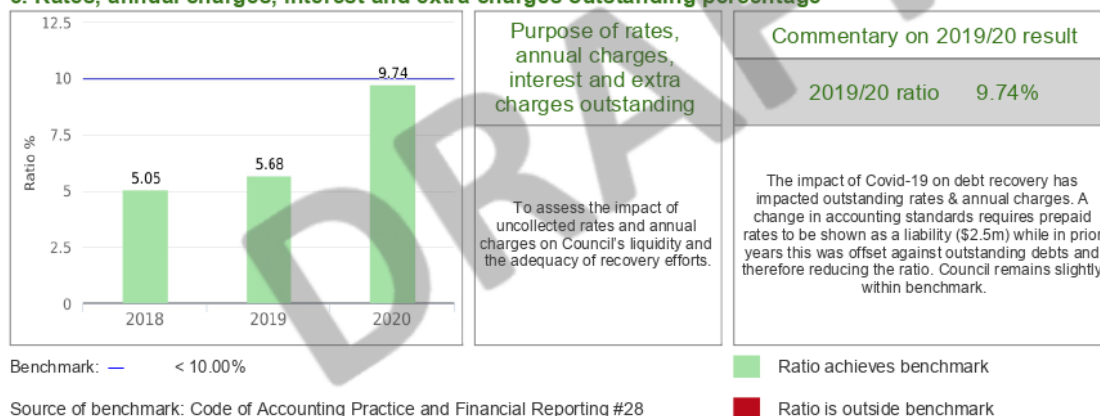
Notes to the Financial Statements

for the year ended 30 June 2020

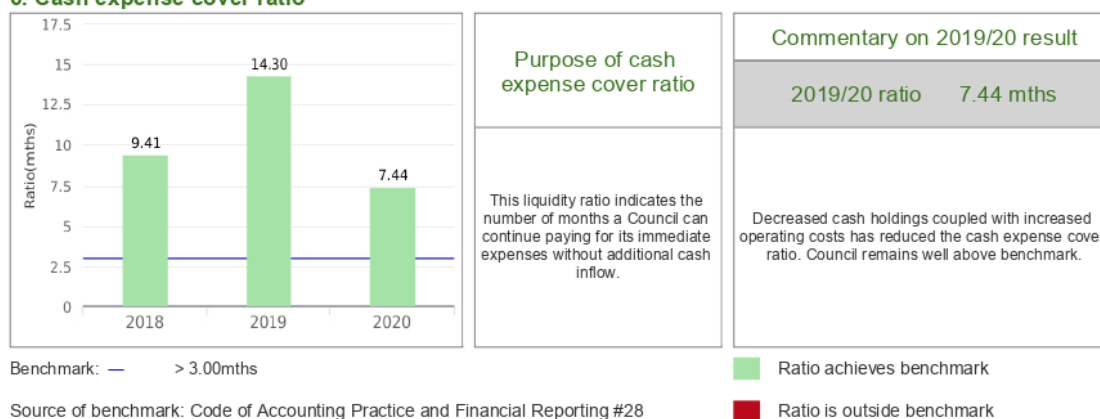
Note 28(c). Statement of performance measures – consolidated results (graphs)



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



6. Cash expense cover ratio



Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Council information and contact details

Principal place of business:

256 Crawford Street
Queanbeyan NSW 2620

Contact details

Mailing Address:

PO Box 90
Queanbeyan NSW 2620

Telephone: 02 6285 6000

Opening hours:

8:30am - 4:30pm - Weekdays

Internet: www.qprc.nsw.gov.au

Email: council@qprc.nsw.gov.au

Officers

Chief Executive Officer

Peter Tegart

Responsible Accounting Officer

Kate Monaghan

Auditors

Audit Office of New South Wales
Level 19, Tower 2 Darling Park, 201 Sussex Street
Sydney NSW 2000

Elected members

Mayor

Cr Timothy Overall

Councillors

Cr Brian Brown
Cr Kenrick Winchester
Cr Mark Schweikert
Cr Michele Biscotti
Cr Pete Harrison
Cr Peter Marshall
Cr Radmila Noveska
Cr Trevor Hicks
Cr Trudy Taylor

Other information

ABN: 95 933 070 982

Queanbeyan-Palerang Regional Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

DRAFT

Queanbeyan-Palerang Regional Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

DRAFT

QUEANBEYAN-PALERANG REGIONAL COUNCIL

Planning and Strategy Committee of the Whole Meeting Attachment

9 SEPTEMBER 2020

ITEM 8.8 QPRC 2019/20 FINANCIAL STATEMENTS - REFERRAL TO
AUDIT

ATTACHMENT 2 DRAFT - READY FOR AUDIT - 30 JUNE 20 SPECIAL PURPOSE
FINANCIAL STATEMENTS

DRAFT

Queanbeyan-Palerang Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Our reputation matters



Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

Special Purpose Financial Statements

for the year ended 30 June 2020

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Statement of Financial Position – Sewerage Business Activity	7
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Background

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

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

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

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

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

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

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 09 September 2020.

