

Gwydir Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

33 Miatland Street
Bingara NSW 2404

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.gwydir.nsw.gov.au.

Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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:

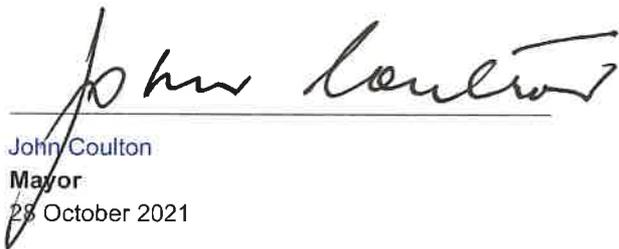
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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.

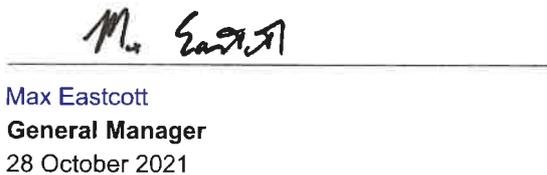
Signed in accordance with a resolution of Council made on 28 October 2021.



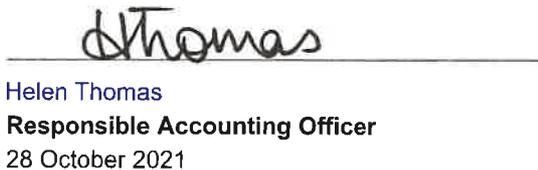
John Coulton
Mayor
28 October 2021



Catherine Egan
Councillor
28 October 2021



Max Eastcott
General Manager
28 October 2021



Helen Thomas
Responsible Accounting Officer
28 October 2021

Gwydir Shire Council

Income Statement

for the year ended 30 June 2021

<i>Original unaudited budget 2021 \$ '000</i>		Notes	<i>Actual 2021 \$ '000</i>	<i>Actual 2020 \$ '000</i>
	Income from continuing operations			
10,841	Rates and annual charges	B2-1	11,074	10,548
2,861	User charges and fees	B2-2	5,828	3,467
855	Other revenue	B2-3	3,810	4,147
12,790	Grants and contributions provided for operating purposes	B2-4	10,656	10,332
5,627	Grants and contributions provided for capital purposes	B2-4	4,036	2,869
93	Interest and investment income	B2-5	147	153
–	Other income	B2-6	317	2,315
166	Net gains from the disposal of assets	B4-1	–	–
33,233	Total income from continuing operations		35,868	33,831
	Expenses from continuing operations			
13,961	Employee benefits and on-costs	B3-1	12,781	12,366
9,058	Materials and services	B3-2	10,411	8,378
428	Borrowing costs	B3-3	521	632
7,673	Depreciation, amortisation and impairment for non-financial assets	B3-4	8,566	8,259
2,977	Other expenses	B3-5	832	533
–	Net losses from the disposal of assets	B4-1	172	2,576
34,097	Total expenses from continuing operations		33,283	32,744
(864)	Operating result from continuing operations		2,585	1,087
(864)	Net operating result for the year attributable to Council		2,585	1,087
(6,491)	Net operating result for the year before grants and contributions provided for capital purposes		(1,451)	(1,782)

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

Gwydir Shire 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		2,585	1,087
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	(31)	1,937
Impairment loss relating to infrastructure, property, plant and equipment	C1-7	(6,663)	–
Total items which will not be reclassified subsequently to the operating result		(6,694)	1,937
Total other comprehensive income for the year		(6,694)	1,937
Total comprehensive income for the year attributable to Council		(4,109)	3,024

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

Gwydir Shire Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	8,109	3,936
Investments	C1-2	8,550	7,631
Receivables	C1-4	1,740	2,549
Inventories	C1-5	843	798
Contract assets and contract cost assets	C1-6	391	921
Other		–	39
Total current assets		19,633	15,874
Non-current assets			
Infrastructure, property, plant and equipment	C1-7	407,213	412,087
Total non-current assets		407,213	412,087
Total assets		426,846	427,961
LIABILITIES			
Current liabilities			
Payables	C3-1	3,038	3,645
Contract liabilities	C3-2	6,208	1,571
Borrowings	C3-3	1,125	1,180
Employee benefit provisions	C3-4	2,909	2,853
Total current liabilities		13,280	9,249
Non-current liabilities			
Borrowings	C3-3	5,987	7,085
Employee benefit provisions	C3-4	108	106
Provisions	C3-5	3,857	3,798
Total non-current liabilities		9,952	10,989
Total liabilities		23,232	20,238
Net assets		403,614	407,723
EQUITY			
Accumulated surplus		280,690	278,105
IPPE revaluation reserve	C4-1	122,924	129,618
Council equity interest		403,614	407,723
Total equity		403,614	407,723

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

Gwydir Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	as at 30/06/21			as at 30/06/20		
	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July	278,105	129,618	407,723	277,731	127,681	405,412
Changes due to AASB 1058 and AASB 15 adoption	-	-	-	(713)	-	(713)
Net operating result for the year	2,585	-	2,585	1,087	-	1,087
Restated net operating result for the period	2,585	-	2,585	1,087	-	1,087
Other comprehensive income						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	-	(31)	(31)	-	1,937	1,937
- Impairment loss relating to IPP&E	-	(6,663)	(6,663)	-	-	-
Other comprehensive income	-	(6,694)	(6,694)	-	1,937	1,937
Total comprehensive income	2,585	(6,694)	(4,109)	1,087	1,937	3,024
Closing balance at 30 June	280,690	122,924	403,614	278,105	129,618	407,723

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

Gwydir Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

<i>Original unaudited budget 2021 \$ '000</i>		Notes	<i>Actual 2021 \$ '000</i>	<i>Actual 2020 \$ '000</i>
Cash flows from operating activities				
<i>Receipts:</i>				
10,740	Rates and annual charges		10,935	10,590
2,468	User charges and fees		5,928	3,462
150	Investment and interest revenue received		189	146
17,389	Grants and contributions		19,778	13,475
–	Bonds, deposits and retention amounts received		7	5
1,100	Other		6,924	5,028
<i>Payments:</i>				
(12,780)	Employee benefits and on-costs		(13,200)	(12,267)
(9,053)	Materials and services		(10,165)	(8,134)
(520)	Borrowing costs		(472)	(581)
(1,100)	Other		(3,121)	(2,282)
8,394	Net cash flows from operating activities	G1-1	16,803	9,442
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		12,000	12,975
300	Sale of infrastructure, property, plant and equipment		160	495
<i>Payments:</i>				
–	Purchase of investment securities		(12,919)	(12,000)
(14,281)	Purchase of infrastructure, property, plant and equipment		(10,718)	(9,488)
(13,981)	Net cash flows from investing activities		(11,477)	(8,018)
Cash flows from financing activities				
<i>Payments:</i>				
(1,218)	Repayment of borrowings		(1,153)	(1,275)
(1,218)	Net cash flows from financing activities		(1,153)	(1,275)
(6,805)	Net change in cash and cash equivalents		4,173	149
3,500	Cash and cash equivalents at beginning of year		3,936	3,787
(3,305)	Cash and cash equivalents at end of year	C1-1	8,109	3,936
8,700	plus: Investments on hand at end of year	C1-2	8,550	7,631
5,395	Total cash, cash equivalents and investments		16,659	11,567

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

Gwydir Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7.
- (ii) estimated tip remediation provisions – refer Note C3-5.
- (iii) employee benefit provisions – refer Note C3-4.

Covid 19 Impacts

During the 2021 financial year, Covid-19 ('COVID') has continued to cause a disruption to Council's business practices with a number of staff working remotely from home or at other Council facilities away from the main administration building when required. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Some additional costs have been incurred in cleaning of council facilities.

Rate collections are similar to the previous years, as detailed in Note C1-4. Other receivables have not been impacted.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to Covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to Covid.

For assets where fair value is determined by market value Council has no evidence of material changes to these values.

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

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
- Waste management
- Naroo Aged Care

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 properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for the community transport program, Aged Care, events and information centres. The value of these services cannot be reliably measured and as such have not been included within the financials.

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.

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:

A1-1 Basis of preparation (continued)

- 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 these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Functions or activities										
Social	3,972	3,968	4,849	4,776	(877)	(808)	2,263	2,380	20,230	19,641
Economic	10,329	9,639	12,151	10,433	(1,822)	(794)	6,233	4,772	314,874	320,958
Environment	2,828	3,294	3,202	3,137	(374)	157	316	432	21,980	22,065
Civic Leadership	796	777	1,452	1,662	(656)	(885)	-	-	5,794	5,925
Governance	17,943	16,153	11,629	12,736	6,314	3,417	5,880	5,617	63,968	59,372
Total functions and activities	35,868	33,831	33,283	32,744	2,585	1,087	14,692	13,201	426,846	427,961

B1-2 Components of functions or activities

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

Social

Includes aged and disability services, social services, library, emergency services, parks and urban spaces, public health.

Economic

Includes Gwydir Learning Region, shire roads, asset management, sewerage services, marketing & promotion.

Environment

Includes development and land use management, water supply, environmental protection, waste operations and circular economy.

Civic Leadership

Includes organisational development & recreational facilities.

Governance

Includes technical services, governance, financial operations, information services, compliance, town utilities and plant operations.

