

Walcha Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021



Walcha Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

2W Hamilton Street
Walcha NSW 2354

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.walcha.nsw.gov.au.

Walcha 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.

Walcha 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)

The attached general purpose financial statements have been prepared in accordance with:

- the *Local Government Act 1993* 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 29 September 2021.

Clr Eric Noakes
Mayor
29 September 2021

Clr Jennifer Kealey
Deputy Mayor
29 September 2021

Barry Omundson
General Manager
29 September 2021

Christian Martin
Responsible Accounting Officer
29 September 2021

Walcha Council

Income Statement

for the year ended 30 June 2021

| Original unaudited budget 2021 \$ '000 | | Notes | Actual 2021 \$ '000 | Actual 2020 \$ '000 |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------|---------------------------|---------------------------|
| | Income from continuing operations | | | |
| 5,181 | Rates and annual charges | B2-1 | 5,184 | 4,924 |
| 3,493 | User charges and fees | B2-2 | 6,023 | 4,062 |
| 184 | Other revenue | B2-3 | 955 | 1,437 |
| 5,697 | Grants and contributions provided for operating purposes | B2-4 | 6,704 | 6,981 |
| 4,178 | Grants and contributions provided for capital purposes | B2-4 | 9,325 | 2,403 |
| 171 | Interest and investment income | B2-5 | 43 | 118 |
| 81 | Other income | B2-6 | 177 | 60 |
| 7 | Net gains from the disposal of assets | B4-1 | - | - |
| 18,992 | Total income from continuing operations | | 28,411 | 19,985 |
| | Expenses from continuing operations | | | |
| 5,296 | Employee benefits and on-costs | B3-1 | 5,997 | 6,245 |
| 5,485 | Materials and services | B3-2 | 9,068 | 6,987 |
| 79 | Borrowing costs | B3-3 | 26 | 69 |
| 3,703 | Depreciation, amortisation and impairment for non-financial assets | B3-4 | 3,858 | 3,728 |
| 285 | Other expenses | B3-5 | 300 | 319 |
| - | Net losses from the disposal of assets | B4-1 | 500 | 93 |
| 14,848 | Total expenses from continuing operations | | 19,749 | 17,441 |
| 4,144 | Operating result from continuing operations | | 8,662 | 2,544 |
| 4,144 | Net operating result for the year attributable to Council | | 8,662 | 2,544 |
| (34) | Net operating result for the year before grants and contributions provided for capital purposes | | (663) | 141 |

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

Walcha Council

Statement of Comprehensive Income

for the year ended 30 June 2021

| | Notes | 2021 \$ '000 | 2020 \$ '000 |
|----------------------------------------------------------------------------------------|-------|-----------------|-----------------|
| Net operating result for the year – from Income Statement | | 8,662 | 2,544 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | <u>1,405</u> | <u>(4,701)</u> |
| Total items which will not be reclassified subsequently to the operating result | | 1,405 | (4,701) |
| Total other comprehensive income for the year | | 1,405 | (4,701) |
| Total comprehensive income for the year attributable to Council | | 10,067 | (2,157) |

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

Walcha Council

Statement of Financial Position

as at 30 June 2021

| | Notes | 2021 \$ '000 | Restated 2020 ¹ \$ '000 | Restated 1 July 2019 ¹ \$ '000 |
|-----------------------------------------------|-------|-----------------|------------------------------------------|-------------------------------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | C1-1 | 1,729 | 5,225 | 3,170 |
| Investments | C1-2 | 3,847 | 2,326 | 4,724 |
| Receivables | C1-4 | 3,409 | 1,241 | 4,028 |
| Inventories | C1-5 | 360 | 414 | 513 |
| Contract assets and contract cost assets | C1-6 | 5,129 | 3,058 | – |
| Total current assets | | 14,474 | 12,264 | 12,435 |
| Non-current assets | | | | |
| Infrastructure, property, plant and equipment | C1-7 | 425,159 | 414,533 | 415,797 |
| Right of use assets | C2-1 | 28 | 80 | – |
| Total non-current assets | | 425,187 | 414,613 | 415,797 |
| Total assets | | 439,661 | 426,877 | 428,232 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | C3-1 | 2,589 | 1,698 | 1,875 |
| Income received in advance | C3-1 | – | – | 39 |
| Contract liabilities | C3-2 | 2,508 | 1,148 | – |
| Lease liabilities | C2-1 | 18 | 59 | – |
| Borrowings | C3-3 | 89 | 84 | 79 |
| Employee benefit provisions | C3-4 | 2,065 | 2,166 | – |
| Provisions | C3-5 | 166 | 110 | 2,108 |
| Total current liabilities | | 7,435 | 5,265 | 4,101 |
| Non-current liabilities | | | | |
| Payables | C3-1 | 38 | 59 | 63 |
| Lease liabilities | C2-1 | 2 | 14 | – |
| Borrowings | C3-3 | 137 | 225 | 309 |
| Employee benefit provisions | C3-4 | 70 | 74 | – |
| Provisions | C3-5 | 3,142 | 2,470 | 2,308 |
| Total non-current liabilities | | 3,389 | 2,842 | 2,680 |
| Total liabilities | | 10,824 | 8,107 | 6,781 |
| Net assets | | 428,837 | 418,770 | 421,451 |
| EQUITY | | | | |
| Accumulated surplus | | 169,284 | 160,622 | 158,602 |
| IPPE revaluation reserve | C4-1 | 259,553 | 258,148 | 262,849 |
| Council equity interest | | 428,837 | 418,770 | 421,451 |
| Total equity | | 428,837 | 418,770 | 421,451 |

(1) For prior year adjustment please refer to Note G4

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

Walcha Council

Statement of Changes in Equity

for the year ended 30 June 2021

| | 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 |
| | | \$ '000 | \$ '000 | \$ '000 | Restated \$ '000 | Restated \$ '000 | Restated \$ '000 |
| Opening balance at 1 July | | 160,860 | 258,148 | 419,008 | 158,840 | 262,849 | 421,689 |
| Correction of prior period errors | G4-1 | (238) | – | (238) | (238) | – | (238) |
| Changes due to AASB 1058 and AASB 15 adoption | | – | – | – | (524) | – | (524) |
| Restated opening balance | | 160,622 | 258,148 | 418,770 | 158,078 | 262,849 | 420,927 |
| Net operating result for the year | | 8,662 | – | 8,662 | 2,544 | – | 2,544 |
| Restated net operating result for the period | | 8,662 | – | 8,662 | 2,544 | – | 2,544 |
| Other comprehensive income | | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | – | 1,405 | 1,405 | – | (4,701) | (4,701) |
| Other comprehensive income | | – | 1,405 | 1,405 | – | (4,701) | (4,701) |
| Total comprehensive income | | 8,662 | 1,405 | 10,067 | 2,544 | (4,701) | (2,157) |
| Closing balance at 30 June | | 169,284 | 259,553 | 428,837 | 160,622 | 258,148 | 418,770 |

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

Walcha Council

Statement of Cash Flows

for the year ended 30 June 2021

| Original unaudited budget 2021 \$ '000 | | Notes | Actual 2021 \$ '000 | Actual 2020 \$ '000 |
|----------------------------------------------------|-----------------------------------------------------------|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 5,181 | Rates and annual charges | | 5,120 | 4,902 |
| 3,493 | User charges and fees | | 6,486 | 4,404 |
| 171 | Investment revenue and interest | | 42 | 117 |
| 9,875 | Grants and contributions | | 15,318 | 9,790 |
| 184 | Other | | (1,429) | 2,393 |
| <i>Payments:</i> | | | | |
| (5,296) | Employee benefits and on-costs | | (6,122) | (6,212) |
| (5,485) | Materials and services | | (10,186) | (6,768) |
| (79) | Borrowing costs | | (21) | (27) |
| (285) | Other | | 2,480 | (1,947) |
| 7,759 | Net cash flows from operating activities | G1-1 | 11,688 | 6,652 |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| – | Sale of investment securities | | – | 2,398 |
| 348 | Sale of infrastructure, property, plant and equipment | | 250 | 288 |
| <i>Payments:</i> | | | | |
| – | Acquisition of term deposits | | (1,521) | – |
| (9,061) | Purchase of infrastructure, property, plant and equipment | | (13,770) | (7,140) |
| (8,713) | Net cash flows from investing activities | | (15,041) | (4,454) |
| Cash flows from financing activities | | | | |
| <i>Payments:</i> | | | | |
| (79) | Borrowings and advances | | (83) | (79) |
| (93) | Principal component of lease payments | | (60) | (64) |
| (172) | Net cash flows from financing activities | | (143) | (143) |
| (1,126) | Net change in cash and cash equivalents | | (3,496) | 2,055 |
| 5,225 | Cash and cash equivalents – beginning of year | | 5,225 | 3,170 |
| 4,099 | Cash and cash equivalents at end of year | C1-1 | 1,729 | 5,225 |
| 3,847 | plus: Investments on hand at end of year | C1-2 | 3,847 | 2,326 |
| 7,946 | Total cash, cash equivalents and investments | | 5,576 | 7,551 |

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

Walcha 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 29 September 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.

COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Council did not identify any potential material adjustments required to be done as a result of the pandemic. Even though the pandemic had a widespread effect on slowing down economies around the world, as at 30 June 2021 it is hard to predict any significant future implications on Council’s business. Council’s operations remain on the same pattern. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2021 financial results. Hence, 30 June 2021 financial statements were prepared on a going concern basis.

Historical cost convention

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

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 C1-7
- (ii) estimated tip remediation provisions – refer Note C3-4
- (iii) employee benefit provisions – refer Note C3-3.

Significant judgements in applying the Council’s accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

A1-1 Basis of preparation (continued)

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.

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

- General Purpose Operations
- Water Service
- Sewerage Service

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.

Council currently has no monies held in Trust.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not recognise services provided by volunteers in its income statement due to the immateriality and unjustifiable cost of trying to reliably capture and assign a value to the many services that volunteers in our community provide.

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 (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

This standard has an effective date for the 30 June 2024 reporting period.

A1-1 Basis of preparation (continued)

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

None of the above newly adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statements disclosures.

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.

| | Income | | Expenses | | Operating result | | Grants and contributions | | Carrying amount of assets | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|--------------------------|-----------------|---------------------------|-----------------|
| | 2021 \$ '000 | 2020 \$ '000 | 2021 \$ '000 | 2020 \$ '000 | 2021 \$ '000 | 2020 \$ '000 | 2021 \$ '000 | 2020 \$ '000 | 2021 \$ '000 | 2020 \$ '000 |
| Functions or activities | | | | | | | | | | |
| Administration | 183 | 131 | 1,201 | 977 | (1,018) | (846) | – | 1 | 18,316 | 15,851 |
| Public Order & Safety | 67 | 85 | 347 | 330 | (280) | (245) | 62 | 81 | 334 | 344 |
| Health | – | – | 25 | 16 | (25) | (16) | – | – | – | – |
| Environment | 1,522 | 934 | 1,617 | 1,129 | (95) | (195) | 423 | – | 10,039 | 9,588 |
| Community Services & Education | 1,122 | 1,011 | 1,220 | 1,087 | (98) | (76) | 974 | 848 | 2,052 | 2,072 |
| Housing & Community Amenities | 216 | 69 | 434 | 315 | (218) | (246) | 128 | – | 1,381 | 1,441 |
| Recreation & Culture | 1,886 | 902 | 1,682 | 1,454 | 204 | (552) | 1,852 | 870 | 9,672 | 6,668 |
| Mining, Manufacturing & Construction | 122 | 10 | 67 | 361 | 55 | (351) | – | – | 860 | 969 |
| Transport & Communication | 13,681 | 7,583 | 10,099 | 7,902 | 3,582 | (319) | 8,586 | 4,391 | 366,780 | 361,437 |
| Economic Affairs | 1,295 | 1,676 | 1,662 | 2,320 | (367) | (644) | 542 | 328 | 979 | 344 |
| General Purpose Revenues | 6,183 | 6,031 | – | – | 6,183 | 6,031 | 2,568 | 2,459 | – | – |
| Water Supplies | 1,601 | 1,015 | 886 | 1,060 | 715 | (45) | 826 | 330 | 18,330 | 17,594 |
| Sewerage Services | 533 | 538 | 509 | 490 | 24 | 48 | 68 | 76 | 10,918 | 10,807 |
| Other | – | – | – | – | – | – | – | – | – | (238) |
| Total functions and activities | 28,411 | 19,985 | 19,749 | 17,441 | 8,662 | 2,544 | 16,029 | 9,384 | 439,661 | 426,877 |

B1-2 Components of functions or activities

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

Administration

Includes corporate support and other support services, engineering works and council policy compliance. Also incorporates Governance costs including election expenses, members fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, public disclosure (GIPA) and legislative compliance

Public Order & Safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control, health services.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation and garbage; drainage and stormwater management.

Community Services & Education

Includes administration and education; social protection (welfare); Aboriginal and other community services (excluding accommodation - as it is covered under 'housing and community amenities'; youth services; aged and disabled persons services; children's services, including preschool; and other family and children's services. Also includes Community Transport.

Housing & Community Amenities

Includes public cemeteries; public conveniences; town planning; streetscaping; council owned houses and other community amenities.

Recreation & Culture

Includes public libraries; open air art gallery; parks and reserves; sporting grounds and facilities; swimming pool and other sporting and recreational facilities.

Mining, Manufacturing & Construction

Includes building control, quarries and pits.

Transport & Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, street lighting, road safety, works depot and aerodromes; RMS works and other.

Economic Affairs

Includes tourism and area promotion, industrial development promotion, private works, truck wash bay and other business undertakings.

General Purpose Revenues

Revenue from rates, untied grant funding, interest from investments.