Cr Timothy Overall
Mayor
09 September 2020

Cr Trudy Taylor
Deputy Mayor
09 September 2020

Peter Tegart
Chief Executive Officer
09 September 2020

Kate Monaghan
Responsible Accounting Officer
09 September 2020

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	6,759	6,617
User charges	17,311	15,927
Fees	477	157
Interest	674	864
Grants and contributions provided for non-capital purposes	138	472
Other income	5	545
Total income from continuing operations	25,364	24,582
Expenses from continuing operations		
Employee benefits and on-costs	1,301	1,382
Borrowing costs	340	384
Materials and contracts	1,459	1,183
Depreciation, amortisation and impairment	2,183	2,110
Water purchase charges	13,048	12,152
Loss on sale of assets	44	265
Other expenses	3,758	3,441
Total expenses from continuing operations	22,133	20,917
Surplus (deficit) from continuing operations before capital amounts	3,231	3,665
Grants and contributions provided for capital purposes	1,142	584
Surplus (deficit) from continuing operations after capital amounts	4,373	4,249
Surplus (deficit) from all operations before tax	4,373	4,249
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(889)	(1,008)
SURPLUS (DEFICIT) AFTER TAX	3,484	3,241
Plus accumulated surplus	127,174	122,925
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	889	1,008
Closing accumulated surplus	131,547	127,174
Return on capital %	3.2%	3.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	3,484	3,241
Less: capital grants and contributions (excluding developer contributions)	(1,142)	(584)
Surplus for dividend calculation purposes	2,342	2,657
Potential dividend calculated from surplus	1,171	1,329

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	16,369	15,958
User charges	514	540
Liquid trade waste charges	40	44
Fees	1,470	1,237
Interest	1,492	1,966
Grants and contributions provided for non-capital purposes	143	420
Other income	76	263
Total income from continuing operations	20,104	20,428
Expenses from continuing operations		
Employee benefits and on-costs	2,077	1,361
Borrowing costs	327	321
Materials and contracts	3,492	3,463
Depreciation, amortisation, impairment and revaluation decrement	5,220	4,802
Loss on sale of assets	436	–
Other expenses	3,751	4,091
Total expenses from continuing operations	15,303	14,038
Surplus (deficit) from continuing operations before capital amounts	4,801	6,390
Grants and contributions provided for capital purposes	1,118	1,104
Surplus (deficit) from continuing operations after capital amounts	5,919	7,494
Surplus (deficit) from all operations before tax	5,919	7,494
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,320)	(1,757)
SURPLUS (DEFICIT) AFTER TAX	4,599	5,737
Plus accumulated surplus	242,823	235,329
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	1,320	1,757
Closing accumulated surplus	248,742	242,823
Return on capital %	2.8%	3.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	4,599	5,737
Less: capital grants and contributions (excluding developer contributions)	(1,118)	(1,104)
Surplus for dividend calculation purposes	3,481	4,633
Potential dividend calculated from surplus	1,740	2,316

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,931	1,761
Investments	17,986	17,615
Receivables	7,135	3,742
Total current assets	28,052	23,118
Non-current assets		
Investments	12,143	11,724
Infrastructure, property, plant and equipment	110,015	109,974
Total non-current assets	122,158	121,698
TOTAL ASSETS	150,210	144,816
LIABILITIES		
Current liabilities		
Payables	2,690	2,767
Income received in advance	–	35
Borrowings	204	489
Provisions	497	–
Total current liabilities	3,391	3,291
Non-current liabilities		
Borrowings	4,803	4,894
Provisions	25	–
Total non-current liabilities	4,828	4,894
TOTAL LIABILITIES	8,219	8,185
NET ASSETS	141,991	136,631
EQUITY		
Accumulated surplus	131,547	127,174
Revaluation reserves	10,444	9,457
TOTAL EQUITY	141,991	136,631

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	6,324	3,904
Investments	40,790	39,050
Receivables	1,922	4,208
Total current assets	49,036	47,162
Non-current assets		
Investments	27,539	25,991
Infrastructure, property, plant and equipment	184,413	181,401
Total non-current assets	211,952	207,392
TOTAL ASSETS	260,988	254,554
LIABILITIES		
Current liabilities		
Payables	90	1,140
Borrowings	317	293
Provisions	362	–
Total current liabilities	769	1,433
Non-current liabilities		
Borrowings	7,523	7,840
Provisions	16	–
Total non-current liabilities	7,539	7,840
TOTAL LIABILITIES	8,308	9,273
NET ASSETS	252,680	245,281
EQUITY		
Accumulated surplus	248,742	242,823
Revaluation reserves	3,938	2,458
TOTAL EQUITY	252,680	245,281

Queanbeyan-Palerang Regional Council

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)

a. Water Supplies

Provision of water services to the Local Government Area.

b. Sewerage Services

Provision of waste water services to the Local Government Area.

Category 2

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

Nil

Monetary amounts

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

continued on next page ...

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Queanbeyan-Palerang Regional Council

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 \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

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.

continued on next page ...

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Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

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 and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage 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 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.

Council has not elected to apply a dividend payment to the Water and Sewer funds during the 2019 financial year.

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements 2020

Special Purpose Financial Statements
for the year ended 30 June 2020

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QUEANBEYAN-PALERANG REGIONAL COUNCIL

Planning and Strategy Committee of the Whole Meeting Attachment

9 SEPTEMBER 2020

ITEM 8.8 QPRC 2019/20 FINANCIAL STATEMENTS - REFERRAL TO
AUDIT

ATTACHMENT 3 ASSURANCE OVER THE PREPARATION OF THE FINANCIAL
STATEMENTS



Memo

To: Councillors

Cc: Executive

From: Kate Monaghan,
Service Manager, Finance (CFO)

Subject: QPRC Financial Statements 2019/20

Date: 1 September 2020

I, as the Responsible Accounting Officer confirm that the 2019/20 financial statements have been prepared in accordance with:

- a) The Local Government Act (NSW) 1993 and regulations made thereunder
- b) The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- c) The Local Government Code of Accounting Practice and Financial Reporting.

To the best of my knowledge and belief, the 2019/20 financial statements:

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

I note the financial statements will be adjusted to include gifted infrastructure assets, once the valuation is complete.

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

A handwritten signature in black ink, appearing to be "Ker" followed by a long horizontal stroke.

Kate Monaghan
Service Manager, Finance (CFO)
Queanbeyan-Palerang Regional Council