

Gilgandra Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021



Gilgandra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Gilgandra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Gilgandra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present 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 2021.

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.

Gilgandra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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 19 October 2021.




Doug Batten
Mayor
19 October 2021



Ash Walker
Councillor
19 October 2021



David Neeves
General Manager
19 October 2021



Guy McAnally-Elwin
Responsible Accounting Officer
19 October 2021

Gilgandra Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
6,494	Rates and annual charges	B2-1	6,604	6,413
15,974	User charges and fees	B2-2	16,309	16,101
608	Other revenue	B2-3	946	784
8,247	Grants and contributions provided for operating purposes	B2-4	9,009	7,872
6,312	Grants and contributions provided for capital purposes	B2-4	4,565	2,550
454	Interest and investment income	B2-5	237	1,294
38,089	Total income from continuing operations		37,670	35,014
	Expenses from continuing operations			
15,721	Employee benefits and on-costs	B3-1	17,007	16,206
7,404	Materials and services	B3-2	8,962	7,954
212	Borrowing costs	B3-3	211	186
5,074	Depreciation, amortisation and impairment for non-financial assets	B3-4	5,945	5,261
2,304	Other expenses	B3-5	662	513
–	Net losses from the disposal of assets	B4-1	94	433
30,715	Total expenses from continuing operations		32,881	30,553
7,374	Operating result from continuing operations		4,789	4,461
7,374	Net operating result for the year attributable to Council		4,789	4,461
1,062	Net operating result for the year before grants and contributions provided for capital purposes		224	1,911

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

Gilgandra Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		4,789	4,461
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>1,159</u>	<u>24,922</u>
Total items which will not be reclassified subsequently to the operating result		1,159	24,922
Total other comprehensive income for the year		1,159	24,922
Total comprehensive income for the year attributable to Council		5,948	29,383

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

Gilgandra Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	6,391	8,696
Investments	C1-2	23,000	22,000
Receivables	C1-4	3,199	3,223
Inventories	C1-5	145	570
Total current assets		32,735	34,489
Non-current assets			
Receivables	C1-4	479	521
Inventories	C1-5	901	901
Infrastructure, property, plant and equipment	C1-6	330,483	323,504
Right of use assets	C2-1	77	129
Total non-current assets		331,940	325,055
Total assets		364,675	359,544
LIABILITIES			
Current liabilities			
Payables	C3-1	13,381	13,773
Contract liabilities	C3-2	458	472
Lease liabilities	C2-1	77	129
Borrowings	C3-3	688	664
Employee benefit provisions	C3-4	3,684	3,474
Total current liabilities		18,288	18,512
Non-current liabilities			
Borrowings	C3-3	5,004	5,690
Employee benefit provisions	C3-4	214	159
Provisions	C3-5	705	667
Total non-current liabilities		5,923	6,516
Total liabilities		24,211	25,028
Net assets		340,464	334,516
EQUITY			
Accumulated surplus	C4-1	111,965	107,176
IPPE revaluation reserve	C4-1	228,499	227,340
Council equity interest		340,464	334,516
Total equity		340,464	334,516

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

Gilgandra Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		107,176	227,340	334,516	91,710	202,418	294,128
Correction of prior period errors ¹		-	-	-	11,769	-	11,769
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(764)	-	(764)
Restated opening balance		107,176	227,340	334,516	102,715	202,418	305,133
Net operating result for the year		4,789	-	4,789	4,461	-	4,461
Restated net operating result for the period		4,789	-	4,789	4,461	-	4,461
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	1,159	1,159	-	24,922	24,922
Other comprehensive income		-	1,159	1,159	-	24,922	24,922
Total comprehensive income		4,789	1,159	5,948	4,461	24,922	29,383
Closing balance at 30 June		111,965	228,499	340,464	107,176	227,340	334,516

(1) During the revaluation of road assets, the process identified a material difference in the recorded length of the road network when compared to the previous revaluation carried out in 2015. The impact was that the 2015 revaluation was understated by an overall 48km.

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

Gilgandra Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
6,494	Rates and annual charges		6,883	6,166
15,974	User charges and fees		16,687	15,737
455	Investment and interest revenue received		279	1,321
14,560	Grants and contributions		12,720	9,609
608	Other		1,259	1,060
<i>Payments:</i>				
(15,721)	Employee benefits and on-costs		(16,778)	(16,103)
(7,360)	Materials and services		(9,985)	(6,096)
(212)	Borrowing costs		(176)	(149)
(2,304)	Other		(773)	(2,010)
12,494	Net cash flows from operating activities	G1-1a	10,116	9,535
Cash flows from investing activities				
<i>Receipts:</i>				
300	Sale of real estate assets		340	90
289	Sale of infrastructure, property, plant and equipment		259	174
<i>Payments:</i>				
–	Purchase of investment securities		–	(500)
–	Acquisition of term deposits		(1,000)	–
(13,939)	Purchase of infrastructure, property, plant and equipment		(11,128)	(7,872)
(13,350)	Net cash flows from investing activities		(11,529)	(8,108)
Cash flows from financing activities				
<i>Receipts:</i>				
1,460	Proceeds from borrowings		–	3,623
1,000	Proceeds from Retirement Complex Contributions		2,270	1,197
<i>Payments:</i>				
(746)	Repayment of borrowings		(662)	(549)
–	Principal component of lease payments		(52)	(52)
(1,000)	Repayment of Retirement Complex Contributions		(2,448)	(369)
714	Net cash flows from financing activities		(892)	3,850
(142)	Net change in cash and cash equivalents		(2,305)	5,277
8,696	Cash and cash equivalents at beginning of year		8,696	3,419
8,554	Cash and cash equivalents at end of year	C1-1	6,391	8,696
22,000	plus: Investments on hand at end of year	C1-2	23,000	22,000
30,554	Total cash, cash equivalents and investments		29,391	30,696

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

Gilgandra Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 19 October 2021. 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 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, 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.

Historical cost convention

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

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 C1-6
- (ii) employee benefit provisions – refer Note C3-4
- (iii) tip remediation provisions - refer Note C3-5

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

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 Council's financial statements.

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

- General purpose operations

A1-1 Basis of preparation (continued)

- Water service
- Sewerage service
- Orana Living
- Carlinda Enterprises
- Cooee Villa Units
- Cooee Lodge Hostel
- Jack Towney Hostel

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council relies on volunteers to perform duties within the community transport, meal on wheels and tourist information operational areas. If the services of volunteers were not available, Council would be required fill the void by utilising contracted operators or by employing additional staff. It is estimated that this would cost Council between \$200,000 and \$300,000 annually.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period.

Council has not applied any pronouncements before their operative dates in the annual reporting period beginning 1 July 2020.

Council's assessment of the impact of the new standards, and interpretations relevant to them, is set out below:

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Governance	–	–	133	150	(133)	(150)	–	–	–	–
Administration	399	393	9,744	7,547	(9,345)	(7,154)	207	122	21,188	19,663
Public order and safety	380	603	749	631	(369)	(28)	852	582	2,731	2,230
Health	87	73	600	527	(513)	(454)	–	–	1,748	1,791
Environment	648	656	684	689	(36)	(33)	–	14	3,781	3,112
Community services and education	13,902	13,408	10,048	9,442	3,854	3,966	2,569	2,041	35,395	34,987
Housing and community amenities	325	246	438	373	(113)	(127)	92	42	5,195	2,831
Water supplies	1,189	1,276	1,054	1,392	135	(116)	232	115	18,835	18,686
Sewerage services	1,137	1,250	810	768	327	482	21	174	16,338	16,122
Recreation and culture	2,017	732	1,065	1,108	952	(376)	1,924	657	10,242	8,690
Mining, manufacturing and construction	31	29	5	11	26	18	–	–	–	–
Transport and communication	6,281	4,159	6,340	6,738	(59)	(2,579)	2,527	1,905	245,847	247,079
Economic affairs	1,857	2,200	1,211	1,177	646	1,023	923	783	3,375	4,353
General purpose revenues	9,417	9,989	–	–	9,417	9,989	4,227	3,987	–	–
Total functions and activities	37,670	35,014	32,881	30,553	4,789	4,461	13,574	10,422	364,675	359,544

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, meetings of Council and policy making committees, public disclosure (eg.GIPA) and legislative compliance.

Administration

Includes corporate support and other support services, engineering works and any Council policy compliance.

Public order and safety

Includes fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control and medical centres.

Environment

Includes noxious plants and insect / vermin control, solid waste management (including domestic, commercial and other waste management), street cleaning and stormwater management.

Community services and education

Includes administration and education, social protection (welfare), aged and disabled persons services and children's services.

Housing and community amenities

Includes public cemeteries, public conveniences, street lighting, town planning and other community amenities including housing services.

Water supplies

Includes the provision of a water supply service to the town of Gilgandra and the village of Tooraweenah.

Sewerage services

Includes the provision of a sewerage service to the town of Gilgandra.

Recreation and culture

Includes public libraries, community centres and halls, other cultural services (heritage programs), sporting grounds and venues, swimming pools, parks and gardens and other sport and recreation services.

Mining, manufacturing and construction

Includes building control and gravel pits.

Transport and communication

Includes urban roads, sealed and unsealed rural roads, regional roads, bridges, parking areas, footpaths, aerodromes and other transport services including RMS contract works, rural addressing, road safety officer and kerb and gutter.