Water Supplies

Water treatment services

Sewerage Services

Sewerage services

B2 Sources of income

B2-1 Rates and annual charges

| | Timing | 2021 \$ '000 | 2020 \$ '000 |
|-----------------------------------------------------------------------|--------|-----------------|-----------------|
| Ordinary rates | | | |
| Residential | 2 | 480 | 466 |
| Farmland | 2 | 2,998 | 2,903 |
| Business | 2 | 120 | 116 |
| Less: pensioner rebates (mandatory) | 2 | (31) | (31) |
| Rates levied to ratepayers | | 3,567 | 3,454 |
| Pensioner rate subsidies received | 2 | 16 | 17 |
| Total ordinary rates | | 3,583 | 3,471 |
| Annual charges | | | |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small> | | | |
| Domestic waste management services | 2 | 533 | 485 |
| Water supply services | 2 | 375 | 319 |
| Sewerage services | 2 | 330 | 327 |
| Waste management services (non-domestic) | 2 | 393 | 345 |
| Less: pensioner rebates (mandatory) | 2 | (64) | (60) |
| Annual charges levied | | 1,567 | 1,416 |
| Pensioner subsidies received: | | | |
| – Water | 2 | 9 | 11 |
| – Sewerage | 2 | 9 | 11 |
| – Domestic waste management | 2 | 16 | 15 |
| Total annual charges | | 1,601 | 1,453 |
| Total rates and annual charges | | 5,184 | 4,924 |
| Timing of revenue recognition for rates and annual charges | | | |
| Rates and annual charges recognised over time (1) | | – | – |
| Rates and annual charges recognised at a point in time (2) | | 5,183 | 4,924 |
| Total rates and annual charges | | 5,183 | 4,924 |

Council has used 2020 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

| | Timing | 2021 \$ '000 | 2020 \$ '000 |
|-------------------------------------------------------------------------------|--------|-----------------|-----------------|
| Specific user charges | | | |
| (per s.502 - specific 'actual use' charges) | | | |
| Water supply services | 1 | 383 | 350 |
| Sewerage services | 1 | 120 | 115 |
| Waste management services (non-domestic) | 1 | 59 | 40 |
| Total specific user charges | | 562 | 505 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Planning and building regulation | 2 | 49 | 30 |
| Private works – section 67 | 2 | 123 | 108 |
| Section 10.7 certificates (EP&A Act) | 2 | 24 | 16 |
| Section 603 certificates | 2 | 6 | 4 |
| Animal control | 2 | 5 | 4 |
| Total fees and charges – statutory/regulatory | | 207 | 162 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | | |
| Aged care | 2 | 62 | 63 |
| Cemeteries | 2 | 36 | 35 |
| Child care | 2 | 79 | 99 |
| Transport for NSW works (state roads not controlled by Council) | 1 | 5,058 | 3,183 |
| Swimming centres | 2 | – | 15 |
| Other | 2 | 19 | – |
| Total fees and charges – other | | 5,254 | 3,395 |
| Total user charges and fees | | 6,023 | 4,062 |
| Timing of revenue recognition for user charges and fees | | | |
| User charges and fees recognised over time (1) | | 2,100 | 3,688 |
| User charges and fees recognised at a point in time (2) | | 3,923 | 374 |
| Total user charges and fees | | 6,023 | 4,062 |

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.

B2-3 Other revenue

| | Timing | 2021 \$ '000 | 2020 \$ '000 |
|----------------------------------------------|--------|-----------------|-----------------|
| Commissions and agency fees | 2 | 75 | 73 |
| Diesel rebate | 2 | 29 | 58 |
| Recycling income (non-domestic) | 2 | 117 | 72 |
| Sales – general | 2 | 11 | 11 |
| Other | 2 | 93 | 54 |
| Other - Natural Disaster Costs Reimbursement | 2 | 630 | 1,169 |
| Total other revenue | | 955 | 1,437 |

Timing of revenue recognition for other revenue

| | | | |
|-------------------------------------------------|--|------------|--------------|
| Other revenue recognised over time (1) | | – | – |
| Other revenue recognised at a point in time (2) | | 955 | 1,437 |
| Total other revenue | | 955 | 1,437 |

Accounting policy for other revenue

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

| | | Operating 2021 \$ '000 | Operating 2020 \$ '000 | Capital 2021 \$ '000 | Capital 2020 \$ '000 |
|----------------------------------------------------------------------------|--------|---------------------------------------|------------------------------|-------------------------------------|----------------------------|
| | Timing | | | | |
| General purpose grants and non-developer contributions (untied) | | | | | |
| General purpose (untied) | | | | | |
| Current year allocation | | | | | |
| Financial assistance | 2 | 1,238 | 1,194 | – | – |
| Payment in advance - future year allocation | | | | | |
| Financial assistance | 2 | 1,327 | 1,265 | – | – |
| Amount recognised as income during current year | | | | | |
| | | 2,565 | 2,459 | – | – |
| Special purpose grants and non-developer contributions (tied) | | | | | |
| Cash contributions | | | | | |
| Previously specific grants: | | | | | |
| Pensioners' rates subsidies: | | | | | |
| Water supplies | 1, 2 | – | 148 | 826 | 161 |
| Sewerage services | 1 | – | – | 68 | 55 |
| Bushfire and emergency services | 2 | 62 | 77 | – | – |
| Community care | 2 | 110 | 2 | – | – |
| Community centres | 2 | – | 84 | – | – |
| Economic development | 1,2 | 238 | 50 | 73 | 257 |
| Employment and training programs | 2 | – | 41 | – | – |
| Library | 2 | – | – | – | 23 |
| Library – per capita | 2 | 66 | 68 | – | – |
| LIRS subsidy | 2 | 10 | 12 | – | – |
| Noxious weeds | 1 | 414 | – | – | – |
| Recreation and culture | 1,2 | 509 | 245 | 1,479 | 419 |
| Town Planning | 2 | 50 | – | – | – |
| Animal control | 2 | – | 4 | – | – |
| Preschool | 2 | 536 | 515 | 13 | 15 |
| Waste | 2 | – | – | 9 | – |
| WCCC (formerly HACC) | 2 | 302 | 317 | – | – |
| Street lighting | 2 | 22 | – | – | – |
| Disaster Recovery | 2 | – | 1,255 | – | – |
| Other specific grants | 2 | 34 | 1 | – | – |
| Transport (roads to recovery) | 2 | 888 | 888 | – | – |
| Transport (other roads and bridges funding) | 1 | – | – | 6,823 | 1,465 |
| Previously contributions: | | | | | |
| Recreation and culture | 2 | – | 32 | – | – |
| Transport for NSW contributions (regional roads, block grant) | 2 | 771 | 771 | – | – |
| Tourism | 2 | 127 | 12 | – | – |
| Total special purpose grants and non-developer contributions – cash | | | | | |
| | | 4,139 | 4,522 | 9,291 | 2,395 |

B2-4 Grants and contributions (continued)

| | Timing | Operating 2021 \$ '000 | Operating 2020 \$ '000 | Capital 2021 \$ '000 | Capital 2020 \$ '000 |
|----------------------------------------------------------------------------|--------|------------------------------|------------------------------|----------------------------|----------------------------|
| Non-cash contributions | | | | | |
| Business development | 2 | – | – | 34 | 8 |
| Total other contributions – non-cash | | – | – | 34 | 8 |
| Total special purpose grants and non-developer contributions (tied) | | 4,139 | 4,522 | 9,325 | 2,403 |
| Total grants and non-developer contributions | | 6,704 | 6,981 | 9,325 | 2,403 |
| Comprising: | | | | | |
| – Commonwealth funding | | 5,495 | 4,866 | 703 | 755 |
| – State funding | | 1,209 | 1,300 | 8,622 | 1,640 |
| – Other funding | | – | 815 | – | 8 |
| | | 6,704 | 6,981 | 9,325 | 2,403 |
| Developer contributions | | | | | |
| Total grants and contributions | | 6,704 | 6,981 | 9,325 | 2,403 |
| Timing of revenue recognition for grants and contributions | | | | | |
| Grants and contributions recognised over time (1) | | 1,161 | 419 | 9,269 | 1,938 |
| Grants and contributions recognised at a point in time (2) | | 5,543 | 6,562 | 56 | 465 |
| Total grants and contributions | | 6,704 | 6,981 | 9,325 | 2,403 |

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:

| | Operating 2021 \$ '000 | Operating 2020 \$ '000 | Capital 2021 \$ '000 | Capital 2020 \$ '000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|
| Unspent grants and contributions | | | | |
| Unspent funds at 1 July | 1,905 | 419 | 773 | 562 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 326 | – | 285 | – |
| Add: Funds received and not recognised as revenue in the current year | 925 | 1,756 | 1,629 | 548 |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (284) | (204) | (1,292) | (104) |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | (507) | (66) | (641) | (233) |
| Unspent funds at 30 June | 2,365 | 1,905 | 754 | 773 |
| Contributions | | | | |
| Unspent funds at 1 July | 43 | 53 | – | – |
| 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 | – | (10) | – | – |
| Unspent contributions at 30 June | 43 | 43 | – | – |

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. 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. 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.

B2-4 Grants and contributions (continued)

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

| | 2021 \$ '000 | 2020 \$ '000 |
|------------------------------------------------------------------|-----------------|-----------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 9 | 14 |
| – Cash and investments | 34 | 104 |
| Total interest and investment income (losses) | 43 | 118 |
| Interest and investment income is attributable to: | | |
| Unrestricted investments/financial assets: | | |
| Overdue rates and annual charges (general fund) | 6 | 9 |
| General Council cash and investments | 30 | 93 |
| Restricted investments/funds – external: | | |
| Water fund operations | 3 | 6 |
| Sewerage fund operations | 4 | 10 |
| Total interest and investment income | 43 | 118 |

Accounting policy

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

B2-6 Other income

| | 2021 \$ '000 | 2020 \$ '000 |
|----------------------------------------------------|-----------------|-----------------|
| Rental income | | |
| Other lease income | | |
| Room/Facility Hire | 47 | 32 |
| Leaseback fees - council vehicles | 26 | 28 |
| Total Other lease income | 73 | 60 |
| Total rental income | 73 | 60 |
| Other | | |
| Effect from derecognition of remediation provision | 104 | – |
| Total other | 104 | – |
| Total other income | 177 | 60 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| | 2021 \$ '000 | 2020 \$ '000 |
|--------------------------------------------------------------|-----------------|-----------------|
| Salaries and wages | 5,335 | 4,875 |
| Employee leave entitlements (ELE) | 1,176 | 1,293 |
| Superannuation – defined contribution plans | 491 | 477 |
| Superannuation – defined benefit plans | 173 | 233 |
| Workers' compensation insurance | 197 | 73 |
| Fringe benefit tax (FBT) | 65 | 45 |
| Total employee costs | 7,437 | 6,996 |
| Less: capitalised costs | (1,440) | (751) |
| Total employee costs expensed | 5,997 | 6,245 |
| Number of 'full-time equivalent' employees (FTE) at year end | 82 | 75 |

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

| | Notes | 2021 \$ '000 | 2020 \$ '000 |
|-----------------------------------------------------|-------|-----------------|-----------------|
| Raw materials and consumables | | 5,975 | 6,205 |
| Contractor and consultancy costs | | 10,187 | 5,982 |
| Audit Fees | F2-1 | 82 | 47 |
| Previously other expenses: | | | |
| Councillor and Mayoral fees and associated expenses | F1-2 | 208 | 200 |
| Bank charges | | 10 | 10 |
| Electricity and heating | | 158 | 181 |
| Insurance | | 312 | 289 |
| Postage | | 6 | 7 |
| Printing and stationery | | 11 | 8 |
| Street lighting | | 24 | 33 |
| Telephone and communications | | 52 | 53 |
| Valuation fees | | 15 | 15 |
| Noxious weeds | | 497 | 81 |
| Rates and charges | | 167 | 169 |
| Training costs (other than salaries and wages) | | 93 | 95 |
| Other expenses | | 5 | – |
| Legal expenses: | | | |
| – Legal expenses: other | | 12 | 3 |
| Variable lease expense relating to usage | | 47 | 18 |
| Total materials and services | | 17,861 | 13,396 |
| Less: capitalised costs | | (8,793) | (6,409) |
| Total materials and services | | 9,068 | 6,987 |

Accounting policy

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

B3-3 Borrowing costs

| | Notes | 2021 \$ '000 | 2020 \$ '000 |
|------------------------------------------------------------------------|-------|-----------------|-----------------|
| (i) Interest bearing liability costs | | | |
| Interest on leases | | 1 | 2 |
| Interest on loans | | 20 | 25 |
| Total interest bearing liability costs | | 21 | 27 |
| Total interest bearing liability costs expensed | | 21 | 27 |
| (ii) Other borrowing costs | | | |
| Fair value adjustments on recognition of advances and deferred debtors | | | |
| – Remediation liabilities | C3-5 | 5 | 42 |
| Total other borrowing costs | | 5 | 42 |
| Total borrowing costs expensed | | 26 | 69 |

Accounting policy

Borrowing costs are expensed as they are incurred.