B2 Sources of income

B2-1 Rates and annual charges

	Timing	2021 \$ '000	2020 \$ '000
Ordinary rates			
Residential	2	1,317	1,256
Farmland	2	6,588	6,400
Business	2	330	264
Less: pensioner rebates (mandatory)	2	(94)	(92)
Rates levied to ratepayers		8,141	7,828
Pensioner rate subsidies received	2	51	49
Total ordinary rates		8,192	7,877
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	2	523	569
Stormwater management services	2	39	36
Water supply services	2	797	685
Sewerage services	2	673	626
Waste management services (non-domestic)	2	916	823
Less: pensioner rebates (mandatory)	2	(144)	(148)
Annual charges levied		2,804	2,591
Pensioner subsidies received:			
– Water	2	24	24
– Sewerage	2	20	20
– Domestic waste management	2	34	36
Total annual charges		2,882	2,671
Total rates and annual charges		11,074	10,548
Timing of revenue recognition for rates and annual charges			
Rates and annual charges recognised at a point in time (2)		11,074	10,548
Total rates and annual charges		11,074	10,548

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts. 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 and are recognised within the underlying revenue item based on their substance.

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

B2-2 User charges and fees

	<i>Timing</i>	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	530	578
Sewerage services	1	53	62
Total specific user charges		583	640
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	7	5
Planning and building regulation	2	71	69
Private works – section 67	1	168	277
Registration fees	2	7	7
Section 603 certificates	2	15	9
Total fees and charges – statutory/regulatory		268	367
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan park	2	329	184
Cemeteries	2	52	42
Child care	2	1	3
Park rents	2	5	6
Transport for NSW works (state roads not controlled by Council)	1	4,147	1,832
Tourism	2	1	6
Gwydir learning region	2	79	55
Home and community care / community transport	2	95	85
Pre-school services	2	183	149
Roxy theatre	2	16	20
Community fitness	2	22	30
Other	2	47	48
Total fees and charges – other		4,977	2,460
Total user charges and fees		5,828	3,467
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		4,898	2,749
User charges and fees recognised at a point in time (2)		930	718
Total user charges and fees		5,828	3,467

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
Fines – other	2	4	10
Legal fees recovery – rates and charges (extra charges)	2	–	10
Commissions and agency fees	2	112	119
Diesel rebate	2	120	98
Insurance claims recoveries	2	1	24
Sales – general	2	80	57
Emergency services reimbursements	2	67	123
Employee related	2	99	82
Festivals	2	2	12
Medical centres	2	–	6
Naroo	1	3,028	2,690
Sewer operations	2	2	1
Waste management revenues	2	12	69
Tourism	2	42	31
Insurance Incentives	2	36	60
Water supplies	2	6	8
Companion Animals Reimbursement	2	15	12
Advertising Income	2	73	92
Container Deposit reimbursement	2	42	53
Namoi Joint Organisation reimbursement	2	27	40
Road Asset Reconciliation		–	506
Other	2	42	44
Total other revenue		3,810	4,147

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	3,028	2,690
Other revenue recognised at a point in time (2)	782	1,457
Total other revenue	3,810	4,147

Accounting policy for other revenue

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

Statutory fees 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.

Fines are recognised as revenue when the fine is paid.

B2-4 Grants and contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	<i>Timing</i>				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	2,398	2,301	-	-
Payment in advance - future year allocation					
Financial assistance	2	2,570	2,439	-	-
Amount recognised as income during current year					
		4,968	4,740	-	-
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	1	-	-	54	-
Sewerage services	1	-	-	50	-
Aged care	1	-	-	329	88
Child care	2	22	28	-	-
Community care	2	316	345	-	-
Community centres	2	-	49	-	-
Economic development	1	92	8	-	-
Employment and training programs	2	16	22	-	-
Environmental programs	2	20	-	-	-
Library	2	85	75	-	-
Noxious weeds	1	108	70	-	-
NSW rural fire services	1	348	239	-	-
Recreation and culture	2	18	15	211	185
Family first – DOCS	2	-	104	-	-
Dept of Communities & Justice programs	2	164	-	-	-
Street lighting	2	21	21	-	-
Preschool	2	322	293	-	-
Tharawonga operational	2	373	404	-	-
Transport (3x3, flood works, roads to recovery)	1	1,773	1,773	-	-
Drought Communities	1	29	200	565	49
Stronger Country Communities - Council Projects	1	-	-	272	1,183
Stronger Country Communities - Community Projects	1	189	180	-	-
Big River Dreaming	2	-	50	587	254
Caravan Park	1	-	-	148	-
Planning Portal	2	-	-	-	-
Local roads and community infrastructure	1	-	-	523	-
Transport (other roads and bridges funding)	1	-	-	596	833
Showground stimulus	1	-	-	53	-
Other specific grants	2	80	4	257	-
Transport for NSW contributions (regional roads, block grant)	1	1,671	1,671	296	-
Tourism	2	9	-	1	-
Other contributions	2	32	38	1	-
Community services	2	-	3	-	-
Self help roadwork contributions	1	-	-	-	82
Total special purpose grants and non-developer contributions – cash		5,688	5,592	3,943	2,674
Total special purpose grants and non-developer contributions (tied)		5,688	5,592	3,943	2,674
Total grants and non-developer contributions		10,656	10,332	3,943	2,674

B2-4 Grants and contributions (continued)

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	<i>Timing</i>				
Comprising:					
– Commonwealth funding		7,476	7,330	3,259	684
– State funding		1,497	2,961	383	1,908
– Other funding		1,683	41	301	82
		10,656	10,332	3,943	2,674

Developer contributions

			Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	<i>Notes</i>	<i>Timing</i>				
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services			–	–	93	195
		2	–	–	93	195
Total developer contributions – cash			–	–	93	195
Total developer contributions			–	–	93	195
Total contributions			–	–	93	195
Total grants and contributions			10,656	10,332	4,036	2,869

Timing of revenue recognition for grants and contributions

Grants and contributions recognised over time (1)			4,210	4,141	2,886	2,235
Grants and contributions recognised at a point in time (2)			6,446	6,191	1,150	634
Total grants and contributions			10,656	10,332	4,036	2,869

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:

	<i>Operating</i> 2021 \$ '000	<i>Operating</i> 2020 \$ '000	<i>Capital</i> 2021 \$ '000	<i>Capital</i> 2020 \$ '000
Unspent grants				
Unspent funds at 1 July	408	390	25	856
Add: operating grants recognised as income in the current period but not yet spent	359	198	–	25
Add: Funds received and not recognised as revenue in the current year	194	–	6,014	–
Less: grants recognised in a previous reporting period now spent	(408)	(180)	(25)	(856)
Unspent funds at 30 June	553	408	6,014	25
Contributions				
Unspent funds at 1 July	–	–	291	262
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	92	291
Add: contributions received and not recognised as revenue in the current year	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(28)	(262)
Unspent contributions at 30 June	–	–	355	291

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include milestones within AASB 15 grants. 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.

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

B2-4 Grants and contributions (continued)

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)	16	21
– Cash and investments	45	57
Distribution income relating to investments held at fair value through profit and loss	86	75
Total interest and investment income (losses)	147	153
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	14	11
General Council cash and investments	46	49
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	4	3
Water fund operations	10	11
Sewerage fund operations	35	36
Domestic waste management operations	38	43
Total interest and investment income	147	153

Accounting policy

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

B2-6 Other income

	Notes	2021 \$ '000	2020 \$ '000
Reversal of revaluation decrements on IPPE previously expensed			
Infrastructure assets		–	1,986
Total gross reversal of revaluation decrements on IPPE previously expensed		–	1,986
Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement	C1-7	–	1,986
Rental income			
Other lease income			
Housing Rent		33	33
Commercial Property		33	34
Medical Centres		25	29
Roxy Theatre		2	11
Community Housing		126	144
Caravan Park		98	78
Total Other lease income		317	329
Total rental income	C2-2	317	329
Total other income		317	2,315

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	9,941	9,637
Employee leave entitlements (ELE)	2,026	2,083
Superannuation	1,191	1,220
Workers' compensation insurance	732	574
Fringe benefit tax (FBT)	37	29
Other	28	18
Total employee costs	13,955	13,561
Less: capitalised costs	(1,174)	(1,195)
Total employee costs expensed	12,781	12,366

Accounting policy

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

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

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

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

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		9,246	9,524
Contractor and consultancy costs			
– Consultants		160	436
– Domestic waste management contract		98	99
– Health services		27	14
– Pools		243	169
– Road infrastructure contractors		1,619	661
– Other		4,470	2,723
Audit Fees	F2-1	49	60
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	214	216
Advertising		54	29
Bank charges		51	37
Electricity and heating		452	544
Insurance		634	591
Street lighting		59	60
Subscriptions and publications		185	80
Telephone and communications		158	199
Valuation fees		27	27
Contributions/levies to other levels of government			
Legal expenses:			
– Legal expenses: debt recovery		–	13
– Legal expenses: other		21	53
Expenses from leases of low value assets		6	22
Variable lease expense relating to usage		51	42
Total materials and services		17,824	15,599
Less: capitalised costs		(7,413)	(7,221)
Total materials and services		10,411	8,378

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 loans		410	530
Total interest bearing liability costs		410	530
Total interest bearing liability costs expensed		410	530
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	59	59
Amortisation of discounts and premiums: – unwinding discount on reduced interest loan		52	43
Total other borrowing costs		111	102
Total borrowing costs expensed		521	632

Accounting policy

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

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		1,008	1,013
Office equipment		80	64
Furniture and fittings		48	47
Land improvements (depreciable)		2	1
Infrastructure:	C1-7		
– Buildings – non-specialised		607	613
– Buildings – specialised		462	462
– Other structures		252	239
– Roads		4,466	4,549
– Bridges		439	13
– Footpaths		28	20
– Stormwater drainage		38	37
– Water supply network		352	365
– Sewerage network		179	182
– Swimming pools		58	109
Other assets:			
– Other		12	10
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-7,C3-5	514	513
– Quarry assets	C1-7,C3-5	21	22
Total gross depreciation and amortisation costs		8,566	8,259
Total depreciation and amortisation costs		8,566	8,259
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Buildings – non-specialised		1,919	–
– Roads		4,514	–
– Bridges		230	–
Total gross IPPE impairment / revaluation decrement costs		6,663	–
Amounts taken through revaluation reserve	C1-7	(6,663)	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
Total depreciation, amortisation and impairment for non-financial assets		8,566	8,259