Economic affairs

Includes camping areas and caravan parks, tourism and area promotion, real estate development, private works and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	961	935
Farmland	3,894	3,812
Business	252	247
Less: pensioner rebates	(88)	(88)
Rates levied to ratepayers	5,019	4,906
Pensioner rate subsidies received	47	48
Total ordinary rates	5,066	4,954
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	488	470
Stormwater management services	25	26
Water supply services	431	403
Sewerage services	507	473
Waste management services (non-domestic)	107	105
Less: pensioner rebates	(44)	(43)
Annual charges levied	1,514	1,434
Pensioner subsidies received:		
– Water	12	13
– Sewerage	12	12
Total annual charges	1,538	1,459
Total rates and annual charges	6,604	6,413

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at 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 recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2021	2020
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	517	724
Sewerage services	604	588
Total specific user charges	1,121	1,312
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	102	80
Private works – section 67	735	1,264
Total fees and charges – statutory/regulatory	837	1,344
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	65	65

continued on next page ...

B2-2 User charges and fees (continued)

\$ '000	2021	2020
Aged care	10,588	10,660
Caravan park	18	15
Cemeteries	66	51
Transport for NSW works (state roads not controlled by Council)	3,200	2,271
Swimming centres	37	35
Waste disposal tipping fees	27	42
Companion animals	28	23
Government access centre	8	2
Rent and hire of council properties	278	255
Other	36	26
Total fees and charges – other	14,351	13,445
Total user charges and fees	16,309	16,101
Timing of revenue recognition for user charges and fees		
User charges and fees recognised at a point in time	16,309	16,101
Total user charges and fees	16,309	16,101

Accounting policy

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.

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 over the term of the licence.

B2-3 Other revenue

\$ '000	2021	2020
Legal fees recovery – rates and charges (extra charges)	10	4
Commissions and agency fees	176	172
Insurance claims recoveries	140	150
Sales – general	124	103
Payroll tax reimbursement	126	–
Accommodation bonds retained	260	243
Tourism, promotion and economic development	72	19
Other	38	93
Total other revenue	946	784
Timing of revenue recognition for other revenue		
Other revenue recognised at a point in time	946	784
Total other revenue	946	784

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

B2-4 Grants and contributions

B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance	4,227	3,987	-	-
Amount recognised as income during current year	4,227	3,987	-	-
Special purpose grants and non-developer contributions (tied)				
Previously specific grants:				
Pensioners' rates subsidies:				
Water supplies	-	-	224	106
Sewerage services	-	-	19	171
Aged and disabled care	695	445	-	475
Bushfire and emergency services	105	152	247	484
Economic development	-	-	-	784
Employment and training programs	254	257	-	-
Library	77	74	300	-
Local Infrastructure Renewal Scheme subsidy	34	42	-	-
Local Roads & Community Infrastructure	-	-	788	-
Recreation and culture	910	107	957	524
Parental leave	33	36	-	-
Youth services	132	154	-	-
Street lighting	42	42	-	-
Town planning	50	-	-	-
Transport (roads and bridges funding)	1,484	1,419	583	-
Other specific grants	34	27	1,414	-
Previously contributions:				
Recreation and culture	-	-	33	6
Roads and bridges	-	44	-	-
Transport for NSW contributions (regional roads, block grant)	337	485	-	-
Education (pre school)	595	601	-	-
Total special purpose grants and non-developer contributions (tied)	4,782	3,885	4,565	2,550
Total grants and non-developer contributions	9,009	7,872	4,565	2,550
Comprising:				
- Commonwealth funding	6,195	5,504	-	127
- State funding	2,219	1,723	4,532	2,417
- Other funding	595	645	33	6
	9,009	7,872	4,565	2,550

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	706	628	472	1,584
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
Add: Funds received and not recognised as revenue in the current year	-	80	1,786	55
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	-	-	-	-
Less: Funds received in prior year but revenue recognised and funds spent in current year	(51)	(2)	(100)	(1,167)
Unspent funds at 30 June	655	706	2,158	472

The unspent capital grants total is made up of funding received for community projects (\$542,000), electronic signage (\$30,000), infrastructure projects (\$1,035,000), library (\$72,000) and the Mill on Miller Street (\$479,000).

The unspent operating grants total is made up of funding received for crown reserve management (\$80,000), road maintenance (\$500,000) and the library (\$75,000).

Contributions

Unspent funds at 1 July	-	17	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
Add: contributions received and not recognised as revenue in the current year	-	-	-	-
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	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	(17)	-	-
Unspent contributions at 30 June	-	-	-	-

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include construction timelines, inspection points, service obligations and reporting. 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.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g.

B2-4 Grants and contributions (continued)

completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion 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.

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

Developer 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* (EP&A Act).

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council 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.

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	22	50
– Cash and investments	215	458
Other – funds received from the sale of Southern Phone	–	786
Total interest and investment income (losses)	237	1,294

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	12,697	11,731
Travel expenses	10	3
Employee leave entitlements (ELE)	2,257	2,245
Superannuation	1,245	1,192
Workers' compensation insurance	709	670
Fringe benefits tax (FBT)	56	53
Training costs (other than salaries and wages)	206	385
Other	121	132
Total employee costs	17,301	16,411
Less: capitalised costs	(294)	(205)
Total employee costs expended	17,007	16,206
Number of 'full-time equivalent' employees (FTE) at year end	202	193

Accounting policy

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

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.

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 E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		7,529	6,477
Audit Fees	F2-1	62	58
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	133	150
Advertising		56	43
Bank charges		23	20
Electricity and heating		189	191
Insurance		427	349
Printing and stationery		48	52
Street lighting		109	150
Telephone and communications		247	177
Valuation fees		20	20
Community projects		–	110
Other expenses		101	117
Legal expenses:			
– Legal expenses: other		18	40
Total materials and services		8,962	7,954
Total materials and services		8,962	7,954

B3-3 Borrowing costs

(i) Interest bearing liability costs

continued on next page ...

B3-3 Borrowing costs (continued)

\$ '000	Notes	2021	2020
Interest on leases		–	–
Interest on loans		170	146
Charges relating to finance leases		3	4
Total interest bearing liability costs		173	150
Total interest bearing liability costs expensed		173	150
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	38	36
Total other borrowing costs		38	36
Total borrowing costs expensed		211	186

Accounting policy

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.

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		1,078	1,046
Office equipment		50	117
Furniture and fittings		34	27
Infrastructure:	C1-6		
– Buildings (non-specialised)		35	32
– Buildings (specialised)		628	576
– Other structures		334	388
– Roads, Bridges and Footpaths		2,695	2,050
– Stormwater drainage		63	61
– Water supply network		574	549
– Sewerage network		343	334
Right of use assets	C2-1	52	52
Other assets:			
– Library books		27	11
– Other		28	13
Reinstatement, rehabilitation and restoration assets:			
– Gravel Pit Assets		4	5
Total depreciation and amortisation costs		5,945	5,261
Total depreciation, amortisation and impairment for non-financial assets		5,945	5,261

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 C1-6 for IPPE assets.

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since 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 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.

B3-4 Depreciation, amortisation and impairment of non-financial assets (continued)

Other non-financial 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).

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.

B3-5 Other expenses

\$ '000	2021	2020
Other		
Donations, contributions and assistance to other organisations (Section 356)	662	513
Total other expenses	662	513

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

B4 Gains or losses**B4-1 Gain or loss from the disposal, replacement and de-recognition of assets**

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		–	(353)
Gain (or loss) on disposal		–	(353)
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		259	174
Less: carrying amount of plant and equipment assets sold/written off		(241)	(194)
Gain (or loss) on disposal		18	(20)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		340	90
Less: carrying amount of real estate assets sold/written off		(452)	(150)
Gain (or loss) on disposal		(112)	(60)
Net gain (or loss) on disposal of assets		(94)	(433)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 23/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	6,494	6,604	110	2% F
User charges and fees	15,974	16,309	335	2% F
Other revenues	608	946	338	56% F
Additional income was received during the year in the form of a payroll tax refund and increased insurance claim income.				
Capital grants and contributions	6,312	4,565	(1,747)	(28)% U
There were a number of projects that were budgeted for at the start of the year that required capital grant funding to proceed. The projects either did not commence or were unsuccessful in receiving the funding.				
Interest and investment revenue	454	237	(217)	(48)% U
Interest rates significantly declined during the year and this led to the decrease in investment returns.				
EXPENSES				
Employee benefits and on-costs	15,721	17,007	(1,286)	(8)% U
Materials and services	7,404	8,962	(1,558)	(21)% U
The classification of a number of expenses have moved from being "other expenses" to "materials and contracts". As a result, the increase in materials and contracts is offset by a savings in other expenses.				
Borrowing costs	212	211	1	0% F
Depreciation, amortisation and impairment of non-financial assets	5,074	5,945	(871)	(17)% U
The revaluation of the road network the previous year has led to an increase in the depreciation charge. This was not allowed for in the original budget estimates.				
Other expenses	2,304	662	1,642	71% F
As previously explained, the savings in other expenses is offset by an increase in materials and contracts.				
Net losses from disposal of assets	-	94	(94)	∞ U
Council does not budget for a profit or loss in the disposal of assets.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	12,494	10,116	(2,378)	(19)% U
A number of capital grants that were budgeted for did not eventuate during the year and this has led to the reduced cash flow in operating activities.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
Cash flows from investing activities	(13,350)	(11,529)	1,821	(14)% F
Some planned capital projects were unable to be undertaken during the year.				
Cash flows from financing activities	714	(892)	(1,606)	(225)% U
The original budget included income from proposed borrowings. The borrowings were not required during the year and this has led to the reduced income from financing activities.				

C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	5,337	7,646
Cash-equivalent assets		
– Deposits at call	1,054	1,050
Total cash and cash equivalents	6,391	8,696

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	6,391	8,696
Balance as per the Statement of Cash Flows	6,391	8,696

Accounting policy

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.