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

| | Notes | 2021 \$ '000 | 2020 \$ '000 |
|---------------------------------------------------------------------------------|-----------|-----------------|-----------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 463 | 483 |
| Office equipment | | 31 | 5 |
| Furniture and fittings | | 7 | 4 |
| Infrastructure: | | | |
| | C1-7 | | |
| – Buildings – specialised | | 379 | 334 |
| – Other structures | | 54 | 54 |
| – Roads | | 1,392 | 1,386 |
| – Bridges | | 684 | 675 |
| – Footpaths | | 65 | 63 |
| – Stormwater drainage | | 64 | 61 |
| – Water supply network | | 318 | 315 |
| – Sewerage network | | 129 | 129 |
| Right of use assets | C2-1 | 59 | 57 |
| Other assets: | | | |
| – Heritage collections | | 2 | 2 |
| – Other | | 116 | 94 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | C3-5,C1-7 | 76 | 59 |
| – Quarry assets | C3-5,C1-7 | 19 | 7 |
| Total gross depreciation and amortisation costs | | 3,858 | 3,728 |
| Total depreciation and amortisation costs | | 3,858 | 3,728 |
| Total depreciation, amortisation and impairment for non-financial assets | | 3,858 | 3,728 |

Accounting policy

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 C1-7 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

| | Notes | 2021 \$ '000 | 2020 \$ '000 |
|-----------------------------------------------------------------|-------|-----------------|-----------------|
| Impairment of receivables | | | |
| Other | | – | 6 |
| Total impairment of receivables | C1-4 | – | 6 |
| Other | | | |
| Contributions/levies to other levels of government | | | |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | | 6 | 5 |
| – NSW fire brigade levy | | 17 | 15 |
| – NSW rural fire service levy | | 187 | 184 |
| – Library | | 66 | 66 |
| – Sundry | | 24 | 43 |
| Total other | | 300 | 313 |
| Total other expenses | | 300 | 319 |

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

| | Notes | 2021 \$ '000 | 2020 \$ '000 |
|----------------------------------------------------------------------|-------|-----------------|-----------------|
| Gain (or loss) on disposal of plant and equipment | C1-7 | | |
| Proceeds from disposal – plant and equipment | | 250 | 288 |
| Less: carrying amount of plant and equipment assets sold/written off | | (275) | (304) |
| Gain (or loss) on disposal | | (25) | (16) |
| Gain (or loss) on disposal of infrastructure | C1-7 | | |
| Less: carrying amount of infrastructure assets sold/written off | | (475) | (46) |
| Gain (or loss) on disposal | | (475) | (46) |
| Other Land & Property | | | |
| Less: carrying amount of assets sold/written off | | - | (19) |
| Gain (or loss) on disposal | | - | (19) |
| Other Structures | | | |
| Less: carrying amount of Other Structure assets sold/written off | | - | (12) |
| Gain (or loss) on disposal | | - | (12) |
| Net gain (or loss) on disposal of assets | | (500) | (93) |

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 29/07/2020 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 | 5,181 | 5,184 | 3 | 0% F |
| User charges and fees | 3,493 | 6,023 | 2,530 | 72% F |
| Overall User Charges & Fees were \$2.53M higher than budgeted. This is due to income from state roads ordered work, \$2.8M higher than budgeted. Also, community gym membership fees of \$18.5k were received but were not included in the budget. | | | | |
| These were offset by private works revenue being \$121k below budget; preschool Fees \$60k below budget due to State Government funding free preschool for parents; revenue from water usage was \$55k below budget after better than average rainfall. | | | | |
| Other revenues | 184 | 955 | 771 | 419% F |
| Other Revenue received was \$771k higher than budgeted. This is mainly due to \$603 emergency clean up costs following storm damage in March. Waste management revenue was \$85k higher than budget due to sales of scrap metal. | | | | |
| Operating grants and contributions | 5,697 | 6,704 | 1,007 | 18% F |
| Operating Grant income was \$1M higher than budgeted. \$414k received for Moona-Winterbourne Linear Fence; \$393k from Drought Communities Project for community assets upgrades; \$168 from Bushfire Community Recovery & Resilience Funding; \$77k for preschool COVID funding; \$225k various tourism projects including Motorcycle Rally and NEHC Soundtrails; \$110k from Resilience NSW for Community Recovery Officer. | | | | |
| Funding in the budget but not received in full includes \$265k Roads to Recovery and \$319k Stronger Country Communities Funding for Men's Shed Relocation | | | | |
| Capital grants and contributions | 4,178 | 9,325 | 5,147 | 123% F |
| Capital Funding received was \$5M higher than budgeted. This is due to work carried forward from prior year and new funding Council received during the year. | | | | |
| Thunderbolts Way Corridor Strategy funding was\$ 3.2M higher than budgeted due to escalation of works. Funding carried forward from prior year includes \$572k Drought Communities Projects; \$702k Stronger Country Communities Funding. | | | | |
| New funding includes \$592k from Local Roads & Community Infrastructure; \$412k for replacing timber bridges; \$312k received for priority cycleways; Water Fund received \$618; for design of Off-Creek Storage. | | | | |
| Interest and investment revenue | 171 | 43 | (128) | (75)% U |
| Interest rates on investments remain very low resulting in loss of interest income. The budget was amended to reflect loss of income. | | | | |
| Net gains from disposal of assets | 7 | - | (7) | (100)% U |
| Other income | 81 | 177 | 96 | 119% F |
| 1. Rent income from Council Housing was \$9k less than budget due to houses being empty for part of the year. \$104k was recognised resulting from derecognition of remediation provision | | | | |

B5-1 Material budget variations (continued)

| \$ '000 | 2021 Budget | 2021 Actual | 2021 ----- Variance ----- | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|------------------------------|----------------|
| EXPENSES | | | | |
| Employee benefits and on-costs | 5,296 | 5,997 | (701) | (13)% U |
| Overall, employee costs were \$701k above budget. | | | | |
| Workers Compensation Insurance costs were \$57k higher than budgeted, in part due to \$28k adjustment on the prior year premium. Sick leave costs were \$96k higher than budget due to extended sick leave. FBT costs were \$20k higher and administration wages were \$302k higher than budget. | | | | |
| Storm Cleanup costs pushed wages \$166k over budget and Community Recovery added a further \$109k that were not included in the budget. | | | | |
| Materials and services | 5,485 | 9,068 | (3,583) | (65)% U |
| Materials & Services costs were \$3.58M over budget. | | | | |
| Administration - \$287k over budget due to finance professionals contractors, planned IT upgrades, GM recruitment costs & stock write off. | | | | |
| Economic Affairs - \$607k over budget due to Bushfire Funded programs including motorcycle rally, tourism marketing, business resilience & community events. | | | | |
| Environment - \$453k over budget due to Moona-Winterbourne Linear Fence (fully funded) and Waste Management costs. | | | | |
| Housing & Community Amenities - \$86k over budget due to town planning Contractor and public amenities upgrade (Community owned asset). | | | | |
| Recreation & Culture - \$65k over budget due to parks & reserves, swimming pool operations & maintenance. | | | | |
| Transport - \$1.95M over budget due to RMCC ordered works (State Roads). | | | | |
| Borrowing costs | 79 | 26 | 53 | 67% F |
| Borrowing costs are \$53k less than budget due to lower official interest rate. | | | | |
| Depreciation, amortisation and impairment of non-financial assets | 3,703 | 3,858 | (155) | (4)% U |
| Other expenses | 285 | 300 | (15) | (5)% U |
| Net losses from disposal of assets | – | 500 | (500) | ∞ U |
| Budgeted profit on sale of plant was not realised. Loss of \$25k resulted in budget variance of \$32k. | | | | |
| Timber Bridges decommissioned to be replaced with concrete bridges - write off total \$182k and road assets write off as part of rehabilitation works total \$293k. | | | | |

B5-1 Material budget variations (continued)

| \$ '000 | 2021 Budget | 2021 Actual | 2021 ----- Variance ----- | |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|------------------------------|----------------|
| STATEMENT OF CASH FLOWS | | | | |
| Cash flows from operating activities | 7,759 | 11,688 | 3,929 | 51% F |
| Grant income received was higher than budgeted due to large capital grants received for new projects and carry overs from prior year. | | | | |
| Cash flows from investing activities | (8,713) | (15,041) | (6,328) | 73% U |
| Completed capital works was \$10M plus work in progress of \$5M. | | | | |
| Cash flows from financing activities | (172) | (143) | 29 | (17)% F |

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

| | 2021 \$ '000 | 2020 \$ '000 |
|---------------------------------------------------------------------|-----------------|-----------------|
| Cash and cash equivalents | | |
| Cash on hand and at bank | 1,729 | 5,225 |
| Total cash and cash equivalents | 1,729 | 5,225 |
| | | |
| Reconciliation of cash and cash equivalents | | |
| Total cash and cash equivalents per Statement of Financial Position | 1,729 | 5,225 |
| Balance as per the Statement of Cash Flows | 1,729 | 5,225 |

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

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|------------------------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Debt securities at amortised cost | | | | |
| Term deposits | 3,847 | - | 2,326 | - |
| Total | 3,847 | - | 2,326 | - |
| Total financial investments | 3,847 | - | 2,326 | - |
| Total cash assets, cash equivalents and investments | 5,576 | - | 7,551 | - |

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|----------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total cash, cash equivalents and investments | 5,576 | – | 7,551 | – |

| | 2021 \$ '000 | 2020 \$ '000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

Details of restrictions

External restrictions – included in liabilities

| | | |
|--------------------------------------------------------|--------------|--------------|
| Specific purpose unexpended grants – general fund | 2,508 | 1,091 |
| Specific purpose unexpended grants – water fund | – | 118 |
| External restrictions – included in liabilities | 2,508 | 1,209 |

External restrictions – other

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

| | | |
|---------------------------------------------------------------------------|--------------|--------------|
| Developer contributions – general | 21 | 21 |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 611 | 1,469 |
| Water fund | 58 | 25 |
| Sewer fund | 563 | 482 |
| Public Art Donations | 22 | 22 |
| External restrictions – other | 1,275 | 2,019 |
| Total external restrictions | 3,783 | 3,228 |

C1-4 Receivables

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|-----------------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Purpose | | | | |
| Rates and annual charges | 251 | - | 182 | - |
| Interest and extra charges | 13 | - | 12 | - |
| User charges and fees | 38 | - | 23 | - |
| Accrued revenues | | | | |
| – Other income accruals | 62 | - | - | - |
| General debtors | 2,504 | - | 624 | - |
| Net GST receivable | 525 | - | 359 | - |
| Prepayments | 26 | - | 51 | - |
| Total | 3,419 | - | 1,251 | - |
| Less: provision of impairment | | | | |
| Other debtors | (10) | - | (10) | - |
| Total provision for impairment – receivables | (10) | - | (10) | - |
| Total net receivables | 3,409 | - | 1,241 | - |
| Externally restricted receivables | | | | |
| Water supply | | | | |
| – Rates and availability charges | 31 | - | 32 | - |
| – Other | 27 | - | 15 | - |
| Sewerage services | | | | |
| – Rates and availability charges | 39 | - | 29 | - |
| – Other | 5 | - | 5 | - |
| Total external restrictions | 102 | - | 81 | - |
| Unrestricted receivables | 3,307 | - | 1,160 | - |
| Total net receivables | 3,409 | - | 1,241 | - |

| | 2021 \$ '000 | 2020 \$ '000 |
|-------------------------------------------------------------------------------|-----------------|-----------------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 10 | 4 |
| + new provisions recognised during the year | - | 6 |
| Balance at the end of the year | 10 | 10 |

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

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

C1-4 Receivables (continued)

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 ¹ Current Restated \$ '000 | 2020 Non-current \$ '000 |
|----------------------------------|----------------------------|--------------------------------|-----------------------------------------------------|--------------------------------|
| (i) Inventories at cost | | | | |
| Stores and materials | 243 | - | 256 | - |
| Trading stock | 117 | - | 158 | - |
| Total inventories at cost | 360 | - | 414 | - |
| Total inventories | 360 | - | 414 | - |

(1) For prior year adjustment please refer to Note G4

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.

C1-6 Contract assets

| | Notes | 2021 \$ '000 | 2020 \$ '000 |
|------------------------------|-------|-----------------|-----------------|
| Contract assets | C1-6 | 5,129 | 3,058 |
| Total contract assets | | 5,129 | 3,058 |

Contract assets

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|---------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Contract Assets under AASB 15 | 4,073 | - | 2,346 | - |
| Grant Contract Assets under AASB 1058 | 746 | - | 326 | - |
| Accrued Income under AASB 1058 | 310 | - | 386 | - |
| Total contract assets | 5,129 | - | 3,058 | - |

Significant changes in contract assets

Contract Assets relating to work for external parties (AASB 15)

Increase by \$1.7M was mostly due to extended amount of works performed for Transport NSW under RMCC agreements.

Grant Contract Assets - work related to infrastructure grants (AASB 1058 - Asset Exemption)

Increase by \$0.4M mostly due to accrued income for works performed under multiple capital grants for which an invoice or claim has not been submitted by the end of reporting period.

Accrued Income - not specific or not enforceable grants (AASB 1058)

No significant changes.

C1-6 Contract assets (continued)

(i) Externally restricted assets

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|-------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Externally restricted assets | | | | |
| Water | 244 | - | 274 | - |
| Sewer | 76 | - | 147 | - |
| Total externally restricted assets | 320 | - | 421 | - |
| Total restricted assets | 320 | - | 421 | - |
| Total unrestricted assets | 4,809 | - | 2,637 | - |
| Total contract assets | 5,129 | - | 3,058 | - |

Accounting policy

Contract assets

Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

C1-7 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 \$ '000 | Accumulated depreciation and impairment \$ '000 | Net carrying amount \$ '000 | Additions renewals ¹ \$ '000 | Additions new assets \$ '000 | Carrying value of disposals \$ '000 | Depreciation expense \$ '000 | WIP transfers \$ '000 | Increase / Decrease Rehabilitation Provision \$ '000 | Revaluation increments to equity (ARR) \$ '000 | Gross carrying amount \$ '000 | Accumulated depreciation and impairment \$ '000 | Net carrying amount \$ '000 |
| Capital work in progress | 2,504 | – | 2,504 | 3,899 | – | – | – | (1,201) | – | – | 5,202 | – | 5,202 |
| Plant and equipment | 7,348 | (3,282) | 4,066 | 206 | 132 | (275) | (463) | 20 | – | – | 6,848 | (3,161) | 3,687 |
| Office equipment | 155 | (127) | 28 | – | 156 | – | (31) | – | – | – | 292 | (139) | 153 |
| Furniture and fittings | 100 | (86) | 14 | – | 48 | – | (7) | – | – | – | 147 | (93) | 54 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 2,520 | – | 2,520 | – | – | – | – | – | – | – | 2,521 | – | 2,521 |
| – Community land | 2,162 | – | 2,162 | – | – | – | – | – | – | 42 | 2,204 | – | 2,204 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings – specialised | 11,521 | (3,979) | 7,542 | 219 | 736 | – | (379) | 88 | – | – | 12,564 | (4,358) | 8,206 |
| – Other structures | 2,576 | (1,220) | 1,356 | 40 | – | – | (54) | 1 | – | 177 | 2,905 | (1,385) | 1,520 |
| – Roads | 109,883 | (20,727) | 89,156 | 5,949 | – | (205) | (1,392) | 593 | – | – | 116,236 | (22,137) | 94,099 |
| – Bridges | 65,125 | (29,003) | 36,122 | 114 | – | (182) | (684) | 160 | – | – | 65,095 | (29,566) | 35,529 |
| – Footpaths and other road assets | 6,372 | (1,828) | 4,544 | 60 | 12 | – | (65) | 14 | – | – | 6,415 | (1,850) | 4,565 |
| – Bulk earthworks (non-depreciable) | 227,104 | – | 227,104 | 444 | – | (88) | – | – | – | – | 227,460 | – | 227,460 |
| – Stormwater drainage | 10,310 | (2,329) | 7,981 | – | 32 | – | (64) | – | – | – | 10,341 | (2,392) | 7,949 |
| – Water supply network | 22,404 | (5,982) | 16,422 | – | 208 | – | (318) | – | – | 148 | 22,820 | (6,358) | 16,462 |
| – Sewerage network | 12,363 | (2,688) | 9,675 | – | – | – | (129) | – | – | 88 | 12,476 | (2,842) | 9,634 |
| Other assets: | | | | | | | | | | | | | |
| – Heritage collections | 237 | (57) | 180 | – | – | – | (2) | – | – | 17 | 263 | (69) | 194 |
| – Other | 3,155 | (1,407) | 1,748 | 540 | 135 | – | (116) | 325 | – | 933 | 5,135 | (1,570) | 3,565 |
| Reinstatement, rehabilitation and restoration assets (refer Note 11): | | | | | | | | | | | | | |
| – Tip assets | 1,092 | (228) | 864 | – | – | – | (76) | – | 506 | – | 1,569 | (274) | 1,295 |
| – Quarry assets | 887 | (342) | 545 | – | – | – | (19) | – | 332 | – | 1,208 | (348) | 860 |
| Total infrastructure, property, plant and equipment | 487,818 | (73,285) | 414,533 | 11,471 | 1,459 | (750) | (3,799) | – | 838 | 1,405 | 501,701 | (76,542) | 425,159 |