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 not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
User charges and fees		1	–
Other		109	18
Total impairment of receivables	C1-4	110	18
Other			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		586	421
Donations, contributions and assistance to other organisations (Section 356)		136	94
Total other		722	515
Total other expenses		832	533

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 property (excl. investment property)			
Proceeds from disposal – property		24	322
Less: carrying amount of property assets sold/written off		(184)	(447)
Gain (or loss) on disposal		(160)	(125)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		136	173
Less: carrying amount of plant and equipment assets sold/written off		(116)	(283)
Gain (or loss) on disposal		20	(110)
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(32)	(2,341)
Gain (or loss) on disposal		(32)	(2,341)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		12,000	12,000
Less: carrying amount of investments sold/redeemed/matured		(12,000)	(12,000)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		(172)	(2,576)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 23/07/2020 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	10,841	11,074	233	2% F
User charges and fees	2,861	5,828	2,967	104% F
A significant amount of RMS Works was completed during the Financial Year.				
Other revenues	855	3,810	2,955	346% F
Aged Care Revenue was budgeted for at the incorrect resource group level.				
Operating grants and contributions	12,790	10,656	(2,134)	(17)% U
All projects that were budgeted for during the 2021 Financial Year were not all completed by 30th June which resulted in funding not being received that was budgeted for.				
Capital grants and contributions	5,627	4,036	(1,591)	(28)% U
Delays in funded Capital Works program resulted in budgeted for Income note being received during the year.				
Interest and investment revenue	93	147	54	58% F
A more focused investment strategy was implemented to increase results.				
Net gains from disposal of assets	166	-	(166)	(100)% U
Budgeted figures for a profit on disposals did not materialise.				
Other income	-	317	317	∞ F

B5-1 Material budget variations (continued)

\$ '000	2021 <i>Budget</i>	2021 <i>Actual</i>	2021 <i>Variance</i>		
EXPENSES					
Employee benefits and on-costs	13,961	12,781	1,180	8%	F
Materials and services	9,058	10,411	(1,353)	(15)%	U
Increased use of contractors to complete works within timeframes for funding deadlines.					
Borrowing costs	428	521	(93)	(22)%	U
Due to delays in completing projects, borrowings that were budgeted to be paid out could not occur as the final funding payment was not received.					
Depreciation, amortisation and impairment of non-financial assets	7,673	8,566	(893)	(12)%	U
Waste facilities budget figures for rehabilitations were not correct at the time of budget preparation.					
Other expenses	2,977	832	2,145	72%	F
Changes to the code for some other expenses being reallocated to materials created this variation. Also, due to COVID restrictions, Council donations for community events was significantly reduced.					
Net losses from disposal of assets	-	172	(172)	∞	U
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	8,394	16,803	8,409	100%	F
Increased income from RMS projects completed					
Cash flows from investing activities	(13,981)	(11,477)	2,504	(18)%	F
Cash flows from financing activities	(1,218)	(1,153)	65	(5)%	F
Purchases of IPPE lower than expected during Financial Year.					

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	4,702	535
Cash-equivalent assets		
– Deposits at call	3,407	401
– Short-term deposits	–	3,000
Total cash and cash equivalents	8,109	3,936

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	8,109	3,936
Balance as per the Statement of Cash Flows	8,109	3,936

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
Financial assets at fair value through the profit and loss				
Managed funds	8,550	–	7,631	–
Total	8,550	–	7,631	–
Total financial investments	8,550	–	7,631	–
Total cash assets, cash equivalents and investments	16,659	–	11,567	–

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:

- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in Managed Funds in the Statement of Financial Position.

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	16,659	–	11,567	–
attributable to:				
External restrictions	14,610	–	10,074	–
Internal restrictions	1,456	–	1,449	–
Unrestricted	593	–	44	–
	16,659	–	11,567	–

	2021 \$ '000	2020 \$ '000

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	6,208	1,571
Aged care bonds	782	700
External restrictions – included in liabilities	6,990	2,271

External restrictions – other

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

Developer contributions – general	119	288
Specific purpose unexpended grants – general fund	359	433
Water fund	795	770
Sewer fund	2,796	3,135
Waste management	3,548	3,174
Other	3	3
External restrictions – other	7,620	7,803

Total external restrictions

	14,610	10,074
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Internal restrictions

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

Employees leave entitlement	400	–
Deposits, retentions and bonds	56	49
Advance Payment Financial Assistance Grant	1,000	1,400
Total internal restrictions	1,456	1,449

Total restrictions

	16,066	11,523
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	526	-	380	-
Interest and extra charges	17	-	59	-
User charges and fees	311	-	412	-
Accrued revenues				
– Other income accruals	438	-	1,189	-
Government grants and subsidies	289	-	208	-
Developer Contributions	33	-	48	-
Net GST receivable	121	-	159	-
Sundry trade debtors	54	-	153	-
Other debtors	75	-	65	-
Total	1,864	-	2,673	-
Less: provision for impairment				
User charges and fees	(5)	-	(5)	-
Sundry debtors	(119)	-	(119)	-
Total provision for impairment – receivables	(124)	-	(124)	-
Total net receivables	1,740	-	2,549	-

	2021 \$ '000	2020 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	124	124
Balance at the end of the year	124	124

C1-4 Receivables (continued)

Accounting policy

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

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

C1-5 Inventories

	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
(i) Inventories at cost				
Real estate for resale	576	-	576	-
Stores and materials	267	-	222	-
Total inventories at cost	843	-	798	-
Total inventories	843	-	798	-

(i) Other disclosures

	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
(a) Details for real estate development				
Residential	576	-	576	-
Total real estate for resale	576	-	576	-

(b) Current inventories not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2021	2020
	\$ '000	\$ '000
Real estate for resale	-	510
	-	510

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.

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

	2021	2020
	\$ '000	\$ '000
Contract assets	391	921
Total contract assets and contract cost assets	391	921

Contract assets

	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Construction of roads	211	–	502	–
Construction of recreation assets	158	–	389	–
Community assets	22	–	30	–
Total contract assets	391	–	921	–

Significant changes in contract assets

Drop in contract assets was due to receipt of reimbursement for previously incurred works and timely submission of claims and receipt of reimbursements in 2021 financial year.

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.

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

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	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	12,137	–	12,137	3,050	2,433	–	–	–	(4,589)	(11)	–	–	13,020	–	13,020
Plant and equipment	18,581	(9,508)	9,073	522	–	(116)	(1,008)	–	50	–	–	–	18,698	(10,177)	8,521
Office equipment	954	(647)	307	220	–	–	(80)	–	–	–	–	–	1,173	(726)	447
Furniture and fittings	1,300	(587)	713	5	–	–	(48)	–	7	–	–	–	1,312	(635)	677
Land:															
– Operational land	5,917	–	5,917	1	–	–	–	–	–	–	–	–	5,918	–	5,918
– Community land	2,930	–	2,930	–	–	–	–	–	–	–	(50)	–	2,880	–	2,880
Land improvements – depreciable	64	(1)	63	–	–	–	(2)	–	–	–	–	–	64	(3)	61
Infrastructure:															
– Buildings – non-specialised	39,073	(11,378)	27,695	39	355	(73)	(607)	(1,919)	119	–	–	–	39,478	(13,869)	25,609
– Buildings – specialised	36,990	(7,845)	29,145	640	710	(110)	(462)	–	679	–	–	–	38,825	(8,223)	30,602
– Other structures	6,473	(1,833)	4,640	621	14	–	(252)	–	43	–	–	224	7,531	(2,241)	5,290
– Roads	195,830	(22,412)	173,418	40	–	–	(4,466)	(4,514)	2,825	–	–	–	198,695	(31,392)	167,303
– Bridges	43,860	(8,133)	35,727	–	–	–	(439)	(230)	–	–	–	–	43,860	(8,802)	35,058
– Footpaths	2,732	(1,359)	1,373	20	36	–	(28)	–	53	–	–	–	2,841	(1,387)	1,454
– Bulk earthworks (non-depreciable)	82,781	–	82,781	187	–	–	–	–	–	–	–	–	82,968	–	82,968
– Stormwater drainage	4,095	(2,153)	1,942	99	–	–	(38)	–	–	–	–	18	4,232	(2,211)	2,021
– Water supply network	23,264	(8,289)	14,975	74	36	(33)	(352)	–	116	–	–	136	23,639	(8,687)	14,952
– Sewerage network	12,802	(7,977)	4,825	251	30	–	(179)	–	157	–	–	47	13,361	(8,230)	5,131
– Swimming pools	1,368	(185)	1,183	1,265	81	–	(58)	–	540	–	(406)	–	3,360	(755)	2,605
Other assets:															
– Other	215	(56)	159	–	–	–	(12)	–	–	–	–	–	215	(68)	147
Reinstatement, rehabilitation and restoration assets:															
– Tip assets	3,306	(514)	2,792	–	–	–	(514)	–	–	–	–	–	3,306	(1,028)	2,278
– Quarry assets	398	(106)	292	–	–	–	(21)	–	–	–	–	–	398	(127)	271
Total infrastructure, property, plant and equipment	495,070	(82,983)	412,087	7,034	3,695	(332)	(8,566)	(6,663)	–	(11)	(456)	425	505,774	(98,561)	407,213