C1-2 Financial investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Debt securities at amortised cost				
Long term deposits	23,000	–	22,000	–
Total	23,000	–	22,000	–
Total financial investments	23,000	–	22,000	–
Total cash assets, cash equivalents and investments	29,391	–	30,696	–

Accounting policy

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 or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	29,391	–	30,696	–
attributable to:				
External restrictions	8,428	–	8,352	–
Internal restrictions	10,343	–	10,297	–
Unrestricted	10,620	–	12,047	–
	29,391	–	30,696	–

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	458	472
Specific purpose unexpended loans – general	–	2,426
External restrictions – included in liabilities	458	2,898

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Specific purpose unexpended grants (recognised as revenue) – general fund	2,863	706
Water fund	2,869	2,857
Sewer fund	1,868	1,626
Domestic waste management	370	265
External restrictions – other	7,970	5,454
Total external restrictions	8,428	8,352

Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Employees leave entitlement	1,502	1,477
Carry over works	1,860	761
Community services	760	822
Financial assistance grant	2,185	2,051
Recreation facilities	246	184
Transport	2,397	1,330
Aged and disabled	668	3,176
Administration	695	452
Other	30	44
Total internal restrictions	10,343	10,297
Total restrictions	18,771	18,649

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	320	214	450	262
Interest and extra charges	26	78	41	77
User charges and fees	2,120	187	1,856	182
Accrued revenues				
– Interest on investments	69	–	97	–
Government grants and subsidies	520	–	506	–
Other debtors	144	–	273	–
Total	3,199	479	3,223	521
Total net receivables	3,199	479	3,223	521

Accounting policy

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.

Impairment

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

When estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

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

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

Where 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.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	–	901	452	901
Stores and materials	118	–	81	–
Trading stock	27	–	37	–
Total inventories at cost	145	901	570	901
Total inventories	145	901	570	901

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		–	901	–	901
Industrial/commercial		–	–	452	–
Total real estate for resale		–	901	452	901

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	–	99	115	99
Development costs	–	802	337	802
Total costs	–	901	452	901
Total real estate for resale	–	901	452	901

Movements:

Real estate assets at beginning of the year		452	901	602	901
– WDV of sales (expense)	B4-1	(452)	–	(150)	–
Total real estate for resale		–	901	452	901

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period					At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Plant and equipment	16,502	(10,033)	6,469	–	1,008	241	(1,078)	–	17,122	(10,964)	6,158
Office equipment	1,253	(1,052)	201	–	–	–	(50)	–	1,253	(1,102)	151
Furniture and fittings	727	(636)	91	–	78	–	(34)	–	805	(670)	135
Land:											
– Operational land	3,940	–	3,940	–	–	–	–	–	3,940	–	3,940
– Community land	1,237	–	1,237	–	826	–	–	–	2,063	–	2,063
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	185	–	185
Infrastructure:											
– Buildings – non-specialised	2,100	(64)	2,036	–	–	–	(35)	–	2,100	(99)	2,001
– Buildings – specialised	51,521	(14,781)	36,740	4,000	2,412	–	(628)	–	57,933	(15,409)	42,524
– Other structures	7,123	(3,480)	3,643	37	531	–	(334)	–	7,691	(3,814)	3,877
– Roads, bridges & footpaths	269,415	(31,978)	237,437	2,011	–	–	(2,695)	–	271,426	(34,673)	236,753
– Stormwater drainage	5,845	(4,133)	1,712	77	–	–	(63)	863	6,874	(4,285)	2,589
– Water supply network	30,857	(15,371)	15,486	608	–	–	(574)	155	31,774	(16,099)	15,675
– Sewerage network	25,111	(11,005)	14,106	169	–	–	(343)	141	25,528	(11,455)	14,073
Other assets:											
– Heritage collections	50	(50)	–	–	–	–	–	–	50	(50)	–
– Library books	244	(222)	22	–	23	–	(27)	–	267	(249)	18
– Other	583	(583)	–	165	9	–	(28)	–	757	(611)	146
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):											
– Gravel Pit Assets	272	(73)	199	–	–	–	(4)	–	272	(77)	195
Total infrastructure, property, plant and equipment	416,965	(93,461)	323,504	7,067	4,887	241	(5,893)	1,159	430,040	(99,557)	330,483

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

C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period					At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense Restated	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Plant and equipment	15,733	(9,180)	6,553	–	1,156	(194)	(1,046)	–	16,502	(10,033)	6,469
Office equipment	1,253	(935)	318	–	–	–	(117)	–	1,253	(1,052)	201
Furniture and fittings	727	(609)	118	–	–	–	(27)	–	727	(636)	91
Land:											
– Operational land	3,940	–	3,940	–	–	–	–	–	3,940	–	3,940
– Community land	1,237	–	1,237	–	–	–	–	–	1,237	–	1,237
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	185	–	185
Infrastructure:											
– Buildings – non-specialised	1,825	(32)	1,793	–	275	–	(32)	–	2,100	(64)	2,036
– Buildings – specialised	48,822	(14,612)	34,210	2,967	492	(353)	(576)	–	51,521	(14,781)	36,740
– Other structures	6,594	(3,092)	3,502	47	482	–	(388)	–	7,123	(3,480)	3,643
– Roads, bridges & footpaths ²	278,313	(65,262)	213,051	1,769	–	–	(2,050)	24,667	269,415	(31,978)	237,437
– Stormwater drainage	5,814	(4,072)	1,742	31	–	–	(61)	–	5,845	(4,133)	1,712
– Water supply network	30,066	(14,694)	15,372	529	–	–	(549)	134	30,857	(15,371)	15,486
– Sewerage network	24,486	(10,579)	13,907	412	–	–	(334)	121	25,111	(11,005)	14,106
Other assets:											
– Heritage collections	50	(50)	–	–	–	–	–	–	50	(50)	–
– Library books	222	(211)	11	–	22	–	(11)	–	244	(222)	22
– Other	583	(570)	13	–	–	–	(13)	–	583	(583)	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):											
– Gravel Pit Assets	272	(68)	204	–	–	–	(5)	–	272	(73)	199
Total infrastructure, property, plant and equipment	420,122	(123,966)	296,156	5,755	2,427	(547)	(5,209)	24,922	416,965	(93,461)	323,504

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

(2) These values have been restated.

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	80	Swimming pools	50
Unsealed roads	20	Kerb and gutter	100
Bridge: concrete	100	Footpaths	20
Bridge: other	100	Other open space / recreational assets	20
Sealed road pavements	80	Other infrastructure	20
Unsealed road pavements	20		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

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.

C1-6 Infrastructure, property, plant and equipment (continued)

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases a building for the operations of Community Care and Transport; the lease is for 3 years with no renewal option.

The lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Office and IT equipment

Council has a numbers of lease agreements in place for phone systems in various locations. The leases are for 5 years with no renewal option and the payments are fixed.

(a) Right of use assets

\$ '000	Office & IT Equipment	Buildings	Total
2021			
Opening balance at 1 July	111	18	129
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–	–
Depreciation charge	(35)	(17)	(52)
Balance at 30 June	76	1	77
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	146	35	181
Depreciation charge	(35)	(17)	(52)
Balance at 30 June	111	18	129

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	77	–	129	–
Total lease liabilities	77	–	129	–

(c) (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
2021					
Cash flows	50	27	–	77	77
2020					
Cash flows	50	50	29	129	129

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	3	4
Depreciation of right of use assets	52	52
	55	56

(e) Statement of Cash Flows

Total cash outflow for leases	52	54
	52	54

(f) Leases at significantly below market value – concessionary / peppercorn leases

Accounting policy

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 received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

C2-1 Council as a lessee (continued)

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.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services	1,549	–	1,701	–
Accrued expenses:				
– Borrowings	31	–	34	–
– Salaries and wages	132	–	168	–
Retirement complex contributions	11,313	–	11,491	–
Other	–	–	71	–
Prepaid rates and charges	356	–	308	–
Total payables	13,381	–	13,773	–
Total payables	13,381	–	13,773	–

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Water	314	–	195	–
Sewer	37	–	123	–
Payables relating to externally restricted assets	351	–	318	–
Total payables relating to restricted assets	351	–	318	–
Total payables	13,381	–	13,773	–

Current payables not anticipated to be settled within the next twelve months

\$ '000	2021	2020
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	10,182	10,342
Total payables	10,182	10,342

Accounting policy

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 and bank loans.

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	458	-	472	-
Total grants received in advance		458	-	472	-
Total contract liabilities		458	-	472	-

Notes

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

Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	458	-	472	-
Contract liabilities relating to externally restricted assets	458	-	472	-
Total contract liabilities relating to restricted assets	458	-	472	-
Total contract liabilities	458	-	472	-

Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	250	348
Total revenue recognised that was included in the contract liability balance at the beginning of the period	250	348

Significant changes in contract liabilities

Funding included as a contract liability in 19/20 has been recognised in 20/21 for the construction of the SES building.

Accounting policy

Contract liabilities are recorded when 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.

C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	688	5,004	664	5,690
Total borrowings	688	5,004	664	5,690

(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 E1-1.

Borrowings relating to restricted assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	110	286	53	198
Sewer	34	108	16	71
Borrowings relating to externally restricted assets	144	394	69	269
Total borrowings relating to restricted assets	144	394	69	269
Total borrowings relating to unrestricted assets	544	4,610	595	5,421
Total borrowings	688	5,004	664	5,690

Current borrowings not anticipated to be settled within the next twelve months

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

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,354	(662)	–	–	–	–	5,692
Lease liability (Note C2-1b)	129	(52)	–	–	–	–	77
Total liabilities from financing activities	6,483	(714)	–	–	–	–	5,769

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,280	3,074	–	–	–	–	6,354
Lease liability (Note C2-1b)	–	129	–	–	–	–	129
Total liabilities from financing activities	3,280	3,203	–	–	–	–	6,483

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Credit cards/purchase cards	85	85
Total financing arrangements	85	85
Undrawn facilities		
– Credit cards/purchase cards	85	85
Total undrawn financing arrangements	85	85

Accounting policy

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.