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

C1-7 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 \$ '000 | Accumulated depreciation and impairment \$ '000 | Net carrying amount \$ '000 | Additions renewals ¹ \$ '000 | Additions new assets \$ '000 | Carrying value of disposals \$ '000 | Depreciation expense \$ '000 | WIP transfers \$ '000 | Increase rehabilitation provision \$ '000 | Revaluation decrements to equity (ARR) \$ '000 | Revaluation increments to equity (ARR) \$ '000 | Gross carrying amount \$ '000 | Accumulated depreciation and impairment \$ '000 | Net carrying amount \$ '000 |
| Capital work in progress | 2,523 | – | 2,523 | – | 1,964 | – | – | (1,983) | – | – | – | 2,504 | – | 2,504 |
| Plant and equipment | 6,477 | (3,324) | 3,153 | 1,464 | 253 | (323) | (483) | 2 | – | – | – | 7,348 | (3,282) | 4,066 |
| Office equipment | 136 | (122) | 14 | – | 19 | – | (5) | – | – | – | – | 155 | (127) | 28 |
| Furniture and fittings | 100 | (82) | 18 | – | – | – | (4) | – | – | – | – | 100 | (86) | 14 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 2,428 | – | 2,428 | 34 | 47 | – | – | 11 | – | – | – | 2,520 | – | 2,520 |
| – Community land | 2,162 | – | 2,162 | – | – | – | – | – | – | – | – | 2,162 | – | 2,162 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings – specialised | 9,609 | (3,645) | 5,964 | 219 | 559 | – | (334) | 1,134 | – | – | – | 11,521 | (3,979) | 7,542 |
| – Other structures | 2,603 | (1,183) | 1,420 | – | – | (10) | (54) | – | – | – | – | 2,576 | (1,220) | 1,356 |
| – Roads | 163,834 | (71,202) | 92,632 | 1,248 | – | – | (1,386) | 423 | – | (3,761) | – | 109,883 | (20,727) | 89,156 |
| – Bridges | 64,634 | (28,963) | 35,671 | 90 | 842 | (46) | (675) | 240 | – | – | – | 65,125 | (29,003) | 36,122 |
| – Footpaths | 6,181 | (1,807) | 4,374 | 54 | 46 | – | (63) | 133 | – | – | – | 6,372 | (1,828) | 4,544 |
| – Bulk earthworks (non-depreciable) | 227,104 | – | 227,104 | – | – | – | – | – | – | – | – | 227,104 | – | 227,104 |
| – Stormwater drainage | 11,363 | (2,138) | 9,225 | – | – | – | (61) | – | – | (1,183) | – | 10,310 | (2,329) | 7,981 |
| – Water supply network | 22,083 | (5,611) | 16,472 | 71 | 40 | – | (315) | 1 | – | – | 153 | 22,404 | (5,982) | 16,422 |
| – Sewerage network | 12,191 | (2,533) | 9,658 | 36 | 20 | – | (129) | – | – | – | 90 | 12,363 | (2,688) | 9,675 |
| Other assets: | | | | | | | | | | | | | | |
| – Heritage collections | 234 | (54) | 180 | 2 | – | – | (2) | – | – | – | – | 237 | (57) | 180 |
| – Other | 2,988 | (1,315) | 1,673 | 25 | 107 | (2) | (94) | 39 | – | – | – | 3,155 | (1,407) | 1,748 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | | | |
| – Tip assets | 1,213 | (169) | 1,044 | – | – | – | (59) | – | (121) | – | – | 1,092 | (228) | 864 |
| – Quarry assets | 418 | (336) | 82 | – | – | – | (7) | – | 470 | – | – | 887 | (342) | 545 |
| Total infrastructure, property, plant and equipment | 538,281 | (122,484) | 415,797 | 3,243 | 3,897 | (381) | (3,671) | – | 349 | (4,944) | 243 | 487,818 | (73,285) | 414,533 |

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

C1-7 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 five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Water 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 for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

| | | | |
|-----------------------------------|-----------|------------------------------------|-----------|
| Plant and equipment | Years | Other equipment | Years |
| Office equipment | 5 to 10 | Playground equipment | 10 to 20 |
| Office furniture | 10 to 20 | Benches, seats etc. | 10 to 20 |
| Computer equipment | 4 | | |
| Vehicles | 3 to 5 | Buildings | |
| Heavy plant/road making equipment | 5 to 10 | Buildings: masonry | 50 to 100 |
| Other plant and equipment | 5 to 15 | Buildings: other | 20 to 40 |
| | | Stormwater assets | |
| Water and sewer assets | | Drains | 80 to 100 |
| Dams and reservoirs | 100 | Culverts | 50 to 80 |
| Bores | 20 to 40 | Flood control structures | 80 to 100 |
| Reticulation pipes: PVC | 70 to 80 | | |
| Reticulation pipes: other | 75 | | |
| Pumps and telemetry | 15 to 30 | | |
| Water Meters | 10 | | |
| | | Other infrastructure assets | |
| Transportation assets | | Bulk earthworks | Infinite |
| Sealed roads: surface | 15 to 70 | Swimming pools | 60 |
| Sealed roads: structure | 50 to 120 | | |
| Unsealed roads | 20 to 50 | | |
| Bridge: concrete | 100 | | |
| Bridge: other | 60 | | |
| Road pavements | 60 | | |
| Kerb, gutter and footpaths | 100 | | |

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included on the income statement.

C1-7 Infrastructure, property, plant and equipment (continued)

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer Note C2-1. 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*".

Rural Fire Service assets comprising land and buildings are recognised as assets of the Council in these financial statements. Plant (red fleet) is not recognised on the grounds of absence of control.

C2 Leasing activities

C2-1 Council as a lessee

Terms and conditions of leases

Buildings

Council leases buildings for Community Care and Visitor Information Centre; the leases are generally between 1 and 2 years and include a renewal option to allow Council to renew for up to 12 months.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for IT equipment are generally for low value assets, except for significant items such as photocopiers. The current equipment lease is for a further one year with no renewal option, the payments are fixed, however the lease includes a variable payment based on usage.

Extension options

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

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

(a) Right of use assets

| | Plant & Equipment \$ '000 | Total \$ '000 |
|------------------------------------------------------------------------------------|---------------------------------|------------------|
| 2021 | | |
| Opening balance at 1 July | 80 | 80 |
| Adjustments to right-of-use assets due to re-measurement of lease liability | 5 | 5 |
| Depreciation charge | (59) | (59) |
| Balance at 30 June | 28 | 28 |
| 2020 | | |
| Adoption of AASB 16 at 1 July 2019 – first time lease recognition | 118 | 118 |
| Additions to right-of-use assets | 8 | 8 |
| Adjustments to right-of-use assets due to re-measurement of lease liability | 12 | 12 |
| Depreciation charge | (57) | (57) |
| Other movement | (1) | (1) |
| Balance at 30 June | 80 | 80 |

(b) Lease liabilities

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Lease liabilities | 18 | 2 | 59 | 14 |
| Total lease liabilities | 18 | 2 | 59 | 14 |

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

| | < 1 year \$ '000 | 1 – 5 years \$ '000 | > 5 years \$ '000 | Total \$ '000 | Total per Statement of Financial Position \$ '000 |
|-------------|---------------------|------------------------|----------------------|------------------|---------------------------------------------------------------|
| 2021 | | | | | |
| Cash flows | 18 | 2 | – | 20 | 20 |
| 2020 | | | | | |
| Cash flows | 59 | 14 | – | 73 | 73 |

(d) Income Statement

| | 2021 \$ '000 | 2020 \$ '000 |
|---------------------------------------------------------------------------------------------|-----------------|-----------------|
| Interest on lease liabilities | 1 | 2 |
| Variable lease payments based on usage not included in the measurement of lease liabilities | 47 | 18 |
| Depreciation of right of use assets | 59 | 57 |
| | 107 | 77 |

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

(e) Statement of Cash Flows

| | | |
|-------------------------------|-----------|-----------|
| Total cash outflow for leases | 20 | 72 |
| | 20 | 72 |

(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.

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).

C2-1 Council as a lessee (continued)

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.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (i) below) in the Statement of Financial Position.

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

| | 2021 \$ '000 | 2020 \$ '000 |
|------------------------------------------------------------------------------------|-----------------|-----------------|
| (i) Assets held as property, plant and equipment | | |
| Lease income (excluding variable lease payments not dependent on an index or rate) | 73 | 60 |
| Total income relating to operating leases for Council assets | 73 | 60 |
| Other leased assets expenses | | |
| Other | 216 | 201 |
| Total expenses relating to other leases assets | 216 | 201 |

C3 Liabilities of Council

C3-1 Payables

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|--------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Payables | | | | |
| Goods and services – operating expenditure | 2,162 | 38 | 1,290 | 59 |
| Accrued expenses: | | | | |
| – Other expenditure accruals | 361 | – | 347 | – |
| Prepaid rates ¹ | 66 | – | 61 | – |
| Total payables | 2,589 | 38 | 1,698 | 59 |
| Total payables | 2,589 | 38 | 1,698 | 59 |

(1) Last year council incorrectly classified \$60,790 prepaid rates as contract liability. Upfront payment of rates do not meet the definition of a performance obligation and therefore the funds received should have been recorded as payables on receipt and recognised as revenue over the following rating year.

Payables relating to restricted assets

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|-------------------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total payables relating to unrestricted assets | 2,589 | 38 | 1,698 | 59 |
| Total payables | 2,589 | 38 | 1,698 | 59 |

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.

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

| Notes | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|----------------------------------------------------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Grants and contributions received in advance: | | | | |
| Unexpended operating grants (received prior to performance obligation being satisfied) | (ii) 755 | - | 100 | - |
| Unexpended capital grants (to construct Council controlled assets) | (i) 1,753 | - | 1,048 | - |
| Total grants received in advance | 2,508 | - | 1,148 | - |
| Total contract liabilities | 2,508 | - | 1,148 | - |

Notes

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

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

Contract liabilities relating to restricted assets

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|----------------------------------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Externally restricted assets | | | | |
| Water | - | - | 118 | - |
| Unspent grants held as contract liabilities (excl. Water & Sewer) | 2,508 | - | 1,091 | - |
| Contract liabilities relating to externally restricted assets | 2,508 | - | 1,209 | - |
| Total contract liabilities relating to restricted assets | 2,508 | - | 1,209 | - |
| Total contract liabilities relating to unrestricted assets | - | - | (61) | - |
| Total contract liabilities | 2,508 | - | 1,148 | - |

C3-2 Contract Liabilities (continued)

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

| | 2021 \$ '000 | 2020 \$ '000 |
|--------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Grants and contributions received in advance: | | |
| Capital grants (to construct Council controlled assets) | 1,048 | 233 |
| Operating grants (received prior to performance obligation being satisfied) | 100 | 66 |
| Total revenue recognised that was included in the contract liability balance at the beginning of the period | 1,148 | 299 |

Significant changes in contract liabilities

Contract Liabilities related to works for external parties (private works, etc) (AASB 15)

Increase by \$0.7M mostly due to unspent money on advance payment related to Moona-Winterbourne Linear Fence project.

Grant Contract Liabilities - funds to construct council controlled assets (AASB 1058 - Asset Exemption)

Net increase by \$0.7M was mostly due to Advance payments received for new capital grants with the following unspent grant money as at 30 June 2021:

- (a) Local Roads and Community Infrastructure Program - \$0.3M;
- (b) Fixing Country Bridges - \$0.1M;
- (c) Fixing Local Roads - \$0.7M.