(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	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '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	7,655	–	7,655	5,701	–	–	–	–	(1,219)	–	–	–	12,137	–	12,137
Plant and equipment	17,737	(8,796)	8,941	–	1,306	(287)	(1,013)	–	126	–	–	–	18,581	(9,508)	9,073
Office equipment	864	(583)	281	–	90	–	(64)	–	–	–	–	–	954	(647)	307
Furniture and fittings	1,260	(561)	699	–	61	–	(47)	–	–	–	–	–	1,300	(587)	713
Land:															
– Operational land	4,777	–	4,777	–	–	(80)	–	–	–	–	–	1,220	5,917	–	5,917
– Community land	2,930	–	2,930	–	–	–	–	–	–	–	–	–	2,930	–	2,930
Land improvements – depreciable	–	–	–	–	–	–	(1)	–	64	–	–	–	64	(1)	63
Infrastructure:															
– Buildings – non-specialised	41,664	(24,861)	16,803	575	–	(446)	(613)	1,986	6	–	–	9,384	39,073	(11,378)	27,695
– Buildings – specialised	34,497	(18,900)	15,597	30	–	(277)	(462)	–	76	–	–	14,181	36,990	(7,845)	29,145
– Other structures	5,941	(1,537)	4,404	110	–	(7)	(239)	–	372	–	–	–	6,473	(1,833)	4,640
– Roads	326,965	(47,879)	279,086	780	506	(864)	(4,549)	–	369	(82,781)	(19,129)	–	195,830	(22,412)	173,418
– Bridges	38,547	(404)	38,143	219	–	–	(13)	–	28	–	(2,650)	–	43,860	(8,133)	35,727
– Footpaths	3,190	(524)	2,666	–	–	–	(20)	–	–	–	(1,273)	–	2,732	(1,359)	1,373
– Bulk earthworks (non-depreciable)	–	–	–	–	–	–	–	–	–	82,781	–	–	82,781	–	82,781
– Stormwater drainage	3,922	(2,095)	1,827	1	–	–	(37)	–	133	–	–	18	4,095	(2,153)	1,942
– Water supply network	23,001	(7,851)	15,150	39	–	(8)	(365)	–	18	–	–	141	23,264	(8,289)	14,975
– Sewerage network	12,617	(7,720)	4,897	38	–	–	(182)	–	27	–	–	45	12,802	(7,977)	4,825
– Swimming pools	2,708	(315)	2,393	–	–	(1,101)	(109)	–	–	–	–	–	1,368	(185)	1,183
Other assets:															
– Other	184	(46)	138	–	31	–	(10)	–	–	–	–	–	215	(56)	159
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip assets	3,305	–	3,305	–	–	–	(513)	–	–	–	–	–	3,306	(514)	2,792
– Quarry assets	397	(83)	314	–	–	–	(22)	–	–	–	–	–	398	(106)	292
Total infrastructure, property, plant and equipment	532,161	(122,155)	410,006	7,493	1,994	(3,070)	(8,259)	1,986	–	–	(23,052)	24,989	495,070	(82,983)	412,087

(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

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

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

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.

Useful lives of IPPE

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 20	Playground equipment	5 to 15
Office furniture	9 to 30	Benches, seats etc.	10 to 20
Vehicles, plant and equipment	5 to 50	Other structures	5 to 100
Water and sewer assets		Buildings	
Dams and reservoirs	80 to 100	Buildings	8 to 262
Bores	20 to 40		
Reticulation pipes: PVC	70 to 80	Stormwater assets	
Reticulation pipes: other	25 to 75	Drains	80 to 100
Pumps and telemetry	15 to 20	Culverts	50 to 80
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 36	Bulk earthworks	infinite
Sealed roads: structure	36 to 200	Swimming pools	60
Unsealed roads	12 to 200	Other Assets	10 to 100
Bridge: concrete	150		
Bridge: other	100		
Kerb and gutter	100		
Footpaths	100		

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

Revaluation model

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

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

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise some of the rural fire service assets including land, buildings, some of the plant and vehicles. However, some fire fighting trucks (referred to as the Red Fleet) have not been recognised.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over buildings and photocopiers. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases a building for the Gwydir News, the lease was for 1 years with a 2 year renewal option. Council choose not to take up the renewal option in 20/21 Financial Year.

Council also leases the former St Mary's school for community purposes, this lease is for 3 years, expires on 30 June 2021 and has been renewed until 30 June 2024.

Right of Use Assets have not been bought in for these leases as they are short term with low annual rental.

Office and IT equipment

Leases for photocopiers are for low value assets. The leases are for 5 years with no renewal option, the payments are fixed, however the leases include variable payments based on usage.

(a) Income Statement

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

	2021 \$ '000	2020 \$ '000
Variable lease payments based on usage not included in the measurement of lease liabilities	51	42
Expenses relating to low-value leases	6	22
	57	64

(b) Statement of Cash Flows

Total cash outflow for leases	57	64
	57	64

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

Council has a lease at significantly below market for a building which is used for:

- a gymnasium

The lease is on-going at council discretion and requires a payment of a maximum amount of \$10 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that the lease in place is material from a statement of financial position or performance perspective.

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.

C2-1 Council as a lessee (continued)

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).

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 for housing, caravan park residents, medical centres, cafe and commercial premises; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer Note c1-7). They have not been classified under AASB 140 Investment Property as they are either occupied by council employees, aged and permanent residents or held for strategic purposes.

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		
Council leases out a number of properties for housing, caravan park residents, medical centres, cafe and commercial premises, the table relates to operating leases on assets disclosed in note C1-7.		
Lease income (excluding variable lease payments not dependent on an index or rate)	317	329
Total income relating to operating leases for Council assets	317	329
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
< 1 year	340	311
1–2 years	340	311
2–3 years	340	311
3–4 years	340	311
4–5 years	340	311
> 5 years	340	311
Total undiscounted lease payments to be received	2,040	1,866

C2-2 Council as a lessor (continued)

Accounting policy

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

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

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

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Payables				
Goods and services – operating expenditure	1,356	–	24	–
Accrued expenses:				
– Borrowings	50	–	60	–
– Salaries and wages	–	–	477	–
– Other expenditure accruals	105	–	922	–
Prepaid rates	248	–	241	–
Security bonds, deposits and retentions	56	–	49	–
Aged care deposits and bonds	1,126	–	1,747	–
Sundry	9	–	44	–
Other	88	–	81	–
Total payables	3,038	–	3,645	–
Total payables	3,038	–	3,645	–

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

	2021	2020
	\$ '000	\$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	343	1,047
Total payables	343	1,047

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

		2021	2021	2020	2020
		Current	Non-current	Current	Non-current
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,014	-	1,515	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	194	-	56	-
Total grants received in advance		6,208	-	1,571	-
Total contract liabilities		6,208	-	1,571	-

Notes

(i) Council has received funding to construct assets including sporting and aged care facilities, 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 and AASB 1058 being satisfied since the performance obligations are ongoing.

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

	2021	2020
	\$ '000	\$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	373	327
Operating grants (received prior to performance obligation being satisfied)	18	57
Total revenue recognised that was included in the contract liability balance at the beginning of the period	391	384

Significant changes in contract liabilities

An increase of \$4.5m was mostly due to advance payment received in 2021 for Horton Road and Oregon Road under the Fixing Local Roads program.

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	1,125	5,987	1,180	7,085
Total borrowings	1,125	5,987	1,180	7,085

(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.

(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	8,265	(1,153)	–	–	–	–	7,112
Total liabilities from financing activities	8,265	(1,153)	–	–	–	–	7,112

	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	9,540	(1,318)	–	43	–	–	8,265
Total liabilities from financing activities	9,540	(1,318)	–	43	–	–	8,265

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Bank overdraft facilities ¹	100	100
Credit cards/purchase cards	100	100
Total financing arrangements	200	200
Drawn facilities		
– Credit cards/purchase cards	16	7
Total drawn financing arrangements	16	7
Undrawn facilities		
– Bank overdraft facilities	100	100
– Credit cards/purchase cards	84	93
Total undrawn financing arrangements	184	193

(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.

C3-3 Borrowings (continued)

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	2021	2020	2020
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Annual leave	1,260	–	1,202	–
Long service leave	1,649	108	1,651	106
Total employee benefit provisions	2,909	108	2,853	106

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

	2021	2020
	\$ '000	\$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,617	1,585
	1,617	1,585

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,857	–	3,798
Sub-total – asset remediation/restoration	–	3,857	–	3,798
Total provisions	–	3,857	–	3,798

Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Net carrying amount \$ '000
2021		
At beginning of year	3,798	3,798
Unwinding of discount	59	59
Total other provisions at end of year	3,857	3,857
2020		
At beginning of year	3,739	3,739
Unwinding of discount	59	59
Total other provisions at end of year	3,798	3,798

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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.

C3-5 Provisions (continued)

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

The cost estimate for landfill rehabilitation has been based on phytocapping treatment which is yet to be approved by the EPA that recommends clay compaction. Estimated costs will increase if the EPA does not approve the different rehabilitation treatment.