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.

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 borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	1,859	–	1,739	–
Long service leave	1,691	214	1,601	159
Other leave	134	–	134	–
Total employee benefit provisions	3,684	214	3,474	159

Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	938	890
	938	890

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2021				
At beginning of year	1,739	1,760	134	3,633
Additional provisions	799	385	15	1,199
Amounts used (payments)	(926)	(174)	(33)	(1,133)
Remeasurement effects	247	(67)	18	198
Total ELE provisions at end of year	1,859	1,905	134	3,898
2020				

C3-4 Employee benefit provisions (continued)

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	1,577	1,734	109	3,420
Additional provisions	801	303	108	1,212
Amounts used (payments)	(877)	(219)	(101)	(1,197)
Remeasurement effects	238	(58)	18	198
Total ELE provisions at end of year	1,739	1,760	134	3,633

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

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.

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	705	–	667
Sub-total – asset remediation/restoration	–	705	–	667
Total provisions	–	705	–	667
Provisions relating to restricted assets				
Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	–	705	–	667
Total provisions	–	705	–	667

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.

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	667	667
Unwinding of discount	38	38
Total other provisions at end of year	705	705
2020		
At beginning of year	630	630
Unwinding of discount	37	37
Total other provisions at end of year	667	667

Accounting policy

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 a borrowing cost.

Asset remediation – tips and quarries

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 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.

C3-5 Provisions (continued)

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 infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of 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.

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	5,595	465	544
User charges and fees	15,063	626	620
Interest and investment revenue	203	21	13
Other revenues	926	5	15
Grants and contributions provided for operating purposes	8,976	19	14
Grants and contributions provided for capital purposes	4,322	224	19
Total income from continuing operations	35,085	1,360	1,225
Expenses from continuing operations			
Employee benefits and on-costs	16,522	234	251
Materials and services	8,309	297	356
Borrowing costs	197	11	3
Depreciation, amortisation and impairment of non-financial assets	5,021	580	344
Other expenses	436	137	89
Net losses from the disposal of assets	94	–	–
Total expenses from continuing operations	30,579	1,259	1,043
Operating result from continuing operations	4,506	101	182
Net operating result for the year	4,506	101	182
Net operating result attributable to each council fund	4,506	101	182
Net operating result for the year before grants and contributions provided for capital purposes	184	(123)	163

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	3,654	869	1,868
Investments	21,000	2,000	–
Receivables	3,033	103	63
Inventories	145	–	–
Total current assets	27,832	2,972	1,931

Non-current assets

Receivables	349	74	56
Inventories	901	–	–
Infrastructure, property, plant and equipment	300,340	15,806	14,337
Right of use assets	77	–	–
Total non-current assets	301,667	15,880	14,393

TOTAL ASSETS

329,499	18,852	16,324
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LIABILITIES

D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2021	Water 2021	Sewer 2021
Current liabilities			
Payables	13,277	86	18
Income received in advance	(71)	71	–
Contract liabilities	458	–	–
Lease liabilities	77	–	–
Borrowings	616	55	17
Employee benefit provision	3,684	–	–
Total current liabilities	18,041	212	35
Non-current liabilities			
Borrowings	4,807	143	54
Employee benefit provision	214	–	–
Provisions	705	–	–
Total non-current liabilities	5,726	143	54
TOTAL LIABILITIES	23,767	355	89
Net assets	305,732	18,497	16,235
EQUITY			
Accumulated surplus	94,306	11,181	6,478
Revaluation reserves	211,426	7,316	9,757
Council equity interest	305,732	18,497	16,235
Total equity	305,732	18,497	16,235

D2 Interests in other entities**D2-1 Subsidiaries**

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

D2-2 Interests in joint arrangements**Material joint ventures**

Council acknowledges a 25% interest in a joint venture with the North West Library, however, this joint venture has not been included in the financial statements due to the value of the operations and Council's equity in the joint venture not deemed to be of a material nature.

(i) Unconsolidated structured entities

County Councils as joint ventures:

Council is a member of the Castlereagh-Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to administer and control noxious weeds in the district. Council is one of five constituent councils and does not have significant influence over the County Council.

Accordingly, the County Council has not been consolidated in the financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,391	8,696	6,391	8,497
Receivables	3,678	3,744	5,542	3,744
Investments				
– Debt securities at amortised cost	23,000	22,000	23,000	22,000
Total financial assets	33,069	34,440	34,933	34,241
Financial liabilities				
Payables	13,381	13,773	13,026	13,465
Loans/advances	5,692	6,354	5,692	6,354
Total financial liabilities	19,073	20,127	18,718	19,819

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 measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market 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) **at fair value through other comprehensive income** – 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 its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

E1-1 Risks relating to financial instruments held (continued)

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	300	231
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	320	79	135	–	534

E1-1 Risks relating to financial instruments held (continued)

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	450	132	130	–	712

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	2,004	235	542	7	356	3,144
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	1,596	726	97	28	585	3,032
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, 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 by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. 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 (refer to Note C2-1(b) for 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	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	–	13,026	–	–	13,026	13,025
Loans and advances	3.21%	–	838	3,122	2,420	6,380	5,692
Total financial liabilities		–	13,864	3,122	2,420	19,406	18,717

E1-1 Risks relating to financial instruments held (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	–	13,465	–	–	13,465	13,465
Loans and advances	3.10%	–	837	3,446	2,929	7,212	6,354
Total financial liabilities		–	14,302	3,446	2,929	20,677	19,819

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy									
		Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements											
Infrastructure, property, plant and equipment C1-6											
Plant & equipment		at cost	at cost	6,158	6,469	-	-	-	-	6,158	6,469
Office equipment		at cost	at cost	-	-	-	-	151	201	151	201
Furniture & fittings		at cost	at cost	-	-	-	-	135	91	135	91
Land		30/06/18	30/06/18	-	-	6,188	5,362	-	-	6,188	5,362
Buildings		30/06/18	30/06/18	-	-	-	-	44,526	38,776	44,526	38,776
Other structures		at cost	at cost	-	-	-	-	3,877	3,643	3,877	3,643
Roads, bridges & footpaths		30/06/20	30/06/20	-	-	-	-	236,753	237,437	236,753	237,437
Stormwater drainage		30/06/21	30/06/10	-	-	-	-	2,589	1,712	2,589	1,712
Water supply		30/06/16	30/06/16	-	-	-	-	15,675	15,486	15,675	15,486
Sewerage services		30/06/16	30/06/16	-	-	-	-	14,073	14,106	14,073	14,106
Other assets		at cost	at cost	-	-	-	-	163	22	163	22
Gravel pits		30/06/19	30/06/19	-	-	-	-	196	199	196	199
Total infrastructure, property, plant and equipment				6,158	6,469	6,188	5,362	318,138	311,673	330,484	323,504

E2-1 Fair value measurement (continued)

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

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Council engaged the services of professional valuers to provide valuations for land and buildings. The values used for infrastructure assets (roads, bridges and footpaths, stormwater drainage, water supply and sewerage services) have been determined by qualified Council staff by using known constructions costs, current condition assessments, current renewal practices and known construction dates. The values of the remaining asset classes (plant and equipment, office equipment, furniture and fittings, other structures and other assets) have been determined by deeming that the transaction price equals the fair value at initial recognition.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Buildings

Council engaged APV Valuers and Asset Management to conduct a revaluation of its buildings in 2017/18. The majority of the buildings were valued using a depreciated replacement cost method however there was a small portion where a market value approach was used. The market value portion was considered to be minor compared to the total value of the building assets.

Roads, Bridges & Footpaths

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the road network including bridges and footpaths, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition rating were then used to calculate a value based on the current depreciated replacement cost of the assets.

Stormwater Drainage

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the stormwater network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Water Supply

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the water supply network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Sewerage Services

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the sewerage services network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

E2-1 Fair value measurement (continued)

Other Structures

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Other Assets

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Gravel Pits

Council management determined that as Council's engineering staff are experts available who can provide informed values of the rehabilitation costs of a gravel pit, then the advice and opinions of those experts should be used. The cost to rehabilitate Council's 79 gravel pits was determined, this cost was then inflated out by 3% per year until 2064 when it was determined the gravel pits would need to be rehabilitated. To determine the cost at a present value, the inflated cost is then discounted back to the current year using the bond rate at the time.

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.

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Buildings	Independent valuation.	Depreciated replacement cost & market value.
Roads, bridges, etc.	In house valuation.	Depreciated replacement cost.
Stormwater drainage	In house valuation.	Depreciated replacement cost.
Water supply	In house valuation.	Depreciated replacement cost.
Sewerage services	In house valuation.	Depreciated replacement cost.
Other structures	Transaction price.	Purchase price of asset used.
Other assets	Transaction price.	Purchase price of asset used.
Gravel pits	In house valuation.	Depreciated replacement cost.