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

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Loans – secured ¹ | 89 | 137 | 84 | 225 |
| Total borrowings | 89 | 137 | 84 | 225 |

- (1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

C3-3 Borrowings (continued)

Borrowings relating to restricted assets

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|---------------------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Externally restricted assets | | | | |
| Water | 10 | 56 | 9 | 66 |
| Borrowings relating to externally restricted assets | 10 | 56 | 9 | 66 |
| Total borrowings relating to restricted assets | 10 | 56 | 9 | 66 |
| Total borrowings relating to unrestricted assets | 79 | 81 | 75 | 159 |
| Total borrowings | 89 | 137 | 84 | 225 |

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

| | 2020 | | Non-cash movements | | | | 2021 |
|----------------------------------------------------|----------------------------|-----------------------|------------------------|-------------------------------|-----------------------------------------------------------|------------------------------------|----------------------------|
| | Opening Balance \$ '000 | Cash flows \$ '000 | Acquisition \$ '000 | Fair value changes \$ '000 | Acquisition due to change in accounting policy \$ '000 | Other non-cash movement \$ '000 | Closing balance \$ '000 |
| Loans – secured | 309 | (83) | – | – | – | – | 226 |
| Lease liability (Note C2-1b) | 73 | (53) | – | – | – | – | 20 |
| Total liabilities from financing activities | 382 | (136) | – | – | – | – | 246 |

| | 2019 | | Non-cash movements | | | | 2020 |
|----------------------------------------------------|----------------------------|-----------------------|------------------------|-------------------------------|-----------------------------------------------------------|------------------------------------|----------------------------|
| | Opening Balance \$ '000 | Cash flows \$ '000 | Acquisition \$ '000 | Fair value changes \$ '000 | Acquisition due to change in accounting policy \$ '000 | Other non-cash movement \$ '000 | Closing balance \$ '000 |
| Loans – secured | 388 | (79) | – | – | – | – | 309 |
| Lease liability (Note C2-1b) | – | 73 | – | – | – | – | 73 |
| Total liabilities from financing activities | 388 | (6) | – | – | – | – | 382 |

(b) Financing arrangements

| | 2021 \$ '000 | 2020 \$ '000 |
|---------------------------------------------|-----------------|-----------------|
| Total facilities | | |
| Bank overdraft facilities ¹ | 200 | 200 |
| Credit cards/purchase cards | 48 | 48 |
| Total financing arrangements | 248 | 248 |
| Undrawn facilities | | |
| – Bank overdraft facilities | 200 | 200 |
| – Credit cards/purchase cards | 48 | 48 |
| Total undrawn financing arrangements | 248 | 248 |

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

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

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

| | 2021 Current \$ '000 | 2021 Non-current \$ '000 | 2020 Current \$ '000 | 2020 Non-current \$ '000 |
|------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Annual leave | 692 | – | 694 | – |
| Long service leave | 1,254 | 70 | 1,330 | 74 |
| Time in lieu | 105 | – | 131 | – |
| Rostered day off | 14 | – | 11 | – |
| Total employee benefit provisions | 2,065 | 70 | 2,166 | 74 |

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

| | 2021 \$ '000 | 2020 \$ '000 |
|--------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 1,320 | 1,371 |
| | 1,320 | 1,371 |

Accounting policy

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

C3-5 Provisions

| | 2021 Current \$ '000 | 2021 Non-Current \$ '000 | 2020 Current \$ '000 | 2020 Non-Current \$ '000 |
|--------------------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | 166 | 3,142 | 110 | 2,470 |
| Sub-total – asset remediation/restoration | 166 | 3,142 | 110 | 2,470 |
| Total provisions | 166 | 3,142 | 110 | 2,470 |

Description of and movements in provisions

| | Asset remediation \$ '000 | Other provisions Net carrying amount \$ '000 |
|--------------------------------------------------|---------------------------------|----------------------------------------------------------|
| 2021 | | |
| At beginning of year | 2,580 | 2,580 |
| Unwinding of discount | 5 | 5 |
| Re-measurement effects through P&L (Note B2-6) | (104) | (104) |
| Re-measurement effects through asset (Note C1-7) | 838 | 838 |
| Amounts used (payments) | (11) | (11) |
| Total other provisions at end of year | 3,308 | 3,308 |
| 2020 | | |
| At beginning of year | 2,216 | 2,216 |
| Unwinding of discount | 42 | 42 |
| Re-measurement effects through P&L (Note B2-6) | – | – |
| Re-measurement effects through asset (Note C1-7) | 322 | 322 |
| Total other provisions at end of year | 2,580 | 2,580 |

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

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

Restoration

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

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

C3-5 Provisions (continued)

Rehabilitation

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

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

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

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

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

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

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

| | General 2021 \$ '000 | Water 2021 \$ '000 | Sewer 2021 \$ '000 |
|--------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| Income from continuing operations | | | |
| Rates and annual charges | 4,495 | 367 | 322 |
| User charges and fees | 5,490 | 398 | 135 |
| Interest and investment revenue | 36 | 3 | 4 |
| Other revenues | 945 | 6 | 4 |
| Grants and contributions provided for operating purposes | 6,704 | – | – |
| Grants and contributions provided for capital purposes | 8,431 | 826 | 68 |
| Other income | 177 | – | – |
| Total income from continuing operations | 26,278 | 1,600 | 533 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 5,623 | 226 | 148 |
| Materials and services | 8,668 | 214 | 186 |
| Borrowing costs | 22 | 4 | – |
| Depreciation, amortisation and impairment of non-financial assets | 3,403 | 322 | 133 |
| Other expenses | 138 | 119 | 43 |
| Net losses from the disposal of assets | 500 | – | – |
| Total expenses from continuing operations | 18,354 | 885 | 510 |
| Operating result from continuing operations | 7,924 | 715 | 23 |
| Net operating result for the year | 7,924 | 715 | 23 |
| Net operating result attributable to each council fund | 7,924 | 715 | 23 |
| Net operating result for the year before grants and contributions provided for capital purposes | (507) | (111) | (45) |

D1-2 Statement of Financial Position by fund

| | General 2021 \$ '000 | Water 2021 \$ '000 | Sewer 2021 \$ '000 |
|-----------------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 1,108 | 58 | 563 |
| Investments | 3,847 | – | – |
| Receivables | 3,307 | 58 | 44 |
| Inventories | 360 | – | – |
| Contract assets and contract cost assets | 4,809 | 244 | 76 |
| Total current assets | 13,431 | 360 | 683 |
| Non-current assets | | | |
| Infrastructure, property, plant and equipment | 396,954 | 17,970 | 10,235 |
| Right of use assets | 28 | – | – |
| Total non-current assets | 396,982 | 17,970 | 10,235 |
| TOTAL ASSETS | 410,413 | 18,330 | 10,918 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 2,589 | – | – |
| Contract liabilities | 2,508 | – | – |
| Lease liabilities | 18 | – | – |
| Borrowings | 79 | 10 | – |
| Employee benefit provision | 2,065 | – | – |
| Provisions | 166 | – | – |
| Total current liabilities | 7,425 | 10 | – |
| Non-current liabilities | | | |
| Payables | 38 | – | – |
| Lease liabilities | 2 | – | – |
| Borrowings | 81 | 56 | – |
| Employee benefit provision | 70 | – | – |
| Provisions | 3,142 | – | – |
| Total non-current liabilities | 3,333 | 56 | – |
| TOTAL LIABILITIES | 10,758 | 66 | – |
| Net assets | 399,655 | 18,264 | 10,918 |
| EQUITY | | | |
| Accumulated surplus | 159,095 | 6,750 | 3,439 |
| Revaluation reserves | 240,560 | 11,514 | 7,479 |
| Council equity interest | 399,655 | 18,264 | 10,918 |
| Total equity | 399,655 | 18,264 | 10,918 |

D2 Interests in other entities

D2-5 Subsidiaries, joint arrangements and associates not recognised

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

New England Weeds Authority

New England Weeds Authority (NEWA) is the registered trading name of The New England Tablelands Noxious Plants County Council. NEWA is a single purpose Council which is a Local Control Authority for priority and invasive weeds under the NSW Biosecurity Act, 2015. The present area of operation of NEWA is the local government areas of Uralla Shire Council, Armidale Regional Council, Walcha Shire Council, and Glen Innes Severn Council (under a Memorandum of Understanding). These Councils are located in the Northern Tablelands region of New South Wales.

The County Council's governance is in accordance with the Local Government Act 1993 (LGA 1993) with the County Council first proclaimed in 1947.

NEWA is funded by contributions from its four Constituent Councils, grants and private works. Each Constituent Council has delegated its Noxious weeds control function to NEWA and contributes in accordance with NEWA's proclamation. NEWA's governing body consists of five Councillors elected by each of the Constituent Councils.

Council does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

NAMOI

Walcha Council is a member of Namoi Unlimited - Joint Organisation of Councils. The interest in the Joint Organisation of Councils is to progress the strategic objectives of the region and lobby on their behalf.

There are 7 members of the Council and Walcha Council pays an annual membership. There are no material assets of the Council other than unspent membership payments. There is no material liabilities or debt of the Council.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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 Council.

Council's objective is to maximise its return on cash and investments while maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investments portfolio with the assistance of independent advisers. Council has an investment policy which complies with s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by NSW Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of receivables, loans, investments and financial liabilities approximates the carrying amount. The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

| | 2021 \$ '000 | 2020 \$ '000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| 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 | 38 | 43 |

(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

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.

| | Not yet overdue \$ '000 | < 1 year overdue \$ '000 | 1 - 2 years overdue \$ '000 | 2 - 5 years overdue \$ '000 | > 5 years overdue \$ '000 | Total \$ '000 |
|-----------------------|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|
| 2021 | | | | | | |
| Gross carrying amount | 235 | 5 | 10 | 1 | – | 251 |
| 2020 | | | | | | |
| Gross carrying amount | – | 163 | 8 | 11 | – | 182 |

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.

| | Not yet overdue \$ '000 | 0 - 30 days overdue \$ '000 | 31 - 60 days overdue \$ '000 | 61 - 90 days overdue \$ '000 | > 91 days overdue \$ '000 | Total \$ '000 |
|------------------------|-------------------------------|-----------------------------------|------------------------------------|------------------------------------|---------------------------------|------------------|
| 2021 | | | | | | |
| Gross carrying amount | 1,505 | 1,089 | – | 263 | 311 | 3,168 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 3.20% | 0.31% |
| ECL provision | – | – | – | – | 10 | 10 |
| 2020 | | | | | | |
| Gross carrying amount | 484 | 261 | 195 | 2 | 127 | 1,069 |
| Expected loss rate (%) | 0.00% | 0.60% | 0.00% | 4.00% | 6.00% | 0.87% |
| ECL provision | – | 2 | – | – | 8 | 10 |

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

(c) Liquidity risk

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

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

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

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

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

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

| | Weighted average interest rate % | Subject to no maturity \$ '000 | payable in: | | | Total cash outflows \$ '000 | Actual carrying values \$ '000 |
|------------------------------------|----------------------------------------------|-----------------------------------------|---------------------|---------------------------|----------------------|-----------------------------------|-----------------------------------------|
| | | | ≤ 1 Year \$ '000 | 1 - 5 Years \$ '000 | > 5 Years \$ '000 | | |
| 2021 | | | | | | | |
| Trade/other payables | 0.00% | – | 2,523 | 38 | – | 2,561 | 2,561 |
| Borrowings | 0.00% | – | 99 | 127 | – | 226 | 226 |
| Total financial liabilities | | – | 2,622 | 165 | – | 2,787 | 2,787 |
| 2020 | | | | | | | |
| Trade/other payables | 0.00% | – | 1,637 | 59 | – | 1,696 | 1,696 |
| Borrowings | 0.00% | – | 100 | 245 | – | 345 | 309 |
| Total financial liabilities | | – | 1,737 | 304 | – | 2,041 | 2,005 |

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).

| \$ '000 | Notes | Fair value measurement hierarchy | | | | | | | |
|------------------------------------------------------------|-------|----------------------------------|----------|---------------------------------------|--------------|-----------------------------------------|----------------|----------------|----------------|
| | | Date of latest valuation | | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Recurring fair value measurements | | | | | | | | | |
| Infrastructure, property, plant and equipment | | C1-7 | | | | | | | |
| Plant & equipment | | | | | | 3,687 | 4,066 | 3,687 | 4,066 |
| Office equipment | | | | | | 153 | 28 | 153 | 28 |
| Furniture & fittings | | | | | | 54 | 14 | 54 | 14 |
| Operational land | | 30/06/18 | 30/06/18 | 2,521 | 2,520 | – | – | 2,521 | 2,520 |
| Community land | | 30/06/21 | 30/06/19 | – | – | 2,204 | 2,162 | 2,204 | 2,162 |
| Buildings specialised | | 30/06/18 | 30/06/18 | – | – | 8,206 | 7,542 | 8,206 | 7,542 |
| Other structures | | 30/06/21 | 30/06/16 | – | – | 1,520 | 1,356 | 1,520 | 1,356 |
| Roads | | 30/06/20 | 30/06/20 | – | – | 94,099 | 89,156 | 94,099 | 89,156 |
| Bridges | | 30/06/19 | 30/06/19 | – | – | 35,529 | 36,122 | 35,529 | 36,122 |
| Footpaths & other road assets | | 30/06/19 | 30/06/19 | – | – | 4,565 | 4,544 | 4,565 | 4,544 |
| Bulk earth works | | 30/06/19 | 30/06/19 | – | – | 227,460 | 227,104 | 227,460 | 227,104 |
| Stormwater | | 30/06/20 | 30/06/20 | – | – | 7,949 | 7,981 | 7,949 | 7,981 |
| Water | | 30/06/17 | 30/06/17 | – | – | 16,462 | 16,422 | 16,462 | 16,422 |
| Sewer | | 30/06/17 | 30/06/17 | – | – | 9,634 | 9,675 | 9,634 | 9,675 |
| Heritage | | 30/06/21 | 30/06/16 | – | – | 194 | 180 | 194 | 180 |
| Other assets | | 30/06/21 | 30/06/17 | – | – | 3,566 | 1,748 | 3,566 | 1,748 |
| Tip | | 30/06/20 | 30/06/20 | – | – | 1,295 | 864 | 1,295 | 864 |
| Quarry | | 30/06/18 | 30/06/16 | – | – | 860 | 545 | 860 | 545 |
| Work in progress | | | | – | – | 5,231 | 2,504 | 5,231 | 2,504 |
| Total infrastructure, property, plant and equipment | | | | 2,521 | 2,520 | 422,668 | 412,013 | 425,189 | 414,533 |

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)

Plant & Equipment, Office Equipment & Furniture & Fittings

These assets are valued at cost, but are disclosed at fair value in the notes; the carrying amount of these assets is assumed to be approximate Fair Value due to the nature of the assets. Examples of assets within these classes are as follows:

E2-1 Fair value measurement (continued)

- Plant & equipment: Graders, Trucks, Rollers, Tractors and Motor Vehicles.
- Office Equipment: Computers, Photocopiers etc.
- Furniture & Fittings: Chairs, Desks etc.