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	9,640	778	656
User charges and fees	4,986	785	57
Interest and investment revenue	98	12	37
Other revenues	3,802	6	2
Grants and contributions provided for operating purposes	10,656	–	–
Grants and contributions provided for capital purposes	3,932	54	50
Other income	317	–	–
Total income from continuing operations	33,431	1,635	802
Expenses from continuing operations			
Employee benefits and on-costs	12,029	408	344
Materials and services	9,594	665	152
Borrowing costs	406	115	–
Depreciation, amortisation and impairment of non-financial assets	7,992	387	187
Other expenses	832	–	–
Net losses from the disposal of assets	139	33	–
Total expenses from continuing operations	30,992	1,608	683
Operating result from continuing operations	2,439	27	119
Net operating result for the year	2,439	27	119
Net operating result attributable to each council fund	2,439	27	119
Net operating result for the year before grants and contributions provided for capital purposes	(1,493)	(27)	69

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7,118	295	696
Investments	5,950	500	2,100
Receivables	1,438	227	75
Inventories	824	17	2
Contract assets and contract cost assets	391	–	–
Total current assets	15,721	1,039	2,873
Non-current assets			
Infrastructure, property, plant and equipment	384,125	16,794	6,294
Total non-current assets	384,125	16,794	6,294
TOTAL ASSETS	399,846	17,833	9,167
LIABILITIES			
Current liabilities			
Payables	2,989	49	–
Contract liabilities	6,208	–	–
Borrowings	937	188	–
Employee benefit provision	2,909	–	–
Total current liabilities	13,043	237	–
Non-current liabilities			
Borrowings	4,750	1,237	–
Employee benefit provision	108	–	–
Provisions	3,857	–	–
Total non-current liabilities	8,715	1,237	–
TOTAL LIABILITIES	21,758	1,474	–
Net assets	378,088	16,359	9,167
EQUITY			
Accumulated surplus	259,202	12,852	8,636
Revaluation reserves	118,886	3,507	531
Council equity interest	378,088	16,359	9,167
Total equity	378,088	16,359	9,167

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 the Council.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up 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 Council's financial assets and financial liabilities approximates their carrying amount.

The risks associated with the instruments held are:

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

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

(a) Market risk – interest rate and price risk

	2021	2020
	\$ '000	\$ '000
The impact on result for the year and equity of a reasonably possible movement in the 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	95	39

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

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

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

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

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

Credit risk profile

Receivables – rates and annual charges

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

	<i>Not yet overdue \$ '000</i>	<i>< 1 year overdue \$ '000</i>	<i>1 - 2 years overdue \$ '000</i>	<i>2 - 5 years overdue \$ '000</i>	<i>> 5 years overdue \$ '000</i>	<i>Total \$ '000</i>
2021						
Gross carrying amount	2	376	55	52	41	526
2020						
Gross carrying amount	–	284	25	37	34	380

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.

	<i>Not yet overdue \$ '000</i>	<i>0 - 30 days overdue \$ '000</i>	<i>31 - 60 days overdue \$ '000</i>	<i>61 - 90 days overdue \$ '000</i>	<i>> 91 days overdue \$ '000</i>	<i>Total \$ '000</i>
2021						
Gross carrying amount	1,014	–	43	9	272	1,338
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	45.60%	9.27%
ECL provision	–	–	–	–	124	124
2020						
Gross carrying amount	2,129	–	11	5	148	2,293
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	84.00%	5.42%
ECL provision	–	–	–	–	124	124

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

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. Council manages this risk through diversification of borrowing types, maturities and interest rate structures.

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in:</i>			<i>Total cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
			<i>≤ 1 Year \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>> 5 Years \$ '000</i>		
2021							
Trade/other payables	0.00%	56	1,320	880	–	2,256	2,790
Loans and advances	6.59%	–	2,048	3,119	2,034	7,201	7,112
Total financial liabilities		56	3,368	3,999	2,034	9,457	9,902
2020							
Trade/other payables	0.00%	49	2,008	1,347	–	3,404	3,404
Loans and advances	6.59%	–	2,643	4,348	3,017	10,008	8,265
Total financial liabilities		49	4,651	5,695	3,017	13,412	11,669

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 2021	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
			2021	2020	2021	2020	2021	2020
Recurring fair value measurements								
Financial assets								
Financial investments	C1-2							
At fair value through profit or loss		30/06/21	8,550	7,631	–	–	8,550	7,631
Total financial assets			8,550	7,631	–	–	8,550	7,631
Infrastructure, property, plant and equipment								
Plant & Equipment		30/06/20	–	–	8,521	9,073	8,521	9,073
Office Equipment		30/06/20	–	–	447	307	447	307
Furniture & Fittings		30/06/20	–	–	677	713	677	713
Operational Land		01/07/19	–	–	5,918	5,917	5,918	5,917
Community Land		30/06/21	–	–	2,880	2,930	2,880	2,930
Land Improvements - depreciable		30/06/20	–	–	61	63	61	63
Buildings Specialised		01/07/19	–	–	30,602	29,145	30,602	29,145
Buildings Non-Specialised		01/07/19	–	–	25,609	27,695	25,609	27,695
Other Structures		30/06/21	–	–	5,290	4,640	5,290	4,640
Roads and bulk earthworks		30/06/20	–	–	250,271	256,199	250,271	256,199
Bridges		30/06/20	–	–	35,058	35,727	35,058	35,727
Footpaths		30/06/20	–	–	1,454	1,373	1,454	1,373
Stormwater Drainage		30/06/18	–	–	2,021	1,942	2,021	1,942
Water Supply Network		30/06/18	–	–	14,952	14,975	14,952	14,975
Sewerage Network		30/06/18	–	–	5,131	4,825	5,131	4,825
Swimming Pools		30/06/21	–	–	2,605	1,183	2,605	1,183
Other		30/06/21	–	–	147	159	147	159
Tip Asset		30/06/19	–	–	2,278	2,792	2,278	2,792
Quarry Asset		30/06/17	–	–	271	292	271	292
Work in Progress		30/06/20	–	–	13,020	12,137	13,020	12,137
Total infrastructure, property, plant and equipment			–	–	407,213	412,087	407,213	412,087

Transfers between level 1 and level 2 fair value hierarchies

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

E2-1 Fair value measurement (continued)

Valuation techniques

All assets have been valued at level 3 fair values

Infrastructure, property, plant and equipment (IPPE) Land & Buildings

Highest and best use.

There were no assets valued where it was assumed that the highest and best use was other than its current use.

Plant & Equipment, Office equipment, Furniture & Fittings and Other Structures

Plant & Equipment, Office equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the assets. Examples of assets within the classes are as follows:

*Plant & Equipment	Trucks, tractors, ride-on-mowers, earthmoving equipment and motor vehicles.
*Office Equipment	Electronic whiteboards and computer equipment
*Furniture & Fittings	Chairs, desks and filing cabinets.
*Other structures	Fences, small sheds, water tanks and street bins

The key unobservable inputs to the valuations are the remaining useful life and residual value. Council reviews the value of these

Community land

All valuations of Community land are based upon the land valuations issued by the Valuer-General on a regular basis.

Valuation techniques used to derive fair values - land and buildings

The council engages external, independent and qualified valuers to determine the fair value of the entities land and buildings on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim evaluation using appropriate indices.

A comprehensive revaluation was undertaken by APV valuers for Operational Land and Building Asset Classes as at 1 July 2019.

The main level 3 inputs used are derived and evaluated as follows –

1. Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the
2. The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements.

Land

Level 3 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings

Level 3 valuation inputs

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

E2-1 Fair value measurement (continued)

Infrastructure assets

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

The following methods are used to determine the fair value measurements.

Infrastructure assets

Level 3 valuation inputs

Infrastructure assets were valued using the cost approach using professionally qualified internal staff. The 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. The unit rates were based on inputs such as estimates of residual value, useful life, pattern of consumption and asset condition and required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Swimming Pools

The fair value amount for this asset has been derived from assets originally classed in Other Structures. Swimming pools were valued as part of Other Structures on 30 June 2021 by APV Valuers. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at level 3. This has been no change to the valuation process during the reporting period.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Roads, Bridges, Bulk Earthworks and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. The valuation of the infrastructure assets has been undertaken internally by Council's Engineering Department by experienced Engineers. This valuation relies on key unobservable inputs such as unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The valuation process also relied on the skill and experience of the Engineers. The key unobservable inputs and no active market places this asset category at Level 3. The last valuation was undertaken internally by Council's Engineers on 30 June 2020. There has been no change to the valuation process during the reporting year.

Stormwater Drainage

This class of assets includes culverts, mains, open drains, trash screens, GPT. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Remediation Assets

This class of asset includes the various landfill sites within the local government areas. 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. There has been changes to the valuation process during the reporting period. Also included in this group are the various gravel pits (quarries) operated by Council. The remediation cost include final site management and works to comply with environmental requirements. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and

E2-1 Fair value measurement (continued)

timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period.

Fair value measurements using significant unobservable inputs (level 3)

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

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

	<i>Valuation technique/s</i>	<i>Unobservable inputs</i>
Infrastructure, property, plant and equipment		
Plant & Equipment, office equipment, furniture & fittings	Cost	Gross Replacement Costs, Useful Life, Residual Value
Operational land	Relevant sales in the area	Land Value
Community land	Land Values issued by Valuer General	Land Value
Land Improvements -depreciable	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Buildings	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Other structures	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Roads, bridges, footpaths	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Stormwater drainage	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Asset Condition
Water supply & sewerage network	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Asset Condition
Swimming pools	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life
Other	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life
Tip & quarry asset	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition

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

	<i>Total IPP&E</i>	
	<i>2021</i>	<i>2020</i>
	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	412,087	410,006
Total gains or losses for the period		
Recognised in profit or loss – realised (refer to Note B4-1)	(11)	–
Recognised in other comprehensive income – revaluation surplus	(6,694)	1,937
Other movements		
Purchases (GBV)	10,729	9,487
Disposals (WDV)	(332)	(3,070)
Depreciation and impairment	(8,566)	(8,259)
Revaluation Increment to P&L	–	1,986
Restate Provision	–	–
Closing balance	407,213	412,087

Highest and best use

E2-1 Fair value measurement (continued)

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

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 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.

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 \$ \$207 203.04 The last valuation of the Scheme was performed by Richard Boyfield FIAA on 30 June 2020 and covers the period ended 30 June 2021.

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$126 100. Council's expected contribution to the plan for the next annual reporting period is \$221 462.52.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	2620.5	
Past Service Liabilities	2445.6	107.2%
Vested Benefits	2468.7	106.2%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.32% as at 30 June 2021.

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.

(v) The Community Mutual Group

Council provides bank guarantees to the value of \$406 849 to provide additional assistance to borrowers for home loans relating to properties within the local government area. The guarantees are provided to The Community Mutual Group.