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	Roads, bridges and footpaths		Stormwater drainage		Water supply network		Sewerage services	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	237,437	213,051	1,712	1,742	15,486	15,372	14,106	13,907
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	24,667	863	–	155	134	141	121
Other movements								
Purchases (GBV)	2,011	1,769	77	31	608	529	169	412
Depreciation and impairment	(2,695)	(2,050)	(63)	(61)	(574)	(549)	(343)	(334)
Closing balance	236,753	237,437	2,589	1,712	15,675	15,486	14,073	14,106

E2-1 Fair value measurement (continued)

\$ '000	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	3,643	3,502	22	23	199	204	272,605	247,801
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	1,159	24,922
Purchases (GBV)	568	529	197	22	–	–	3,630	3,292
Depreciation and impairment	(334)	(388)	(55)	(23)	(4)	(5)	(4,068)	(3,410)
Closing balance	3,877	3,643	164	22	195	199	273,326	272,605

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

Information relating to the transfers

There were no transfers into or out of the Level 3 hierarchy as listed in the tables above.

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

* 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.

E3-1 Contingencies (continued)

The past contributions for each pooled employer is a share of the total past 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 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.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

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 2021 was \$49,670.64. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2019. Council's expected contribution to the plan for the next annual reporting period is \$30,600.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Defined Benefit reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

* excluding other accumulation accounts and reserves in both assets and liabilities.

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

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation and, once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around by December 2021.

(ii) Statewide Limited

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

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

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

E3-1 Contingencies (continued)

(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.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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	2021	2020
Compensation:		
Short-term benefits	1,118	1,093
Other long-term benefits	501	508
Total	1,619	1,601

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Nature of the transaction		Transactions	Outstanding		Impairment	
\$ '000	Ref	during the year	balances	Terms and conditions	provision on	Impairment
			including		outstanding	expense
			commitments		balances	
2021						
Electrical works.	1	42	-	7 day invoice.	-	-
Wages of employees.	2	64	-	Weekly pay cycle.	-	-
Function costs.	3	4	-	7 day invoice.	-	-
Earth moving and road works.	4	573	-	7 day invoice.	-	-
Meat provided for meals.	5	-	-	7 day invoice.	-	-
Lawn mowing and gardening services	6	-	-	7 day invoice.	-	-
Cabinet making works.	7	6	-	7 day invoice.	-	-
2020						
Electrical works.	1	116	-	7 day invoice.	-	-
Wages of employees.	2	64	-	Weekly pay cycle.	-	-
Function costs.	3	10	-	7 day invoice.	-	-
Earth moving and road works.	4	93	-	7 day invoice.	-	-

continued on next page ...

F1-1 Key management personnel (KMP) (continued)

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
Meat provided for meals.	5	21	–	7 day invoice.	–	–
Lawn mowing and gardening services	6	27	–	7 day invoice.	–	–
Cabinet making works.	7	2	–	7 day invoice.	–	–
1	Council contracted to a local business for electrical works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.					
2	Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis.					
3	Council used a local hotel for functions and entertaining purposes. The hotel owner is a KMP. All transactions are at arms length.					
4	Council contracted to a local business to provide earth moving and road works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.					
5	Council used a local butcher to provide meat for meals for various community services. The business is owned by a related party to a KMP. All transactions are at arms length.					
6	Council contracted to a local business to provide lawn mowing and gardening services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.					
7	Council contracted to a local business to provide cabinet making services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.					

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	25	28
Councillors' fees	96	100
Other Councillors' expenses (including Mayor)	12	22
Total	133	150

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
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	62	58
Remuneration for audit and other assurance services	62	58
Total Auditor-General remuneration	62	58
Total audit fees	62	58

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	4,789	4,461
Adjust for non-cash items:		
Depreciation and amortisation	5,945	5,261
Net losses/(gains) on disposal of assets	94	433
Non-cash capital grants and contributions	(826)	(310)
Adoption of AASB 15/1058	-	(764)
Unwinding of discount rates on reinstatement provisions	38	37
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	66	(1,446)
Decrease/(increase) in inventories	(27)	21
Increase/(decrease) in payables	(152)	1,115
Increase/(decrease) in accrued interest payable	(3)	-
Increase/(decrease) in other accrued expenses payable	(36)	(66)
Increase/(decrease) in other liabilities	(23)	108
Increase/(decrease) in contract liabilities	(14)	472
Increase/(decrease) in provision for employee benefits	265	213
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	10,116	9,535

G1-1 Statement of Cash Flows information (continued)

\$ '000	2021	2020
(b) Non-cash investing and financing activities		
Rural Fire Service vehicle purchases	–	310
Other dedications - crown land not previously accounted for	826	–
Total non-cash investing and financing activities	826	310

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	4,029	6,405
Plant and equipment	76	76
Infrastructure	3,873	2,168
Total commitments	7,978	8,649
These expenditures are payable as follows:		
Within the next year	4,609	4,325
Later than one year and not later than 5 years	943	532
Later than 5 years	2,426	3,792
Total payable	7,978	8,649

Details of capital commitments

Council is committed to spending on the above capital items with all having been included in previous year's budgets and carried forward to the 2021/22 year as well as ongoing years as detailed in the Long Term Financial Plan. Contractual arrangements are in place for these commitments with funding allocated and placed in internal reserves as at 30 June 2021.

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Changes in accounting policy

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

During the year ended 30 June 2021, the Council has adopted the new accounting standard AASB 1059 *Service Concession Arrangements: Grantors* for the first time in its 2020/21 financial statements.

The Council had not identified any arrangements with private sector operators that should be classified as either service concession arrangements within AASB 1059, leases or outsourcing arrangements.

There were no impacts on Councils financial statements for the year ended 30th June 2021 from adopting this standard.

G5 Statement of developer contributions as at 30 June 2021

Council currently has no S94 developer contribution plans or S94 funds on hand from prior years.

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	318	0.96%	7.22%	0.91%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	33,105				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	24,096	63.97%	70.23%	66.72%	> 60.00%
Total continuing operating revenue ¹	37,670				
3. Unrestricted current ratio					
Current assets less all external restrictions	23,978	3.86x	4.04x	4.24x	> 1.50x
Current liabilities less specific purpose liabilities	6,215				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,474	7.00x	9.90x	8.96x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	925				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	638	8.55%	11.73%	9.24%	< 10.00%
Rates and annual charges collectable	7,466				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,391	11.42	14.54	10.80	> 3.00
Monthly payments from cash flow of operating and financing activities	2,573	mths	mths	mths	mths

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	0.90%	8.29%	(10.83)%	(18.91)%	13.52%	10.27%	> 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	62.10%	68.61%	82.13%	91.29%	97.31%	86.12%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.86x	4.04x	14.02x	12.07x	55.17x	12.24x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.03x	9.12x	42.55x	22.29x	170.00x	115.75x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	9.88%	13.53%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.36 mths	13.37 mths	∞	∞	∞	∞	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

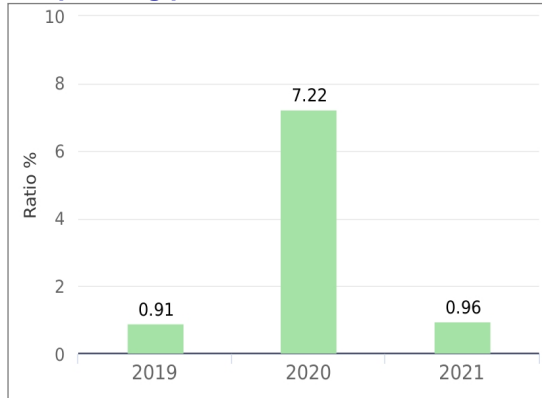
(1) - (2) Refer to Notes at Note 27(a) above.

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

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2020/21 result

2020/21 ratio 0.96%

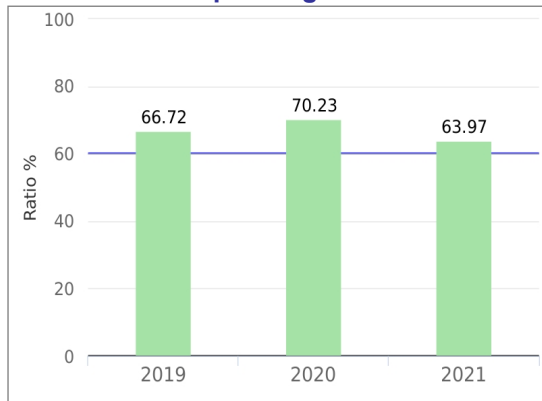
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2020/21 result

2020/21 ratio 63.97%

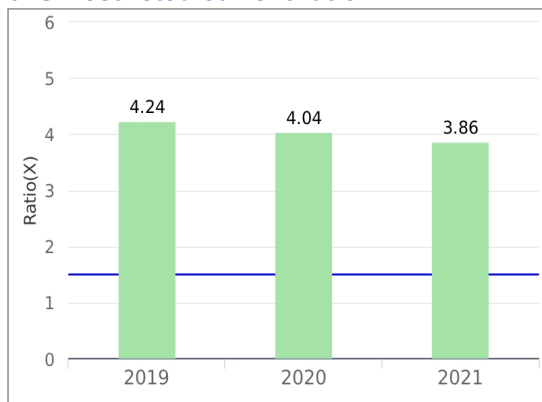
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 3.86x

Benchmark: — > 1.50x

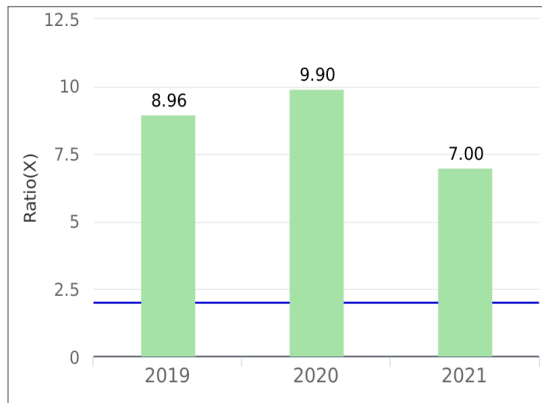
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result	
2020/21 ratio	7.00x