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

Community and Crown Land

Community Land and Crown Land valuation is based on the land value provided by the Valuer General. Last revaluation was performed on 30 June 2021 using the Valuer General valuation data as at 1 July 2019.

Operational Land

Operational Land assets were valued by professionally qualified Registered Valuers - Scott Fullarton Valuations. Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. There are also parks, reserves and other special use parcels where there was no observable market evidence. This land was valued utilising Level 2 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Buildings - Non Specialised

Specialised assets were valued utilising the cost approach by professionally qualified Registered Valuers - Scott Fullarton Valuations. The approach estimated the replacement cost of each building/other structure and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

Other Structures

Other Structures are assets that do not fit the definition of buildings. They include swimming pools, fencing and playgrounds. Other Structures have been revalued externally by AssetVal (Marsh) as at 30 June 2021. As these values were not considered to contain observable market evidence they have been classified as Level 3 and have been valued using the current replacement cost approach.

Roads

Council engaged Australis Asset Advisory Group, professionally qualified registered valuers, to review road unit rates. All unit rates are assessed by way of the Cost Approach, being Level 3 on the Fair Value Hierarchy. To determine a fair value for an asset a number of inputs are required, including Componentisation, Gross Replacement Cost and Useful Life.

Condition assessment has been completed in two phases, through intentional physical inspection taking photographic evidence of a portion of the network for valuation. Thereby a representative sample was chosen based on the Engineering Department's experience and knowledge of the road network. Additionally limitations exist in the sporadic nature of unsealed roads condition as such council has condition assessed these roads using an aged based approach.

Useful lives has been set using Council's knowledge of how the road network behaves with consideration given to the quality of inputs used including gravel and bitumen and the specific weather and traffic conditions that impact upon the Council area.

Bulk Earthworks

Bulk Earthworks consist of cuttings, fill and levelling of earth and rocks. The valuation was completed internally and based replacement cost on Rawlinsons Reference Rates. As there had been no earthwork construction since the previous revaluation in 2014, the 2019 revaluation indexed the data already available by the IPWEA indices to come up with a replacement cost.

Council has determined that bulk earthworks have infinite useful lives.

Footpaths & Other road Assets

Footpaths and other road assets includes footpaths, kerb & guttering, roundabouts and other minor road furniture assets. They have been valued internally by Council's Engineering Department. Given the small size of the network, all footpaths, kerb & guttering and other road assets were physically inspected and photographic evidence was obtained. This formed the basis of the condition assessment. Useful lives were determined with consideration to the previous revaluation and based on Council's knowledge of the behaviour of other concrete assets.

E2-1 Fair value measurement (continued)

Bridges

Bridges have been valued internally by Council's Engineering Department and have been componentised into girder, corbel, deck, headstock, pile, abutment, kerb log and hand rail.

To ensure completeness of data the Authority Asset Management software was utilised as a starting point for conducting the revaluation. Council staff physically inspected all bridges to ensure the accuracy of data that was input into the Asset Management System. Condition was determined based on these inspections. Each bridge was given a condition rating in accordance with the methodology in the IPWEA (NSW) Bridge Guide, 2009. Replacement costs were based upon recently completed bridge projects in the Council area. Council determined timber bridges replacement cost based upon the cost to replace with their modern equivalent, judgementally determined to be either a concrete bridge or concrete culvert.

Useful lives for timber bridges were based on research by Peter J Yttrup (1996) contained in the IPWEA Bridge Guide. Condition ratings for concrete bridges were set based upon Council's own knowledge and experience of the bridge network and in conjunction with the Local Government Assets Accounting Manual.

Stormwater Drainage

Drainage assets comprise pits, culverts, open channels, headwalls and various types of quality devices used to collect store and remove stormwater. The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. First principles estimating accompanied by actual Council costs were utilised in determining the current stormwater assets value. These values were deemed to be in line with the Rawlinson Reference Rates.

The Levee Bank represents a large portion of the total value of the asset class. This asset was revalued by Australis Asset Advisory Group, a professionally qualified valuer. The asset was assessed by way of the Cost Approach, being Level 3 on the Fair Value Hierarchy.

Water Network

Water assets (other than the Water Treatment Plant) were valued internally by Council's Engineering Department. Assets in this class include reservoirs, pumping stations and water pipelines. Condition assessment was undertaken in 2 distinct ways. For above ground assets a visual assessment in accordance with the Visual Assessment Manual published by New Zealand Water and Waste Association was conducted. For underground pipes, due to the inability to visually inspect them the assessment was based upon frequency of breakages and maintenance. This forms an inherent limitation on the data obtained. Replacement costs were calculated based on First Principles, previous costs and the Reference Rates Manual. Useful lives were set based on Reference Rates and comparison with other councils as detailed within the methodology documentation.

The Water Treatment Plant was valued by JRA using Level 3 inputs because there is no market for these infrastructure assets. There are no residual values for these assets for the same reason.

Sewer Network

Sewer assets (other than the Sewer Treatment Plant) were valued internally by Council's Engineering Department. Assets in this class include treatment works, pumping stations and sewer mains. Condition assessment was undertaken in 2 distinct ways. For above ground assets a visual assessment in accordance with the Visual Assessment Manual published by New Zealand Water and Waste Association was conducted. For underground pipes a representative sample was inspected using CCTV and the condition rating was applied across the sewer network and detailed in the methodology documentation. Replacement costs were calculated based on First Principles, previous costs and the Reference Rates Manual. Useful lives were set based on Reference Rates and comparison with other councils as detailed within the methodology documentation.

The Sewer Treatment Plant was valued by JRA using Level 3 inputs because there is no market for these infrastructure assets. There are no residual values for these assets for the same reason.

Other Structures and Other Assets

The valuation process involved current replacement cost approach. Unobservable inputs such as replacement cost, asset condition and useful life required extensive professional judgement. The unobservable inputs place this class of asset at Level 3. Last valuation was undertaken on 30 June 2021 by independent valuer AssetVal (Marsh).

Remediation Assets for Tips and Quarries

Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular, the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs.

E2-1 Fair value measurement (continued)

Council engaged external firm (GHD) to perform valuation of the costs to remediate landfill site as at 30 June 2020. Council reviewed estimates for the year ended 30 June 2021 internally with no change to the approach compared to previous year.

Quarries remediation costs were last comprehensively valued in 2018. Council reviewed estimates for the year ended 30 June 2021 internally with no change to the approach compared to previous year.

Fair value measurements using significant unobservable inputs (level 3)

There were no transfers of assets between valuation hierarchies. As a result, for changes of values during the year please refer to IPPE Note C1-7.

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 future service employer contributions and past service employer contributions to the Fund.

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits. This increases to 7.5% in line with the increase in Superannuation Guarantee.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2020 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$172,934.41. The last valuation of the Scheme was performed by Richard Boyfield and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$82,000. Council's expected contribution to the plan for the next annual reporting period is \$103,095.60.

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

| Employer 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 member accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is 0.20%.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

E3-1 Contingencies (continued)

(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 is subject to an ongoing employment related claim. Estimated value approximately \$190k. Council denies any liability. It is unknown when the dispute is likely to be resolved.

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:

| | 2021 | 2020 |
|--------------------------|--------------|------------|
| | \$ '000 | \$ '000 |
| Compensation: | | |
| Short-term benefits | 779 | 671 |
| Post-employment benefits | 81 | 94 |
| Termination benefits | 169 | 163 |
| Total | 1,029 | 928 |

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

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

| Nature of the transaction | Ref | Transactions during the year \$ '000 | Outstanding balances including commitments \$ '000 | Terms and conditions | Impairment provision on outstanding balances \$ '000 | Impairment expense \$ '000 |
|----------------------------------------------------|-----|-----------------------------------------|-------------------------------------------------------|----------------------|---------------------------------------------------------|-------------------------------|
| 2021 | | | | | | |
| Rent for office space | 1 | 12 | – | 7 days | – | – |
| Landscaping works | 2 | 53 | – | 7 days | – | – |
| Employee expenses relating to close family members | 3 | 102 | – | 7 days | – | – |
| Minor building works | 4 | 2 | – | | – | – |
| 2020 | | | | | | |
| Rent for office space | 1 | 11 | – | 7 days | – | – |
| Landscaping works | 2 | 29 | – | 7 days | – | – |
| Employee expenses relating to close family members | 3 | 101 | – | 7 days | – | – |
| Minor building works | 4 | – | – | | – | – |

Detail here extra information relating to KMP items above that have a reference number

- 1 Council pays rent to a local real estate agent for office space. The principal is a related party to a KMP. The office is owned by an interstate company.
- 2 Council contracts to a local company for tree lopping and other services. The company has a KMP as a director. All transactions are at arms length and major jobs are quoted on.
- 3 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis. There are two close family members currently employed by Council, one of which is included in Key Management Personnel.
- 4 Council contracts minor building works to a local builder. The company is owned by the spouse of KMP

F1-2 Councillor and Mayoral fees and associated expenses

| | 2021 | 2020 |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|
| | \$ '000 | \$ '000 |
| The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are: | | |
| Mayoral fee | 27 | 26 |
| Councillors' fees | 92 | 91 |
| Other Councillors' expenses (including Mayor) | 89 | 83 |
| Total | 208 | 200 |

F2 Other relationships

F2-1 Audit fees

| | 2021 \$ '000 | 2020 \$ '000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| 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 | 82 | 47 |
| Remuneration for audit and other assurance services | 82 | 47 |
| Total Auditor-General remuneration | 82 | 47 |
| Non NSW Auditor-General audit firms | | |
| Total audit fees | 82 | 47 |

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

| | 2021 \$ '000 | 2020 \$ '000 |
|-----------------------------------------------------------------------------------------------|-----------------|-----------------|
| Net operating result from Income Statement | 8,662 | 2,544 |
| Adjust for non-cash items: | | |
| Depreciation and amortisation | 3,858 | 3,728 |
| Net losses/(gains) on disposal of assets | 500 | 93 |
| Adoption of AASB 15/1058 | – | (524) |
| Unwinding of discount rates on reinstatement provisions | 5 | 42 |
| +/- Movement in operating assets and liabilities and other cash items: | | |
| Decrease/(increase) in receivables | (2,168) | 2,781 |
| Increase/(decrease) in provision for impairment of receivables | – | 6 |
| Decrease/(increase) in inventories | 54 | 99 |
| Decrease/(increase) in contract assets | (2,071) | (3,058) |
| Increase/(decrease) in payables | 851 | (71) |
| Increase/(decrease) in other accrued expenses payable | 14 | (83) |
| Increase/(decrease) in other liabilities | 5 | (127) |
| Increase/(decrease) in contract liabilities | 1,360 | 1,209 |
| Increase/(decrease) in provision for employee benefits | (105) | 40 |
| Increase/(decrease) in other provisions | 723 | (27) |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | 11,688 | 6,652 |

G2-1 Commitments

Capital commitments (exclusive of GST)

| | 2021 \$ '000 | 2020 \$ '000 |
|------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Buildings and Other Structures | 3 | 14 |
| Plant and equipment | – | 180 |
| Other Structures | 96 | 20 |
| Roads | 524 | 420 |
| Other Assets | 21 | 65 |
| Water Services | 18 | 999 |
| Sewer Services | 37 | 51 |
| Other | – | 97 |
| Total commitments | 699 | 1,846 |
| These expenditures are payable as follows: | | |
| Within the next year | 699 | 1,846 |
| Total payable | 699 | 1,846 |
| Sources for funding of capital commitments: | | |
| Unrestricted general funds | 38 | 142 |
| Future grants and contributions | 537 | 1,201 |
| Externally restricted reserves | 124 | 323 |
| Internally restricted reserves | – | 180 |
| Total sources of funding | 699 | 1,846 |

Details of capital commitments

To fund plant purchases and capital works in progress as at 30 June 2020.

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 Correction of errors

Nature of prior-period error

As a result of stock take performed on gravel quarries in June 2021, it was found out that the value of quarry stock was overstated due to errors in formula used in the previous stock count in May 2019. The value of the error is \$238 thousand.

The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus at that date.