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

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:

	<i>2021</i>	<i>2020</i>
	<i>\$ '000</i>	<i>\$ '000</i>
Compensation:		
Short-term benefits	654	694
Post-employment benefits	61	63
Other long-term benefits	72	–
Total	787	757

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	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021					
Employee Expenses relating to close family members of KMP	223	–	Council staff award	–	–
Contractors	150	–	7 days on invoice	–	–
2020					
Employee Expenses relating to close family members of KMP	213	–	Council staff award	–	–
Contractors	190	–	7 days on invoice	–	–

F1-2 Councillor and Mayoral fees and associated expenses

	2021 \$ '000	2020 \$ '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	29	29
Councillors' fees	120	119
Other Councillors' expenses (including Mayor)	65	68
Total	214	216

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	44	55
Remuneration for audit and other assurance services	44	55
Total Auditor-General remuneration	44	55
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	5	5
Remuneration for audit and other assurance services	5	5
Total remuneration of non NSW Auditor-General audit firms	5	5
Total audit fees	49	60

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	2,585	1,087
Adjust for non-cash items:		
Depreciation and amortisation	8,566	8,259
Net losses/(gains) on disposal of assets	172	2,576
Adoption of AASB 15/1058	-	(713)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	-	(1,986)
Unwinding of discount rates on reinstatement provisions	59	59
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	809	(655)
Decrease/(increase) in inventories	(45)	6
Decrease/(increase) in other current assets	39	(39)
Decrease/(increase) in contract assets	530	(921)
Increase/(decrease) in payables	1,332	(164)
Increase/(decrease) in accrued interest payable	(10)	(8)
Increase/(decrease) in other accrued expenses payable	(1,294)	794
Increase/(decrease) in other liabilities	(635)	(555)
Increase/(decrease) in contract liabilities	4,637	1,571
Increase/(decrease) in provision for employee benefits	58	131
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	16,803	9,442

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

Road infrastructure	1,838	-
Bingara Pool renewal	-	1,712
Total commitments	1,838	1,712

These expenditures are payable as follows:

Within the next year	1,838	1,712
Total payable	1,838	1,712

Sources for funding of capital commitments:

Unrestricted general funds	1,838	-
Future grants and contributions	-	1,712
Total sources of funding	1,838	1,712

G3-1 Events occurring after the reporting date

An evacuation of the Bingara Administration Building in August 2021 due to mould issues has resulted in the building being completely impaired for the 2021 Financial Year. Council does not yet have accurate data to quantify the amount of remediation required to have the building usable again.

No other matters have arisen subsequent to the balance date that would require these financial statements to be amended.

G4 Statement of developer contributions as at 30 June 2021

G4-1 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					
S7.11 not under plans	435	93	–	4	(33)	–	499	–
Total contributions	435	93	–	4	(33)	–	499	–

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.

G4-2 Contributions not under plans

	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					
CONTRIBUTIONS NOT UNDER A PLAN								
Roads	435	93	–	4	(33)	–	499	–
Total	435	93	–	4	(33)	–	499	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,169)	(3.67)%	(4.05)%	(4.16)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	31,832				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	21,176	59.04%	58.55%	55.17%	> 60.00%
Total continuing operating revenue ¹	35,868				
3. Unrestricted current ratio					
Current assets less all external restrictions	4,322	0.89x	1.01x	1.56x	> 1.50x
Current liabilities less specific purpose liabilities	4,875				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,918	4.73x	4.05x	4.23x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,674				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	543	4.71%	4.00%	3.66%	< 10.00%
Rates and annual charges collectable	11,529				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	8,109	3.46	1.92	1.97	> 3.00
Monthly payments from cash flow of operating and financing activities	2,343	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

G5-2 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	(4.11)%	(4.56)%	(1.71)%	5.00%	9.18%	(6.49)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions	56.36%	55.08%	96.70%	100.00%	93.77%	100.00%	> 60.00%
Total continuing operating revenue							
3. Unrestricted current ratio							
Current assets less all external restrictions	0.89x	1.01x	4.38x	3.81x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation	4.61x	4.35x	4.13x	1.99x	∞	∞	> 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	5.38%	3.69%	0.00%	6.99%	0.00%	4.91%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	3.04 mths	1.40 mths	∞	2.31 mths	∞	20.23 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G4-1 above.

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



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

15 December 2021
SYDNEY



Cr John Coulton
Mayor
Gwydir Shire Council
Locked Bag 5
BINGARA NSW 2404

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D2127088/1736

15 December 2021

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Rural fire-fighting equipment not recognised in the financial statements

Council did not record all rural fire-fighting equipment in the financial statements.

Rural fire-fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between councils and the NSW Rural Fire Service (the RFS).

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural fire-fighting equipment is not controlled by the RFS.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	11.1	10.5	 5.7
Grants and contributions revenue	14.7	13.2	 11.4
Operating result from continuing operations	2.6	1.1	 136.4
Net operating result before capital grants and contributions	(1.5)	(1.8)	 16.7

The Council's operating result from continuing operations (\$2.6 million including depreciation and amortisation expense of \$8.6 million) was \$1.5 million higher than the 2019–20 result. This is mainly due to:

- \$2.4 million increase in user charges and fees related to increased works for Transport for NSW
- \$1.5 million increase in grants and contributions for operational and capital purposes. Additional funding was received as part of stimulus packages from Transport for NSW and the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) for specific roads and bridges projects, grants for drought affected communities and contributions for regional roads
- \$2.4 million decrease in losses on disposal of assets due to the write-off of swimming pools in 2019-20 and increased write-off on roads and buildings arising from renewal works and disposals.

Offset by:

- \$2.0 million increase in materials and services expenses due to completion of works related to grants and Transport for NSW works
- \$2.0 million decrease in other income due to a reversal of revaluation decrement on IPPE in 2019-20.

Council's negative net operating result before capital grants and contributions of \$1.5 million improved by \$300,000 compared to the 2019-20 result. This is due to the same factors as the reduction in operating result from continuing operations, excluding capital grant income increases related to roads and bridges.

Rates and annual charges revenue (\$11.1 million) increased by \$600,000 (5.7 per cent) in 2020–21 mainly due to the normal rate peg allowance increases in the year, increases in water supply service charges and non-domestic waste management service charges.

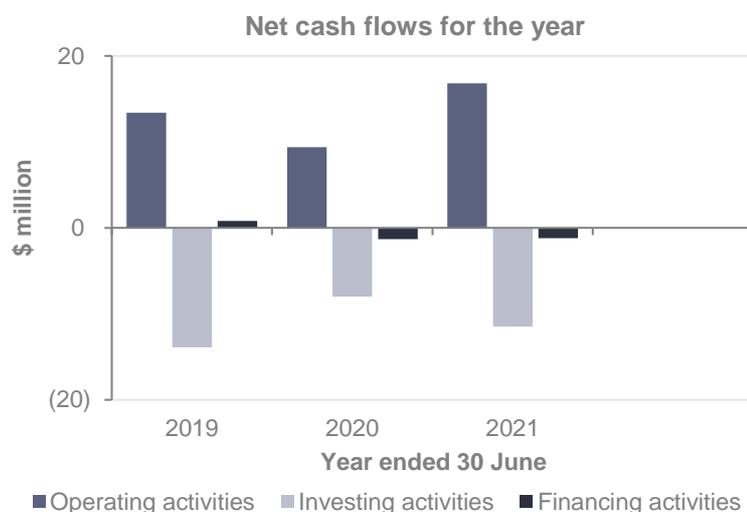
Grants and contributions revenue (\$14.7 million) increased by \$1.5 million (11.4 per cent) in 2019–20 due to additional funding received for the reasons described above.

STATEMENT OF CASH FLOWS

Cash flows from operating activities increased by \$7.4 million mainly from increased cash inflows for user charges and fees and grants and contributions.

Cash outflows from investing increased by \$3.5 million due to higher capital expenditure on IPPE and a net increase in funds into investments.

Cash from financing activities relating to the repayment of debt remained consistent with the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	16.7	11.6	• Major external restrictions include sewer and waste operations as well as grants for specific purposes, aged care resident bonds, waste management and developer contributions. The main increase related to unexpended grants received for road works and new community infrastructure projects.
Restricted cash and investments:			
• External restrictions	14.6	10.1	• Major internal restrictions include the financial assistance grant instalment received in advance and employee provisions. Unrestricted funds increased by \$577,000 from the prior year.
• Internal restrictions and unrestricted	2.1	1.5	

PERFORMANCE

Performance measures

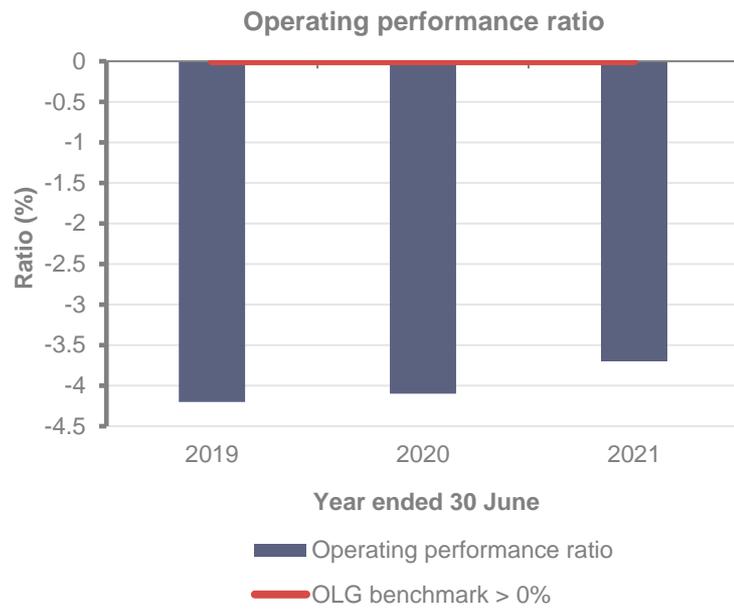
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period. The ratio is consistent with prior years.