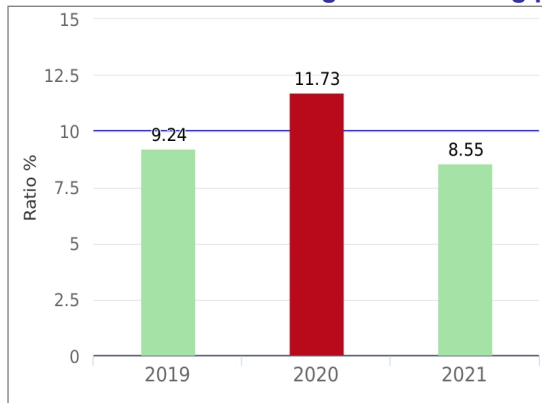
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio achieves benchmark

■ Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result	
2020/21 ratio	8.55%

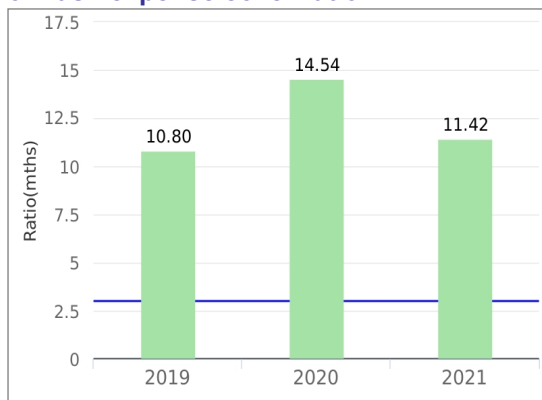
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio achieves benchmark

■ Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result	
2020/21 ratio	11.42 mths

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio achieves benchmark

■ Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

15 Warren Road
Gilgandra NSW 2827

Contact details

Mailing address:

PO Box 23
Gilgandra NSW 2827

Telephone: 02 68178800

Facsimile: 02 68472521

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: www.gilgandra.nsw.gov.au

Email: council@gilgandra.nsw.gov.au

Officers

General Manager

David Neeves

Responsible Accounting Officer

Guy McAnally-Elwin

Public Officer

Neil Alchin

Auditors

Auditor General
Audit Office of NSW
Level 19, 201 Sussex Street
Sydney NSW 2000

Elected members

Mayor

Doug Batten

Councillors

Ash Walker (Deputy Mayor)
Sue Baker
Gina Johnson (resigned 29 Nov 19)
Brian Mockler
Noel Mudford
Deirdre Naden
Greg Peart
Noel Wrigley

Other information

ABN: 47 979 060 715



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Gilgandra Shire Council

To the Councillors of the Gilgandra Shire Council

Opinion

I have audited the accompanying financial statements of Gilgandra Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY



Clr Doug Batten
Mayor
Gilgandra Shire Council
PO Box 23
GILGANDRA NSW 2827

Contact: Unaib Jeffrey
Phone no: 02 9275 7450
Our ref: D2111569/1729

26 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Gilgandra Shire Council**

I have audited the general purpose financial statements (GPFS) of the Gilgandra Shire Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	6.6	6.4	↑ 3.1
Grants and contributions revenue	13.6	10.4	↑ 30.7
Operating result from continuing operations	4.8	4.4	↑ 9.1
Net operating result before capital grants and contributions	0.2	1.9	↓ 89.4

The Council's operating result from continuing operations (\$4.8 million including depreciation and amortisation expense of \$5.9 million) was \$0.4 million higher than the 2019–20 result. This was primarily due to an increase in grants for operating purposes of \$1.2 million and grants for capital purposes of \$2.0 million that were offset by a decrement of \$1.0 million in interest and investment income, an increase of \$1.0 million in materials and contracts expenses and a \$0.8 million increase in employee benefits and on-costs.

The net operating result before capital grants and contributions (\$0.2 million) was \$1.7 million lower than the 2019–20 result. The movement was driven by an increase in grants for operating purposes of \$1.2 million that was offset by a decrement of \$1.0 million in interest and investment income, an increase of \$1.0 million in materials and contracts expenses and \$0.8 million increase in employee benefits and on-costs.

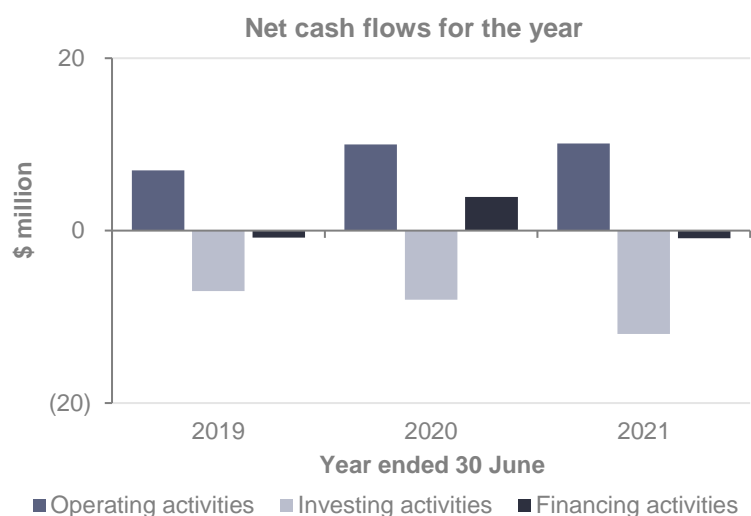
Rates and annual charges revenue (\$6.6 million) increased by \$0.2 million (3.1 per cent) in 2020–21 due mostly to the rate peg increase of 2.6 per cent.

Grants and contributions revenue (\$13.6 million) increased by \$3.2 million (30.7 per cent) in 2020–21 due to:

- Additional \$0.2 million of financial assistance grants received in 2020–21 compared to 2019-20
- \$2.1 million increase in capital grants compared to 2019-20
- \$0.9 million of grants received as a result of the drought communities support program.

STATEMENT OF CASH FLOWS

- The Council reported a decrease in cash and cash equivalents from \$30.7 million at 30 June 2020 to \$29.4 million at 30 June 2021.
- Cash inflows from operating activities increased from 2019-20 mainly as a result of higher receipts from grants and contributions.
- Cash outflows used in investing activities increased mainly due to an increase in purchases of infrastructure, property, plant and equipment and acquisition of term deposits.
- Cash outflows from financing activities increased as a result of repayment of retirement complex contributions.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	29.4	30.7	<ul style="list-style-type: none"> • External restrictions predominantly include specific purpose unexpended grants and water supply and sewerage service funds. The balance remains consistent with last year.
Restricted cash and investments:			<ul style="list-style-type: none"> • Internal restrictions remain consistent with last year. These mostly include the financial assistance grants, funds for the aged and disabled, and employees' leave entitlement.
External restrictions	8.4	8.4	
Internal Restrictions	10.4	10.3	
Unrestricted	10.6	12.0	<ul style="list-style-type: none"> • Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

Performance measures

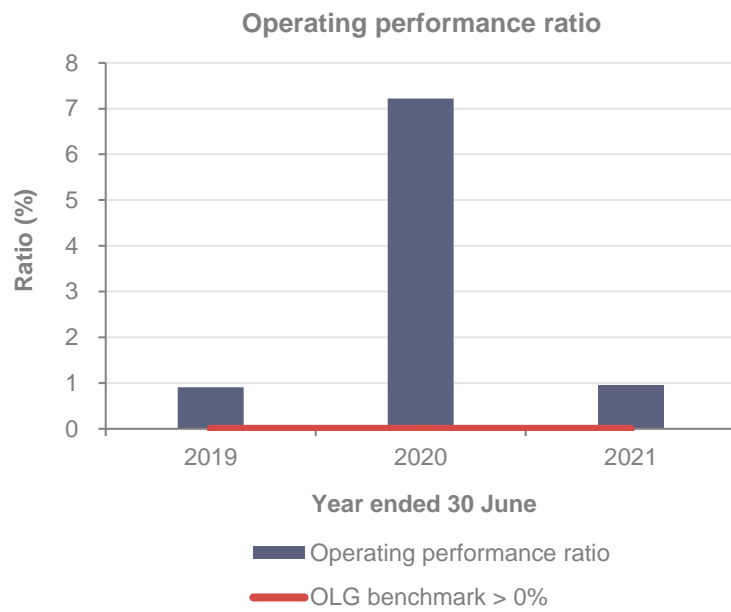
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council has exceeded the OLG benchmark for the past three years.

The ratio significantly decreased in 2020–21 in line with the reduction in the net operating result due to the reasons outlined above.

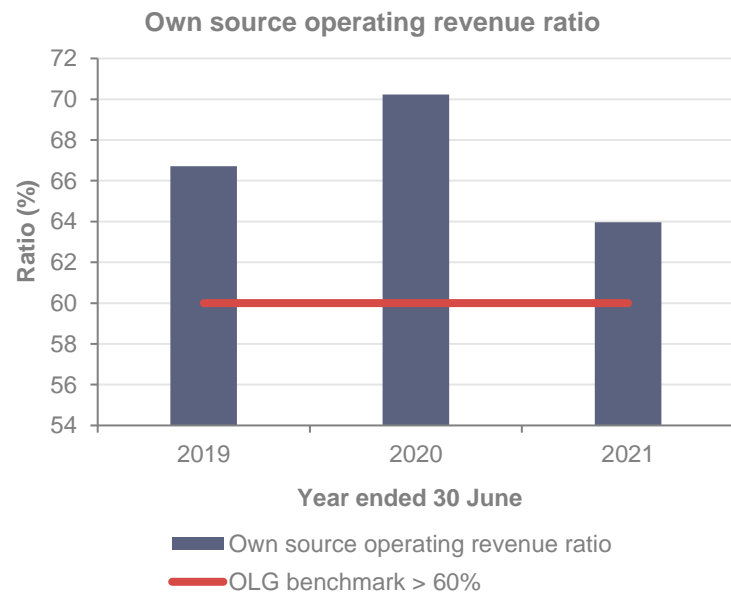


Own source operating revenue ratio

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

The Council has met the OLG benchmark for the past three years.