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

Changes to the opening Statement of Financial Position at 1 July 2019

Statement of Financial Position

| | Original Balance 1 July, 2019 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 1 July, 2019 \$ '000 |
|--------------------------|------------------------------------------------|----------------------------------------------|------------------------------------------------|
| Inventories | 751 | (238) | 513 |
| Total assets | 428,470 | (238) | 428,232 |
| Total liabilities | 6,781 | – | 6,781 |
| Accumulated surplus | 158,840 | (238) | 158,602 |
| Total equity | 421,689 | (238) | 421,451 |

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

Statement of Financial Position

| | Original Balance 30 June, 2020 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2020 \$ '000 |
|--------------------------|-------------------------------------------------|----------------------------------------------|-------------------------------------------------|
| Inventories | 652 | (238) | 414 |
| Total assets | 427,115 | (238) | 426,877 |
| Total liabilities | 8,107 | – | 8,107 |
| Accumulated surplus | 160,860 | (238) | 160,622 |
| Total equity | 419,008 | (238) | 418,770 |

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

| | Opening balance at 1 July 2020 \$ '000 | Contributions received during the year | | Interest and investment income earned \$ '000 | Amounts expended \$ '000 | Internal borrowings \$ '000 | Held as restricted asset at 30 June 2021 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|--------------------------------------------------|-------------------------------------------------|-------------------------------------------|---------------------|--------------------------------------------------------|--------------------------------|-----------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------|
| | | Cash \$ '000 | Non-cash \$ '000 | | | | | |
| Roads | 21 | - | - | - | - | - | 21 | - |
| S7.11 contributions – under a plan | 21 | - | - | - | - | - | 21 | - |
| Total S7.11 and S7.12 revenue under plans | 21 | - | - | - | - | - | 21 | - |
| Total contributions | 21 | - | - | - | - | - | 21 | - |

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G5-2 Developer contributions by plan

| | Opening balance at 1 July 2020 \$ '000 | Contributions received during the year | | Interest and investment income earned \$ '000 | Amounts expended \$ '000 | Internal borrowings \$ '000 | Held as restricted asset at 30 June 2021 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|-----------------------------------|-------------------------------------------------|-------------------------------------------|---------------------|--------------------------------------------------------|--------------------------------|-----------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------|
| | | Cash \$ '000 | Non-cash \$ '000 | | | | | |
| CONTRIBUTION PLAN NUMBER 1 | | | | | | | | |
| Roads | 21 | - | - | - | - | - | 21 | - |
| Total | 21 | - | - | - | - | - | 21 | - |

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2021 | Indicator 2021 | 2020 | Prior periods 2019 | 2018 | Benchmark |
|----------------------------------------------------------------------------------------------------------------------|-----------------|-------------------|--------|-----------------------|--------|-----------|
| 1. Operating performance ratio | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | (163) | (0.85)% | 1.37% | (4.41)% | 7.45% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 19,086 | | | | | |
| 2. Own source operating revenue ratio | | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 12,382 | 43.58% | 53.04% | 52.77% | 59.12% | >60.00% |
| Total continuing operating revenue | 28,411 | | | | | |
| 3. Unrestricted current ratio | | | | | | |
| Current assets less all external restrictions | 10,269 | 2.85x | 3.19x | 3.96x | 6.48x | >1.50x |
| Current liabilities less specific purpose liabilities | 3,597 | | | | | |
| 4. Debt service cover ratio | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 3,721 | 22.02x | 19.04x | 17.97x | 24.74x | >2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 169 | | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | | |
| Rates and annual charges outstanding | 264 | 4.90% | 3.80% | 3.54% | 3.43% | <10.00% |
| Rates and annual charges collectable | 5,387 | | | | | |
| 6. Cash expense cover ratio | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 5,576 | 4.78 | 6.00 | 7.25 | 9.65 | >3.00 |
| Monthly payments from cash flow of operating and financing activities | 1,166 | mths | 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

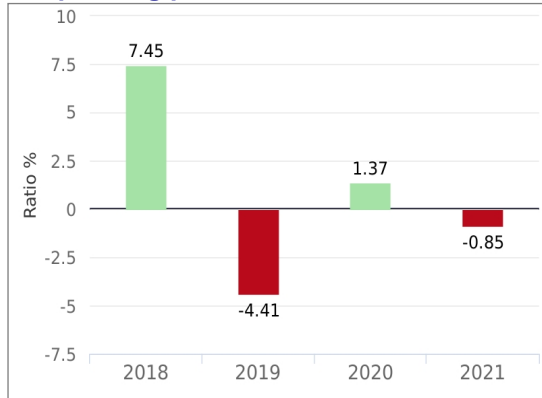
G6-2 Statement of performance measures by fund

| \$ '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} | (0.04)% | 2.79% | (14.34)% | (24.27)% | (9.68)% | (1.45)% | >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 | 42.40% | 51.29% | 48.38% | 67.55% | 87.24% | 85.87% | >60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 2.85x | 3.19x | 36.00x | 3.65x | ∞ | ∞ | >1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 20.72x | 18.24x | 53.75x | 29.00x | ∞ | ∞ | >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 | 5.62% | 4.34% | 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 | 4.56 | 5.94 | 1.23 | 2.32 | 17.92 | 16.25 | >3.00 |
| Monthly payments from cash flow of operating and financing activities | mths | mths | mths | mths | mths | mths | mths |

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 (0.85)%

Council slipped just below the benchmark in 2020/21.

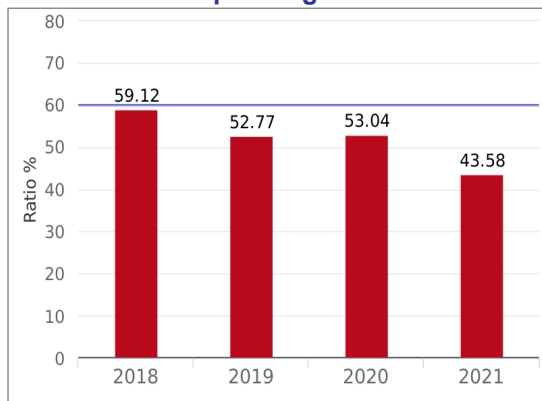
Benchmark: — > 0.00%

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 43.58%

This ratio is lower again in 2020/21 due to continuing high levels of grant funding arising from Drought, Bushfire & COVID recovery programmes.

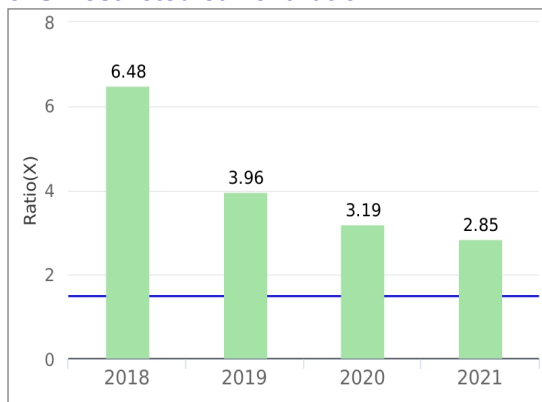
Benchmark: — > 60.00%

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 2.85x

This ratio continues its downward trend and needs to be managed carefully.

Benchmark: — > 1.50x

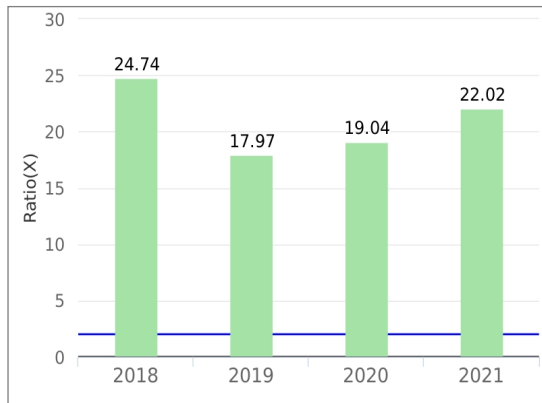
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 22.02x

Council is very well placed to take on new borrowings to fund infrastructure renewals.

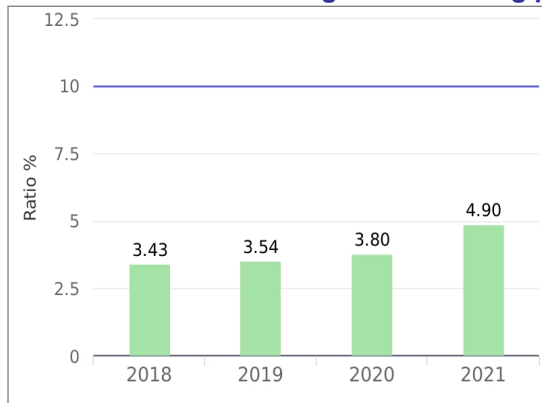
Benchmark: — > 2.00x

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 4.90%

This ratio is a little higher in 2002/2021 but well within the benchmark for a rural council.

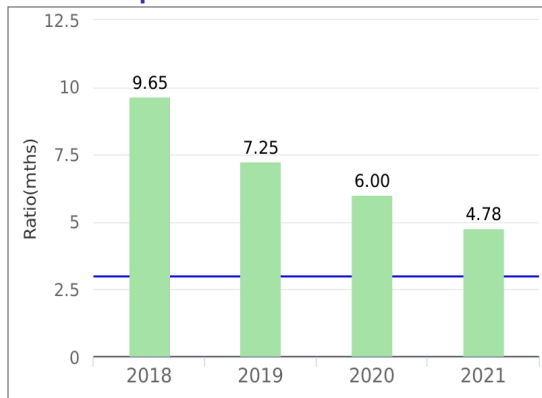
Benchmark: — < 10.00%

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 4.78 mths

While still above the benchmark, the downward trend of this ratio indicates that Council needs to manage its cashflow.

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:

2W Hamilton Street
Walcha NSW 2354

Contact details

Mailing Address:

PO Box 2
Walcha NSW 2354

Telephone: 02 6774 2500

Facsimile: 02 6777 1181

Opening hours:

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

Internet: www.walcha.nsw.gov.au

Email: council@walcha.nsw.gov.au

Officers

General Manager

Barry Omundson

Responsible Accounting Officer

Christian Martin

Auditors

Audit Office NSW
Level 19, Darling Park Tower 2
201 Sussex St
Sydney NSW 2000

Elected members

Mayor

Clr Eric Noakes

Councillors

Clr Peter Blomfield
Clr Kevin Ferrier
Clr Bill Heazlett
Clr Jennifer Kealey
Clr Scott Kermode
Clr Clint Lyon
Clr Rachael Wellings

Other information

ABN: 24 780 320 847

Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2021

Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2021

Walcha Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Walcha Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Walcha 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 29 September 2021.

Clr Eric Noakes
Mayor
29 September 2021

Clr Jennifer Kealey
Deputy Mayor
29 September 2021

Barry Omundson
General Manager
29 September 2021

Christian Martin
Responsible Accounting Officer
29 September 2021

Walcha Council

Income Statement of water supply business activity

for the year ended 30 June 2021

| | 2021 \$ '000 | 2020 \$ '000 |
|----------------------------------------------------------------------------|-----------------|-----------------|
| Income from continuing operations | | |
| Access charges | 367 | 314 |
| User charges | 383 | 350 |
| Fees | 15 | 14 |
| Interest | 3 | 6 |
| Grants and contributions provided for non-capital purposes | – | 168 |
| Other income | 6 | 1 |
| Total income from continuing operations | 774 | 853 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 226 | 263 |
| Borrowing costs | 4 | 4 |
| Materials and services | 214 | 336 |
| Depreciation, amortisation and impairment | 322 | 319 |
| Other expenses | 119 | 138 |
| Total expenses from continuing operations | 885 | 1,060 |
| Surplus (deficit) from continuing operations before capital amounts | (111) | (207) |
| Grants and contributions provided for capital purposes | 826 | 161 |
| Surplus (deficit) from continuing operations after capital amounts | 715 | (46) |
| Surplus (deficit) from all operations before tax | 715 | (46) |
| Surplus (deficit) after tax | 715 | (46) |
| Plus accumulated surplus | 6,035 | 6,081 |
| Closing accumulated surplus | 6,750 | 6,035 |
| Return on capital % | (0.6)% | (1.2)% |
| Subsidy from Council | 375 | 354 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 715 | (46) |
| Less: capital grants and contributions (excluding developer contributions) | (826) | (161) |
| Surplus for dividend calculation purposes | – | – |
| Potential dividend calculated from surplus | – | – |

Walcha Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

| | 2021 \$ '000 | 2020 \$ '000 |
|----------------------------------------------------------------------------|-----------------|-----------------|
| Income from continuing operations | | |
| Access charges | 322 | 322 |
| Liquid trade waste charges | 120 | 115 |
| Fees | 15 | 13 |
| Interest | 4 | 9 |
| Grants and contributions provided for non-capital purposes | – | 21 |
| Other income | 4 | 3 |
| Total income from continuing operations | 465 | 483 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 148 | 172 |
| Materials and services | 186 | 153 |
| Depreciation, amortisation and impairment | 133 | 134 |
| Other expenses | 43 | 31 |
| Total expenses from continuing operations | 510 | 490 |
| Surplus (deficit) from continuing operations before capital amounts | (45) | (7) |
| Grants and contributions provided for capital purposes | 68 | 55 |
| Surplus (deficit) from continuing operations after capital amounts | 23 | 48 |
| Surplus (deficit) from all operations before tax | 23 | 48 |
| Surplus (deficit) after tax | 23 | 48 |
| Plus accumulated surplus | 3,416 | 3,368 |
| Plus adjustments for amounts unpaid: | | |
| Closing accumulated surplus | 3,439 | 3,416 |
| Return on capital % | (0.4)% | (0.1)% |
| Subsidy from Council | 198 | 96 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 23 | 48 |
| Less: capital grants and contributions (excluding developer contributions) | (68) | (55) |
| Surplus for dividend calculation purposes | – | – |
| Potential dividend calculated from surplus | – | – |

Walcha Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

| | 2021 \$ '000 | 2020 \$ '000 |
|-----------------------------------------------|-----------------|-----------------|
| ASSETS | | |
| Current assets | | |
| Contract assets and contract cost assets | 244 | 274 |
| Cash and cash equivalents | 58 | 143 |
| Receivables | 58 | 47 |
| Total current assets | 360 | 464 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 17,970 | 17,130 |
| Total non-current assets | 17,970 | 17,130 |
| Total assets | 18,330 | 17,594 |
| LIABILITIES | | |
| Current liabilities | | |
| Contract liabilities | - | 118 |
| Borrowings | 10 | 9 |
| Total current liabilities | 10 | 127 |
| Non-current liabilities | | |
| Borrowings | 56 | 66 |
| Total non-current liabilities | 56 | 66 |
| Total liabilities | 66 | 193 |
| Net assets | 18,264 | 17,401 |
| EQUITY | | |
| Accumulated surplus | 6,750 | 6,035 |
| Revaluation reserves | 11,514 | 11,366 |
| Total equity | 18,264 | 17,401 |

Walcha Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

| | 2021 \$ '000 | 2020 \$ '000 |
|-----------------------------------------------|-----------------|-----------------|
| ASSETS | | |
| Current assets | | |
| Contract assets and contract cost assets | 76 | 147 |
| Cash and cash equivalents | 563 | 482 |
| Receivables | 44 | 34 |
| Total current assets | 683 | 663 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 10,235 | 10,144 |
| Total non-current assets | 10,235 | 10,144 |
| Total assets | 10,918 | 10,807 |
| Net assets | 10,918 | 10,807 |
| EQUITY | | |
| Accumulated surplus | 3,439 | 3,416 |
| Revaluation reserves | 7,479 | 7,391 |
| Total equity | 10,918 | 10,807 |

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)

Nil

Category 2

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

1. Walcha Council Combined Water Supplies

Comprising the operations and net assets of the water supply systems servicing the town of Walcha.

2. Walcha Council Sewerage Service

Comprising the operations and net assets of the sewer reticulation and treatment system servicing the town of Walcha.

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 – **26%** (19/20 27.5%)

Note – Significant Accounting Policies (continued)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

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

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

Achievement of substantial compliance to the DPIE – 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 26% (19/20 27.5%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the '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 26% is/is not 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 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.