Council's expenses, including depreciation and amortisation, exceeded the operating revenue (excluding income from capital grants and contributions, fair value adjustments and reversal of revaluation decrements).



Own source operating revenue ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

The own source operating revenue ratio continued to improve due to an increase in user fees and charges in 2020-21, however the ratio indicates Council continues to rely upon grant funding opportunities.

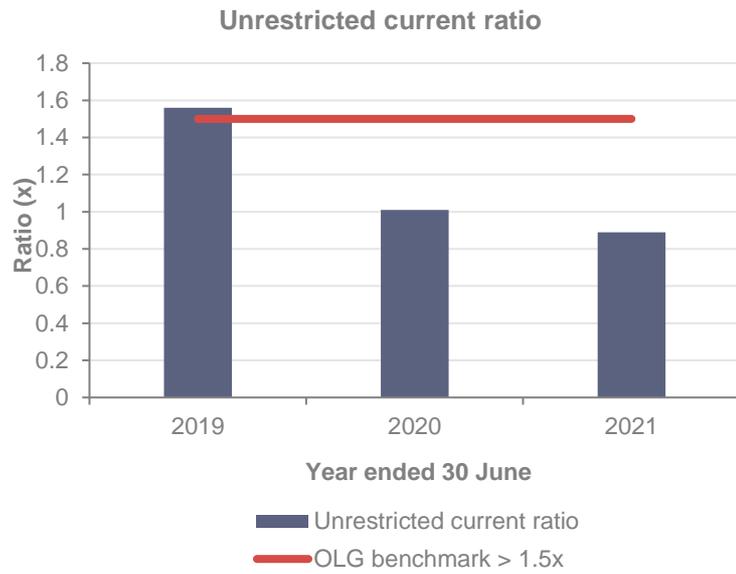


Unrestricted current ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

The continued decrease in the ratio is due to the utilisation of cash reserves for capital works.

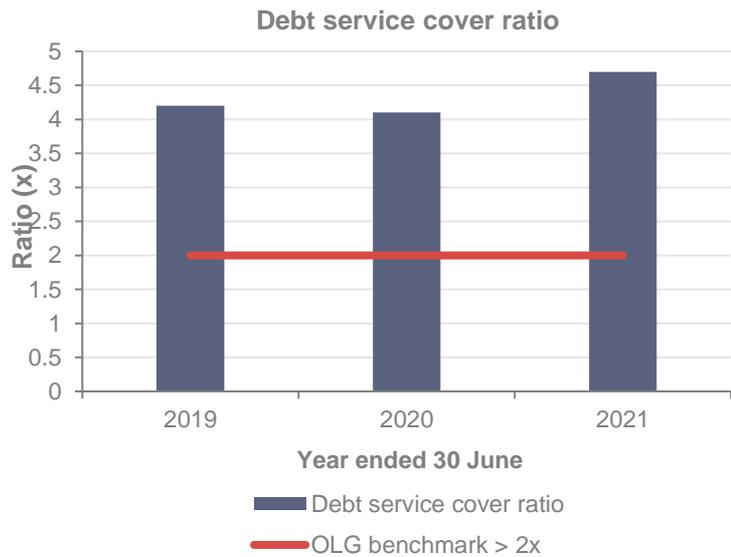


Debt service cover ratio

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

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

The ratio remained consistent with prior years.

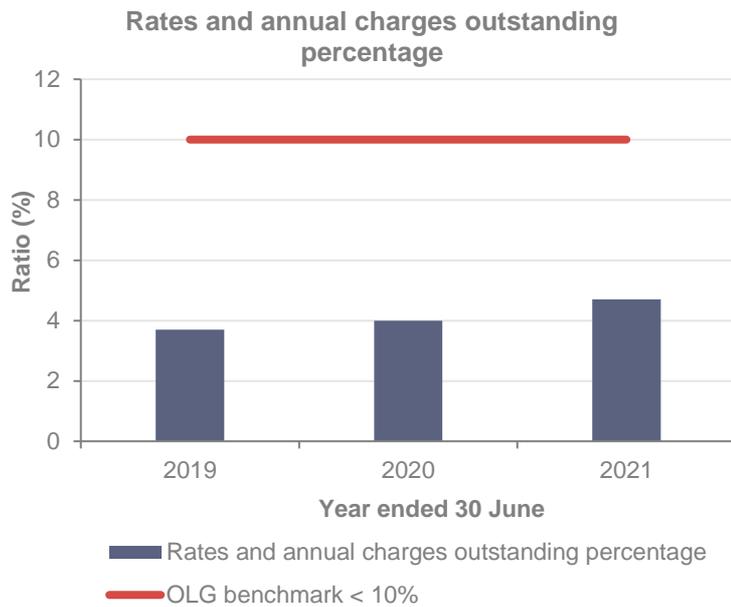


Rates and annual charges outstanding percentage

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

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

Council's rates and annual charges outstanding percentage has remained stable compared to the prior years.

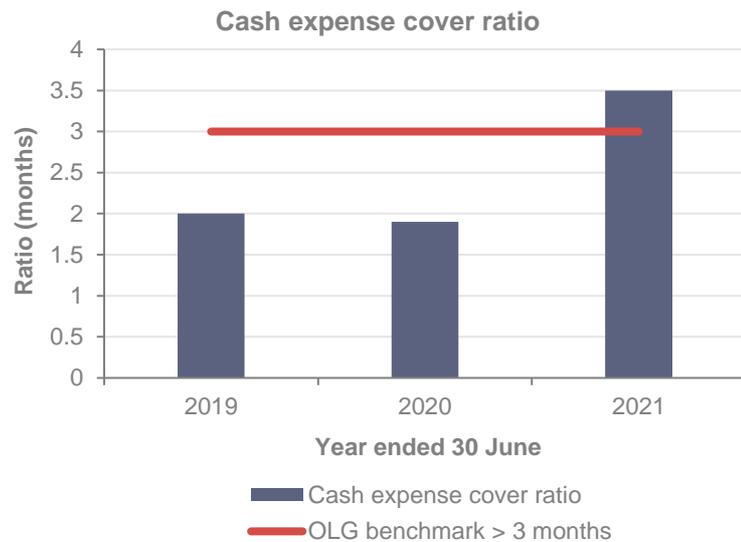


Cash expense cover ratio

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

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

Council has exceeded the cash expense cover ratio this year due to monies received in advance as reflected in the increase in contract liabilities.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$7.0 million. This decreased by \$459,000 compared to 2019–20 due to Council decreasing its renewal works in accordance with its infrastructure management plans. Renewal expenditure was below depreciation for the year by \$1.6 million.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

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

Management's assessment did not identify any service concession arrangements.

The Council's disclosure of the impact of adopting AASB 1059 is disclosed in Note A1-1 of the financial statements.

Legislative compliance

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

cc: Mr Max Eastcott, General Manager
Mr Jack O'Hara, Chair of the Audit, Risk and Improvement Committee
Ms Helen Thomas, Chief Financial Officer
Mr Paul Cornall, Principal, Forsyths
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Gwydir Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire 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).

Gwydir Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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.

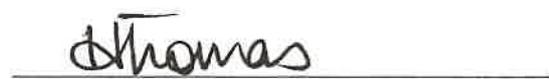
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 28 October 2021.


John Coulton
Mayor
28 October 2021


Catherine Egan
Councillor
28 October 2021


Max Eastcott
General Manager
28 October 2021


Helen Thomas
Responsible Accounting Officer
28 October 2021

Gwydir Shire 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	778	724
User charges	784	950
Fees	1	7
Interest	12	11
Other income	6	9
Total income from continuing operations	1,581	1,701
Expenses from continuing operations		
Employee benefits and on-costs	408	428
Borrowing costs	115	128
Materials and services	665	659
Depreciation, amortisation and impairment	387	401
Loss on sale of assets	33	8
Total expenses from continuing operations	1,608	1,624
Surplus (deficit) from continuing operations before capital amounts	(27)	77
Grants and contributions provided for capital purposes	54	–
Surplus (deficit) from continuing operations after capital amounts	27	77
Surplus (deficit) from all operations before tax	27	77
Less: corporate taxation equivalent [based on result before capital]	–	(21)
Surplus (deficit) after tax	27	56
Plus accumulated surplus	12,825	12,748
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	21
Closing accumulated surplus	12,852	12,825
Return on capital %	0.5%	1.2%
Subsidy from Council	162	–
Calculation of dividend payable:		
Surplus (deficit) after tax	27	56
Less: capital grants and contributions (excluding developer contributions)	(54)	–
Surplus for dividend calculation purposes	–	56
Potential dividend calculated from surplus	–	28

Gwydir Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	656	656
User charges	57	61
Fees	–	1
Interest	37	36
Other income	2	1
Total income from continuing operations	752	755
Expenses from continuing operations		
Employee benefits and on-costs	344	326
Materials and services	152	288
Depreciation, amortisation and impairment	187	190
Total expenses from continuing operations	683	804
Surplus (deficit) from continuing operations before capital amounts	69	(49)
Grants and contributions provided for capital purposes	50	–
Surplus (deficit) from continuing operations after capital amounts	119	(49)
Surplus (deficit) from all operations before tax	119	(49)
Less: corporate taxation equivalent [based on result before capital]	(18)	–
Surplus (deficit) after tax	101	(49)
Plus accumulated surplus	8,517	8,566
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	18	–
Closing accumulated surplus	8,636	8,517
Return on capital %	1.1%	(0.8)%
Subsidy from Council	25	100
Calculation of dividend payable:		
Surplus (deficit) after tax	101	(49)
Less: capital grants and contributions (excluding developer contributions)	(50)	–
Surplus for dividend calculation purposes	51	–
Potential dividend calculated from surplus	26	–