This result reflects the significance of rates and user charges as main source of revenue for Council

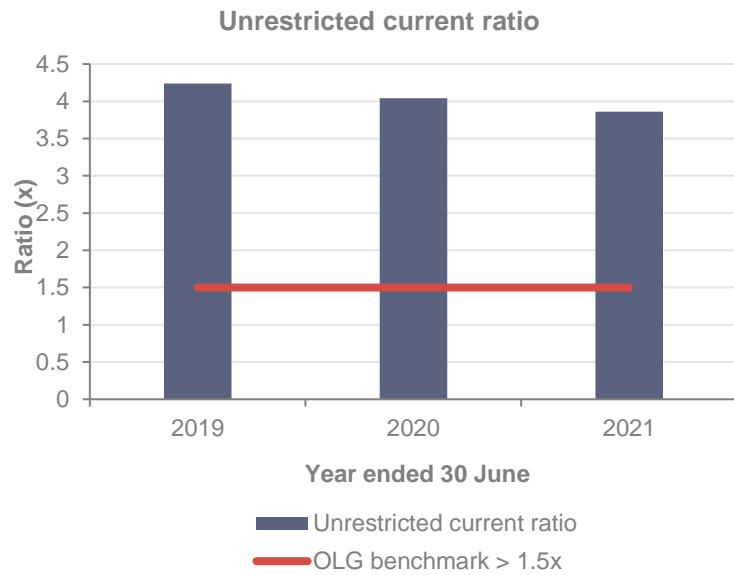


Unrestricted current ratio

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

The Council has exceeded the OLG benchmark for the past three years.

This ratio indicates that Council currently has \$3.86 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities

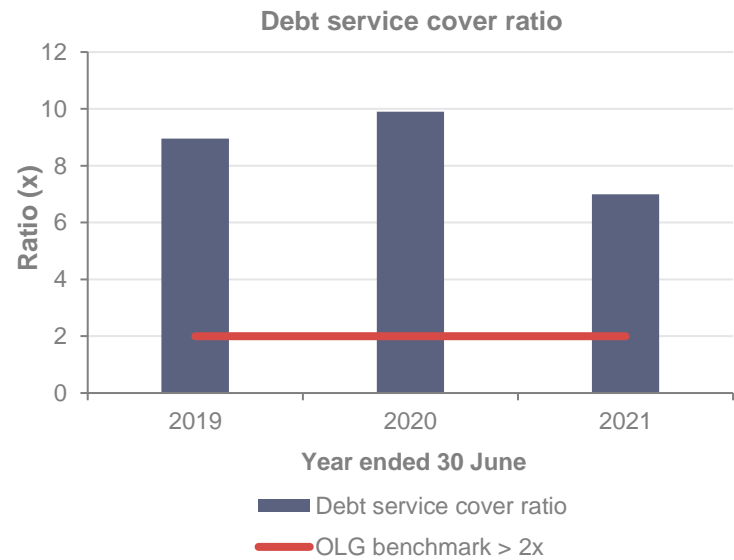


Debt service cover ratio

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

The Council has exceeded the OLG benchmark for the past three years.

Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.

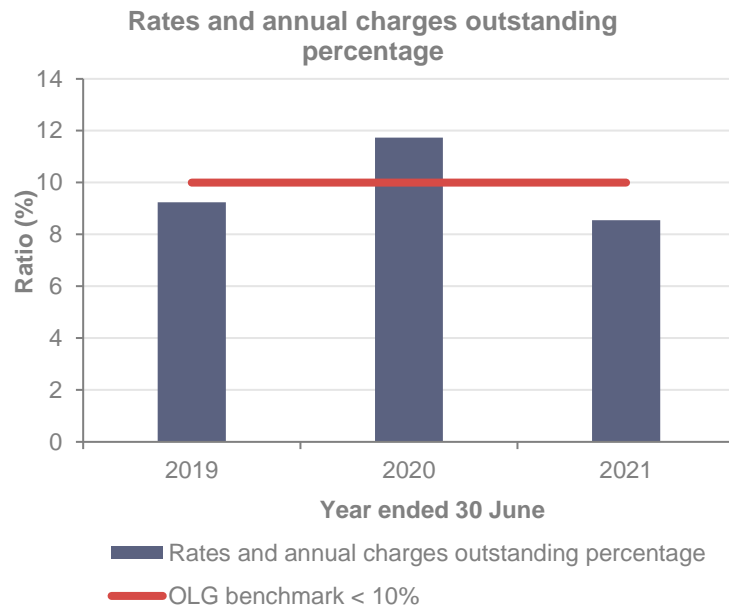


Rates and annual charges outstanding percentage

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

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

This ratio improved compared to 2020 due to the fact that last year the ratio was impacted by the economic conditions resulting from the drought together with a smaller impact from the COVID-19 pandemic.

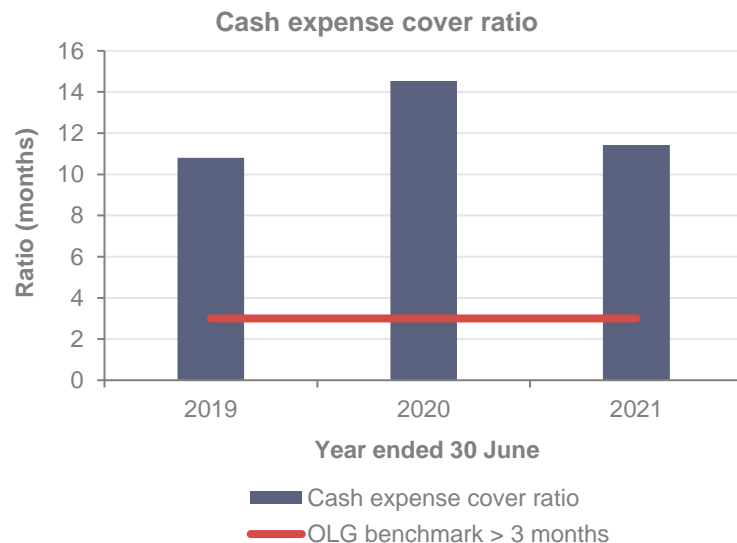


Cash expense cover ratio

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

The Council has exceeded the OLG benchmark for the past three years.

This indicates that Council had the capacity to cover 11.42 months of cash expenditure without additional cash inflows at 30 June 2021.



Infrastructure, property, plant and equipment renewals

Council spent \$7.1 million on asset renewals in 2020-21 compared to \$5.8 million in 2019-20. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2020-21, asset renewals of \$7.1 million represented 120% of Council's \$5.8 million depreciation expense. This result was 10% higher than the 2019-20 result 110%.

Asset renewals in 2020-21 were carried out in accordance with Council's capital works program and were primarily related to road and building assets.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

The Council had not identified any arrangements with private sector operators that should be classified as either service concession arrangements within AASB 1059, leases or outsourcing arrangements.

The Council's disclosure of the impact of adopting AASB 1059 is disclosed in Note G4-1

Legislative compliance

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

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



Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

cc: Mr David Neeves, General Manager
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Gilgandra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Gilgandra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Gilgandra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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 19 October 2021.



Doug Batten

Mayor

19 October 2021



Ash Walker

Councillor


19 October 2021



David Neeves

General Manager

19 October 2021



Guy McAnally-Elwin

Responsible Accounting Officer

19 October 2021

Gilgandra Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	465	435
User charges	626	801
Interest	21	43
Grants and contributions provided for non-capital purposes	19	22
Other income	5	63
Total income from continuing operations	1,136	1,364
Expenses from continuing operations		
Employee benefits and on-costs	234	158
Borrowing costs	11	14
Materials and services	297	495
Depreciation, amortisation and impairment	580	556
Other expenses	137	399
Total expenses from continuing operations	1,259	1,622
Surplus (deficit) from continuing operations before capital amounts	(123)	(258)
Grants and contributions provided for capital purposes	224	106
Surplus (deficit) from continuing operations after capital amounts	101	(152)
Surplus (deficit) from all operations before tax	101	(152)
Surplus (deficit) after tax	101	(152)
Plus opening accumulated surplus	18,241	18,259
Plus/less: other adjustments (revaluations)	155	134
Closing accumulated surplus	18,497	18,241
Return on capital %	(0.7)%	(1.6)%
Subsidy from Council	348	381
Calculation of dividend payable:		
Surplus (deficit) after tax	101	(152)
Less: capital grants and contributions (excluding developer contributions)	(224)	(106)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Gilgandra Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	544	506
User charges	600	584
Liquid trade waste charges	20	26
Interest	13	24
Grants and contributions provided for non-capital purposes	14	15
Other income	15	14
Total income from continuing operations	1,206	1,169
Expenses from continuing operations		
Employee benefits and on-costs	251	240
Borrowing costs	3	4
Materials and services	356	423
Depreciation, amortisation and impairment	344	339
Other expenses	89	43
Total expenses from continuing operations	1,043	1,049
Surplus (deficit) from continuing operations before capital amounts	163	120
Grants and contributions provided for capital purposes	19	171
Surplus (deficit) from continuing operations after capital amounts	182	291
Surplus (deficit) from all operations before tax	182	291
Less: corporate taxation equivalent [based on result before capital]	(42)	(33)
Surplus (deficit) after tax	140	258
Plus opening accumulated surplus	15,912	15,500
Plus/less: other adjustments (revaluations)	141	121
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	42	33
Closing accumulated surplus	16,235	15,912
Return on capital %	1.2%	0.9%
Subsidy from Council	48	2
Calculation of dividend payable:		
Surplus (deficit) after tax	140	258
Less: capital grants and contributions (excluding developer contributions)	(19)	(171)
Surplus for dividend calculation purposes	121	87
Potential dividend calculated from surplus	60	44