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines

Note – Significant Accounting Policies (continued)

and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to DPIE – Water.

Walcha Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Walcha Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Walcha Council

Special Schedules

for the year ended 30 June 2021

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Report on infrastructure assets as at 30 June 2021

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Walcha Council

Permissible income for general rates

| | Notes | Calculation 2020/21 \$ '000 | Calculation 2021/22 \$ '000 |
|---------------------------------------------------------|---------------------------|-----------------------------------|-----------------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 3,485 | 3,598 |
| Notional general income | $c = a + b$ | 3,485 | 3,598 |
| Permissible income calculation | | | |
| Or rate peg percentage | e | 2.60% | 2.00% |
| Or plus rate peg amount | $i = e \times (c + g)$ | 91 | 72 |
| Sub-total | $k = (c + g + h + i + j)$ | 3,576 | 3,670 |
| Plus (or minus) last year's carry forward total | l | 16 | (6) |
| Sub-total | $n = (l + m)$ | 16 | (6) |
| Total permissible income | $o = k + n$ | 3,592 | 3,664 |
| Less notional general income yield | p | 3,598 | — |
| Catch-up or (excess) result | $q = o - p$ | (7) | 3,664 |
| Carry forward to next year ⁶ | $t = q + r + s$ | (7) | 3,664 |

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.
- (6) 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.

Permissible income for general rates

Permissible income for general rates: PLUS PDF inserted here

Council needs to uplift custom PDF here - please uplift via "PLUS PDF" choice in the Home/TOC screen

Walcha Council

Report on infrastructure assets as at 30 June 2021

| Asset Class | Asset Category | Estimated cost | | 2020/21 Required maintenance ^a | 2020/21 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-------------------------|------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------|----------------------------------|------------------------|------------------------------------|------------------------------------------------------------------|--------------|-------------|-------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | | | | | |
| Buildings | Other | – | – | 16 | – | 505 | 645 | 86.0% | 8.0% | 6.0% | 0.0% | 0.0% |
| | Council Offices / Administration Centres | – | – | 64 | 58 | 893 | 2,008 | 17.0% | 83.0% | 0.0% | 0.0% | 0.0% |
| | Council Works Depot | 37 | 37 | 54 | 45 | 940 | 1,724 | 10.0% | 85.0% | 5.0% | 0.0% | 0.0% |
| | Squash Courts/ Community Gym | – | – | 19 | 26 | 1,166 | 1,438 | 57.0% | 43.0% | 0.0% | 0.0% | 0.0% |
| | Amenities | – | – | 49 | 58 | 1,005 | 1,448 | 14.0% | 86.0% | 0.0% | 0.0% | 0.0% |
| | Library | – | – | 16 | 10 | 319 | 585 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| | Child care | 8 | 8 | 72 | 78 | 1,848 | 2,206 | 57.0% | 43.0% | 0.0% | 0.0% | 0.0% |
| | Specialised Buildings | – | – | 8 | – | 229 | 356 | 18.0% | 76.0% | 0.0% | 4.0% | 2.0% |
| | Swimming Pool | – | – | 17 | 52 | 351 | 610 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Auto Electrician | – | – | 15 | 10 | 152 | 473 | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% |
| | Council House | – | – | 25 | 7 | 558 | 771 | 18.0% | 82.0% | 0.0% | 0.0% | 0.0% |
| Waste Management | – | – | 8 | – | 240 | 300 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| | Sub-total | 45 | 45 | 363 | 344 | 8,206 | 12,564 | 35.5% | 59.6% | 4.8% | 0.1% | 0.1% |
| Other structures | Other structures | – | – | 16 | – | 152 | 245 | 15.0% | 40.0% | 45.0% | 0.0% | 0.0% |
| | Sporting Grounds | – | – | – | – | 336 | 407 | 64.0% | 36.0% | 0.0% | 0.0% | 0.0% |
| | Swimming Pools | – | – | 26 | – | 742 | 1,841 | 1.0% | 99.0% | 0.0% | 0.0% | 0.0% |
| | Waste Management | – | – | 8 | – | 175 | 247 | 50.0% | 0.0% | 50.0% | 0.0% | 0.0% |
| | Council Works Depot | – | – | 4 | – | 115 | 165 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | – | – | 54 | – | 1,520 | 2,905 | 15.1% | 76.8% | 8.0% | 0.0% | 0.0% |

Walcha Council

Report on infrastructure assets as at 30 June 2021 (continued)

| Asset Class | Asset Category | Estimated cost | | 2020/21 Required maintenance ^a | 2020/21 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-----------------------------|--------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------|------------------------|------------------------------------|------------------------------------------------------------------|--------------|--------------|-------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | | | | | |
| Roads | Roads | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sealed roads – Surface | 115 | 115 | 718 | 453 | 9,787 | 13,451 | 52.0% | 38.0% | 7.0% | 1.0% | 2.0% |
| | Unsealed roads | 1,939 | 1,939 | 1,734 | 886 | 12,722 | 15,638 | 15.0% | 33.0% | 20.0% | 32.0% | 0.0% |
| | Other road assets (incl. bulk earth works) | 3,487 | 3,487 | 525 | 267 | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sealed roads – Structure | 518 | 518 | 293 | 10 | 71,455 | 86,806 | 34.0% | 36.0% | 13.0% | 12.0% | 5.0% |
| | Bridges | 5,505 | 5,505 | 394 | – | 16,260 | 25,681 | 33.0% | 19.0% | 42.0% | 5.0% | 1.0% |
| | Culverts | 15 | 15 | 21 | 22 | 19,269 | 39,415 | 29.0% | 1.0% | 70.0% | 0.0% | 0.0% |
| | Footpaths | – | – | 4 | 36 | 1,712 | 2,113 | 49.0% | 40.0% | 9.0% | 2.0% | 0.0% |
| | Other road assets | 108 | 108 | 44 | 7 | 135 | 231 | 27.0% | 68.0% | 5.0% | 0.0% | 0.0% |
| | Kerb & Gutter | – | – | – | – | 2,853 | 4,411 | 14.0% | 61.0% | 19.0% | 7.0% | (1.0%) |
| | Bulk earthworks | – | – | – | – | 227,460 | 227,460 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Other | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 11,687 | 11,687 | 3,733 | 1,681 | 361,653 | 415,206 | 69.3% | 12.2% | 13.2% | 4.1% | 1.2% |
| Water supply network | Mains | – | – | 141 | 54 | 7,713 | 9,079 | 10.0% | 88.0% | 2.0% | 0.0% | 0.0% |
| | Reservoirs | – | – | 36 | 24 | 1,699 | 3,079 | 3.0% | 46.0% | 51.0% | 0.0% | 0.0% |
| | Pumping Stations | – | – | 21 | 75 | 298 | 436 | 29.0% | 31.0% | 40.0% | 0.0% | 0.0% |
| | Treatment | 124 | 124 | 144 | 264 | 5,970 | 9,159 | 38.0% | 27.0% | 31.0% | 4.0% | 0.0% |
| | Meters | – | – | 7 | – | 92 | 119 | 29.0% | 71.0% | 0.0% | 0.0% | 0.0% |
| | Connections | – | – | 12 | – | 688 | 948 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| | Other | – | – | – | – | 2 | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 124 | 124 | 361 | 417 | 16,462 | 22,820 | 20.3% | 57.2% | 20.9% | 1.6% | 0.0% |
| Sewerage network | Mains | 50 | 50 | 95 | 20 | 6,687 | 8,031 | 3.0% | 87.0% | 8.0% | 2.0% | 0.0% |
| | Pumping Stations | 30 | 30 | 17 | 41 | 652 | 819 | 11.0% | 83.0% | 6.0% | 0.0% | 0.0% |
| | Treatment | 22 | 22 | 35 | 184 | 2,296 | 3,627 | 36.0% | 36.0% | 26.0% | 2.0% | 0.0% |
| | Other | – | – | – | – | (1) | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 102 | 102 | 147 | 245 | 9,634 | 12,477 | 13.1% | 71.9% | 13.1% | 1.9% | 0.0% |

Walcha Council

Report on infrastructure assets as at 30 June 2021 (continued)

| Asset Class | Asset Category | Estimated cost | | 2020/21 Required maintenance ^a | 2020/21 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|------------------------|---------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------|----------------------------------|------------------------|------------------------------------|------------------------------------------------------------------|--------------|--------------|-------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | | | | | |
| Stormwater drainage | Stormwater drainage | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Stormwater conduits | – | – | 62 | 41 | 3,933 | 6,209 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| | Inlet & junction pits | – | – | 3 | – | 178 | 273 | 6.0% | 94.0% | 0.0% | 0.0% | 0.0% |
| | Head walls | – | – | 1 | – | 34 | 55 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| | Outfall structures | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Levees | – | – | 38 | 380 | 3,804 | 3,804 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Other | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | – | – | 104 | 421 | 7,949 | 10,341 | 36.9% | 63.1% | 0.0% | 0.0% | 0.0% |
| | Total – all assets | 11,958 | 11,958 | 4,762 | 3,108 | 405,424 | 476,313 | 63.6% | 18.6% | 13.0% | 3.7% | 1.0% |

(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 |

Walcha Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2021 | Indicator 2021 | 2020 | Prior periods 2019 | 2018 | Benchmark |
|--------------------------------------------------------------------------|-----------------|-------------------|--------|-----------------------|---------|-----------|
| Buildings and infrastructure renewals ratio | | | | | | |
| Asset renewals ¹ | 7,583 | | | | | |
| Depreciation, amortisation and impairment | 3,085 | 245.80% | 73.15% | 132.98% | 103.52% | >=100.00% |
| Infrastructure backlog ratio | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 11,958 | | | | | |
| Net carrying amount of infrastructure assets | 410,626 | 2.91% | 4.29% | 4.67% | 4.05% | <2.00% |
| Asset maintenance ratio | | | | | | |
| Actual asset maintenance | 3,108 | | | | | |
| Required asset maintenance | 4,762 | 65.27% | 67.35% | 104.45% | 112.72% | >100.00% |
| Cost to bring assets to agreed service level | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 11,958 | | | | | |
| Gross replacement cost | 476,313 | 2.51% | 3.70% | 3.62% | 2.80% | |

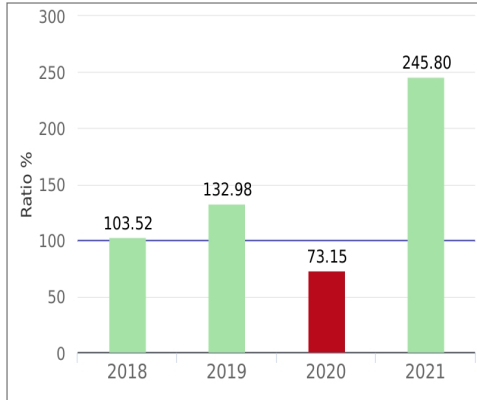
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Walcha Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

| Commentary on result | |
|----------------------|---------|
| 20/21 ratio | 245.80% |

The large increase in this ratio is due to \$1.2M of work in progress from 2020 being completed in the current year along with \$9M of current year capitalised works.

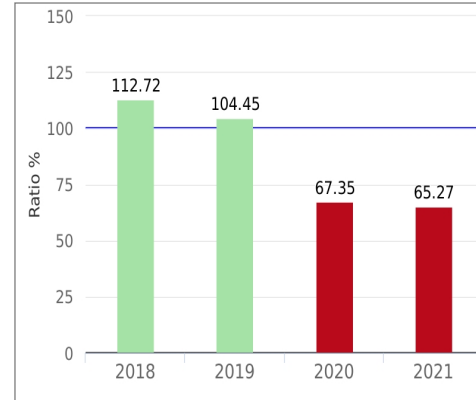
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

| Commentary on result | |
|----------------------|--------|
| 20/21 ratio | 65.27% |

Due to the increase of asset renewal projects, less time was spent on maintenance.

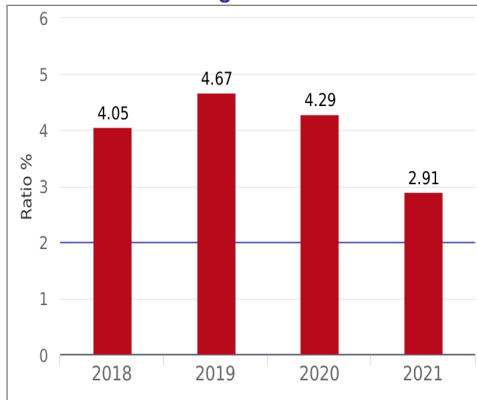
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

| Commentary on result | |
|----------------------|-------|
| 20/21 ratio | 2.91% |

The infrastructure backlog ratio has seen a substantial decrease since last year due to an increase in grant funded renewal projects.

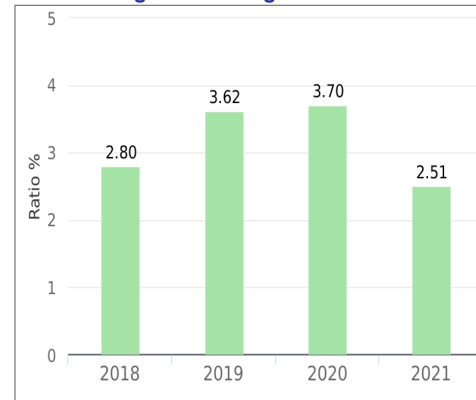
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

| Commentary on result | |
|----------------------|-------|
| 20/21 ratio | 2.51% |

This ratio has decreased substantially due to a large amount of renewal work on assets in a poor condition.

Walcha 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 | 287.45% | 81.58% | 0.00% | 22.86% | 0.00% | 27.91% | >=100.00% |
| Infrastructure backlog ratio | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | | | | | | | |
| Net carrying amount of infrastructure assets | 3.05% | 4.26% | 0.75% | 4.93% | 1.06% | 4.66% | <2.00% |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | | | | | | | |
| Required asset maintenance | 57.50% | 58.84% | 115.51% | 137.67% | 166.67% | 140.82% | >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 | 2.66% | 3.70% | 0.54% | 3.62% | 0.82% | 3.65% | |

(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.