Gwydir Shire Council

Income Statement of Waste business activity

for the year ended 30 June 2021

	2021	2020
	Category 2	Category 2
	\$ '000	\$ '000
Income from continuing operations		
Access charges	1,410	1,453
Interest	60	43
Other income	66	144
Total income from continuing operations	1,536	1,640
Expenses from continuing operations		
Employee benefits and on-costs	382	427
Borrowing costs	4	5
Materials and services	732	783
Depreciation, amortisation and impairment	576	575
Other expenses	-	13
Total expenses from continuing operations	1,694	1,803
Surplus (deficit) from continuing operations before capital amounts	(158)	(163)
Surplus (deficit) from continuing operations after capital amounts	(158)	(163)
Surplus (deficit) from all operations before tax	(158)	(163)
Surplus (deficit) after tax	(158)	(163)
Plus accumulated surplus	2,717	2,880
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	2,559	2,717
Return on capital %	(5.1)%	(4.5)%
Subsidy from Council	199	189

Gwydir Shire Council

Income Statement of Naroo aged care

for the year ended 30 June 2021

	2021	2020
	Category 1	Category 1
	\$ '000	\$ '000
Income from continuing operations		
Rentals	3,027	2,690
Interest	3	11
Total income from continuing operations	3,030	2,701
Expenses from continuing operations		
Employee benefits and on-costs	2,191	2,071
Borrowing costs	115	145
Materials and services	559	488
Depreciation, amortisation and impairment	119	116
Other expenses	121	–
Total expenses from continuing operations	3,105	2,820
Surplus (deficit) from continuing operations before capital amounts	(75)	(119)
Grants and contributions provided for capital purposes	328	88
Surplus (deficit) from continuing operations after capital amounts	253	(31)
Surplus (deficit) from all operations before tax	253	(31)
Surplus (deficit) after tax	253	(31)
Plus accumulated surplus	(502)	(471)
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	(249)	(502)
Return on capital %	0.5%	0.4%
Subsidy from Council	73	37

Gwydir Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	295	270
Investments	500	500
Receivables	227	207
Inventories	17	21
Total current assets	1,039	998
Non-current assets		
Infrastructure, property, plant and equipment	16,794	16,870
Total non-current assets	16,794	16,870
Total assets	17,833	17,868
LIABILITIES		
Current liabilities		
Payables	49	68
Borrowings	188	194
Total current liabilities	237	262
Non-current liabilities		
Borrowings	1,237	1,425
Total non-current liabilities	1,237	1,425
Total liabilities	1,474	1,687
Net assets	16,359	16,181
EQUITY		
Accumulated surplus	12,852	12,825
Revaluation reserves	3,507	3,356
Total equity	16,359	16,181

Gwydir Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021	2020
	\$ '000	\$ '000
ASSETS		
Current assets		
Cash and cash equivalents	696	1,035
Investments	2,100	2,100
Receivables	75	60
Inventories	2	1
Total current assets	2,873	3,196
Non-current assets		
Infrastructure, property, plant and equipment	6,294	5,798
Total non-current assets	6,294	5,798
Total assets	9,167	8,994
Net assets	9,167	8,994
EQUITY		
Accumulated surplus	8,636	8,517
Revaluation reserves	531	477
Total equity	9,167	8,994

Gwydir Shire Council

Statement of Financial Position of Waste business activity

as at 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,448	1,074
Investments	2,100	2,100
Receivables	132	97
Total current assets	3,680	3,271
Non-current assets		
Infrastructure, property, plant and equipment	3,024	3,492
Total non-current assets	3,024	3,492
Total assets	6,704	6,763
LIABILITIES		
Current liabilities		
Borrowings	10	9
Total current liabilities	10	9
Non-current liabilities		
Borrowings	30	40
Employee benefit provisions	–	3,347
Provisions	3,388	–
Total non-current liabilities	3,418	3,387
Total liabilities	3,428	3,396
Net assets	3,276	3,367
EQUITY		
Accumulated surplus	2,559	2,717
Revaluation reserves	717	650
Total equity	3,276	3,367

Gwydir Shire Council

Statement of Financial Position of Naroo aged care

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	782	700
Receivables	31	48
Total current assets	813	748
Non-current assets		
Infrastructure, property, plant and equipment	7,565	7,176
Total non-current assets	7,565	7,176
Total assets	8,378	7,924
LIABILITIES		
Current liabilities		
Contract liabilities	–	329
Aged care bonds	1,126	1,747
Bank overdraft	3,401	1,945
Borrowings	144	164
Total current liabilities	4,671	4,185
Non-current liabilities		
Borrowings	1,963	2,267
Other Liabilities	117	117
Total non-current liabilities	2,080	2,384
Total liabilities	6,751	6,569
Net assets	1,627	1,355
EQUITY		
Accumulated surplus	(249)	(502)
Revaluation reserves	1,876	1,857
Total equity	1,627	1,355

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)

Naroo Aged Care Facility

Comprising the whole of the operations and assets of the aged care facility located at Warialda.

Category 2

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

Gwydir Water Supply -

Comprising the whole of the operations and net assets of the water supply systems servicing the towns of Bingara, Warialda, Gravesend and North Star.

Gwydir Sewerage Services -

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the towns of Bingara and Warialda

Gwydir Waste Management Services -

Comprising the whole of the operations and assets of the waste management service carried out by the Waste Management contract servicing all towns and villages within Gwydir Shire

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,

Note – Significant Accounting Policies (continued)

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%)

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 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.

Note – Significant Accounting Policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30 June 2021.

(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 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.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Waste
- Naroo aged care.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

15 December 2021
SYDNEY

Gwydir Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

Special Schedules

for the year ended 30 June 2021

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Gwydir Shire 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	8,007	8,237
Plus or minus adjustments ²	b	21	8
Notional general income	c = a + b	8,028	8,245
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	209	165
Sub-total	k = (c + g + h + i + j)	8,237	8,410
Plus (or minus) last year's carry forward total	l	16	16
Sub-total	n = (l + m)	16	16
Total permissible income	o = k + n	8,253	8,426
Less notional general income yield	p	8,237	8,410
Catch-up or (excess) result	q = o - p	15	16
Carry forward to next year ⁶	t = q + r + s	15	16

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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.



INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

15 December 2021
SYDNEY

Gwydir Shire 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					\$ '000	\$ '000	1	2	3
Buildings	Buildings – non-specialised	591	–	545	545	–	39,479	21.0%	39.0%	27.0%	7.0%	6.0%
	Buildings – specialised	324	–	573	573	–	38,826	49.0%	27.0%	17.0%	7.0%	0.0%
	Sub-total	915	–	1,118	1,118	56,211	78,305	34.9%	33.1%	22.0%	7.0%	3.0%
Other structures	Other structures	13	–	6	6	5,290	7,533	69.0%	22.0%	7.0%	1.0%	1.0%
	Sub-total	13	–	6	6	5,290	7,533	69.0%	22.0%	7.0%	1.0%	1.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	487	–	15,372	15,372	–	159,461	53.0%	38.0%	7.0%	2.0%	0.0%
	Unsealed roads	150	–	1,669	1,669	–	37,560	41.0%	38.0%	14.0%	3.0%	4.0%
	Bridges	–	–	2	2	–	43,860	46.0%	50.0%	4.0%	0.0%	0.0%
	Footpaths	145	–	24	24	–	2,840	3.0%	20.0%	57.0%	19.0%	1.0%
	Kerb & Guttering	74	–	15	15	–	1,674	9.0%	52.0%	21.0%	15.0%	3.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	82,969	82.0%	18.0%	0.0%	0.0%	0.0%
	Sub-total	856	–	17,082	17,082	286,783	328,364	57.4%	34.5%	6.1%	1.6%	0.5%
Water supply network	Water supply network	215	–	429	429	–	23,639	64.0%	29.0%	3.0%	2.0%	2.0%
	Sub-total	215	–	429	429	14,952	23,639	64.0%	29.0%	3.0%	2.0%	2.0%
Sewerage network	Sewerage network	879	–	217	217	–	13,361	14.0%	49.0%	0.0%	37.0%	0.0%
	Sub-total	879	–	217	217	5,131	13,361	14.0%	49.0%	0.0%	37.0%	0.0%

Gwydir Shire 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	172	–	32	32	–	4,234	7.0%	85.0%	0.0%	8.0%	0.0%
	Sub-total	172	–	32	32	2,021	4,234	7.0%	85.0%	0.0%	8.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	352	352	2,605	3,360	56.0%	0.0%	44.0%	0.0%	0.0%
	Sub-total	–	–	352	352	2,605	3,360	56.0%	0.0%	44.0%	0.0%	0.0%
	Total – all assets	3,050	–	19,236	19,236	372,993	458,796	52.3%	34.4%	8.7%	3.6%	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

Gwydir Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	7,037	51.96%	156.18%	125.89%	>= 100.00%
Depreciation, amortisation and impairment	13,544				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	3,050	0.79%	0.89%	1.51%	< 2.00%
Net carrying amount of infrastructure assets	386,013				
Asset maintenance ratio					
Actual asset maintenance	19,236	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance	19,236				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	–	0.00%	0.00%	0.00%	
Gross replacement cost	458,796				

(*) 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.

Gwydir Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	<i>General fund</i>		<i>Water fund</i>		<i>Sewer fund</i>		<i>Benchmark</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	51.58%	167.59%	21.02%	43.86%	140.22%	140.53%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	0.53%	0.66%	1.44%	0.99%	17.13%	18.53%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

(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.