Gilgandra Shire Council

Income Statement of Carlginda Enterprises

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	234	268
Other income	325	257
Total income from continuing operations	559	525
Expenses from continuing operations		
Employee benefits and on-costs	383	348
Materials and services	62	67
Depreciation, amortisation and impairment	13	13
Other expenses	7	5
Total expenses from continuing operations	465	433
Surplus (deficit) from continuing operations before capital amounts	94	92
Surplus (deficit) from continuing operations after capital amounts	94	92
Surplus (deficit) from all operations before tax	94	92
Less: corporate taxation equivalent [based on result before capital]	(24)	(25)
Surplus (deficit) after tax	70	67
Plus accumulated surplus	568	476
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	24	25
Closing accumulated surplus	662	568
Return on capital %	113.3%	116.5%
Calculation of dividend payable:		
Surplus (deficit) after tax	70	67
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	70	67
Potential dividend calculated from surplus	35	34

Gilgandra Shire Council

Income Statement of Cooee Villa Units

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	330	343
Interest	12	22
Other income	259	235
Total income from continuing operations	601	600
Expenses from continuing operations		
Employee benefits and on-costs	142	137
Borrowing costs	7	9
Materials and services	239	171
Depreciation, amortisation and impairment	233	232
Other expenses	43	36
Total expenses from continuing operations	664	585
Surplus (deficit) from continuing operations before capital amounts	(63)	15
Surplus (deficit) from continuing operations after capital amounts	(63)	15
Surplus (deficit) from all operations before tax	(63)	15
Less: corporate taxation equivalent [based on result before capital]	–	(4)
Surplus (deficit) after tax	(63)	11
Plus accumulated surplus	5,534	5,519
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	4
Closing accumulated surplus	5,471	5,534
Return on capital %	(0.5)%	0.2%
Subsidy from Council	230	81
Calculation of dividend payable:		
Surplus (deficit) after tax	(63)	11
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	–	11
Potential dividend calculated from surplus	–	–

Gilgandra Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	869	857
Investments	2,000	2,000
Receivables	103	137
Total current assets	2,972	2,994
Non-current assets		
Receivables	74	69
Infrastructure, property, plant and equipment	15,806	15,624
Total non-current assets	15,880	15,693
Total assets	18,852	18,687
LIABILITIES		
Current liabilities		
Payables	86	151
Income received in advance	71	44
Borrowings	55	53
Total current liabilities	212	248
Non-current liabilities		
Borrowings	143	198
Total non-current liabilities	143	198
Total liabilities	355	446
Net assets	18,497	18,241
EQUITY		
Accumulated surplus	11,181	11,080
Revaluation reserves	7,316	7,161
Total equity	18,497	18,241

Gilgandra Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	1,868	1,626
Receivables	63	75
Total current assets	1,931	1,701
Non-current assets		
Receivables	56	48
Infrastructure, property, plant and equipment	14,337	14,373
Total non-current assets	14,393	14,421
Total assets	16,324	16,122
LIABILITIES		
Current liabilities		
Payables	18	123
Borrowings	17	16
Total current liabilities	35	139
Non-current liabilities		
Borrowings	54	71
Total non-current liabilities	54	71
Total liabilities	89	210
Net assets	16,235	15,912
EQUITY		
Accumulated surplus	6,478	6,296
Revaluation reserves	9,757	9,616
Total equity	16,235	15,912

Gilgandra Shire Council

Statement of Financial Position of Carlginda Enterprises

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	568	473
Receivables	11	2
Inventories	10	14
Total current assets	589	489
Non-current assets		
Infrastructure, property, plant and equipment	83	79
Total non-current assets	83	79
Total assets	672	568
LIABILITIES		
Current liabilities		
Payables	10	1
Total current liabilities	10	1
Total liabilities	10	1
Net assets	662	567
EQUITY		
Accumulated surplus	662	568
Total equity	662	568

Gilgandra Shire Council

Statement of Financial Position of Cooee Villa Units

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	1,463	1,047
Receivables	17	2
Total current assets	1,480	1,049
Non-current assets		
Infrastructure, property, plant and equipment	11,659	11,901
Total non-current assets	11,659	11,901
Total assets	13,139	12,950
LIABILITIES		
Current liabilities		
Payables	7,489	7,197
Borrowings	42	40
Total current liabilities	7,531	7,237
Non-current liabilities		
Borrowings	137	179
Total non-current liabilities	137	179
Total liabilities	7,668	7,416
Net assets	5,471	5,534
EQUITY		
Accumulated surplus	1,465	1,528
Revaluation reserves	4,006	4,006
Total equity	5,471	5,534

Note – 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 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) 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, fair value 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, and returns 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)

There are no business activities under this heading

Category 2

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

a. Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the town of Gilgandra and the village of Tooraweenah and is established as a separate fund.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage service system servicing the town of Gilgandra and is established as a separate fund.

c. Carlinda Enterprises

Comprising the whole of the operations and assets of Carlinda Enterprises which is carried out by Council in its own name. Carlinda Enterprises provides employment opportunities to people with intellectual and physical disabilities through collection and sale of recyclable waste.

d. Cooe Villa Units

Comprising the whole of the operations and assets of Cooe Villa Units which is carried out by Council in its own name. Cooe Villa Units provides 61 self contained units where residents live independently within a secure environment.

Note – Significant Accounting Policies (continued)

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all 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. 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.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a

Note – Significant Accounting Policies (continued)

range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the 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 1.49% at 30/6/21.

(iii) 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 at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Gilgandra Shire Council

To the Councillors of the Gilgandra Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Gilgandra Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Carlginda Enterprises
- Cooee Villa Units.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long horizontal stroke extending to the right.

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY

Gilgandra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Gilgandra Shire Council

Special Schedules

for the year ended 30 June 2021

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Gilgandra Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Plus or minus adjustments			
Last year notional general income yield	a	5,077	5,209
Plus or minus adjustments ²	b	3	16
Notional general income	c = a + b	5,080	5,225
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	132	105
Sub-total	k = (c + g + h + i + j)	5,212	5,330
Plus (or minus) last year's carry forward total	l	12	5
Less valuation objections claimed in the previous year	m	(10)	-
Sub-total	n = (l + m)	2	5
Total permissible income	o = k + n	5,214	5,335
Less notional general income yield	p	5,209	5,322
Catch-up or (excess) result	q = o - p	5	13
Plus income lost due to valuation objections claimed ³	r	-	2
Less unused catch-up ⁵	s	-	(1)
Carry forward to next year ⁴	t = q + r + s	5	14

Notes

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

Gilgandra Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	All buildings	–	–	678	1,039	44,525	60,033	15.6%	73.3%	11.1%	0.0%	0.0%
	Sub-total	–	–	678	1,039	44,525	60,033	15.6%	73.3%	11.1%	0.0%	0.0%
Other structures	All other structures	–	–	597	560	3,877	7,691	40.0%	20.0%	40.0%	0.0%	0.0%
	Sub-total	–	–	597	560	3,877	7,691	40.0%	20.0%	40.0%	0.0%	0.0%
Roads	All roads	4,355	4,355	3,338	3,201	236,753	271,426	47.2%	11.8%	28.0%	11.2%	1.9%
	Sub-total	4,355	4,355	3,338	3,201	236,753	271,426	47.2%	11.8%	28.0%	11.2%	1.9%
Water supply network	All water supply network	890	890	304	298	15,675	31,774	2.6%	96.2%	0.0%	1.2%	0.0%
	Sub-total	890	890	304	298	15,675	31,774	2.6%	96.2%	0.0%	1.2%	0.0%
Sewerage network	All sewerage network	468	3,000	191	350	14,073	25,528	0.0%	0.0%	89.1%	10.9%	0.0%
	Sub-total	468	3,000	191	350	14,073	25,528	0.0%	0.0%	89.1%	10.9%	0.0%
Stormwater drainage	All stormwater drainage	272	136	70	23	2,589	6,874	86.4%	1.7%	6.8%	3.4%	1.7%
	Sub-total	272	136	70	23	2,589	6,874	86.4%	1.7%	6.8%	3.4%	1.7%
Total – all assets		5,985	8,381	5,178	5,471	317,492	403,326	36.5%	26.8%	27.0%	8.4%	1.3%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Gilgandra Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	6,902	147.73%	151.93%	117.14%	>= 100.00%
Depreciation, amortisation and impairment	4,672				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	5,985	1.89%	1.10%	1.30%	< 2.00%
Net carrying amount of infrastructure assets	317,492				
Asset maintenance ratio					
Actual asset maintenance	5,471	105.66%	90.92%	94.00%	> 100.00%
Required asset maintenance	5,178				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	8,381	2.08%	2.29%	1.36%	
Gross replacement cost	403,326				

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

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

Gilgandra Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	163.12%	164.79%	105.92%	96.54%	49.27%	123.35%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.61%	1.07%	5.68%	0.26%	3.33%	2.79%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	102.99%	84.84%	98.03%	127.18%	183.25%	182.35%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.30%	1.46%	2.80%	1.62%	11.75%	16.06%	

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Gilgandra Shire Council

To the Councillors of Gilgandra Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Gilgandra Shire Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long horizontal stroke extending to the right.

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

26 October 2021

SYDNEY