

# Tenterfield Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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*"Quality Nature, Quality Heritage and Quality Lifestyle"*



# Tenterfield Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

247 Rouse Street  
Tenterfield NSW 2372

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.tenterfield.nsw.gov.au](http://www.tenterfield.nsw.gov.au).

## Tenterfield Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

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Each year NSW Local Governments are required to present audited financial statements to their council and community.

## Tenterfield Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2021

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

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:

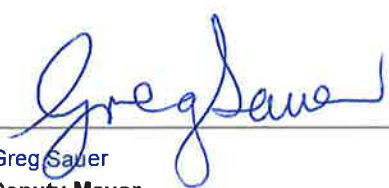
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 27 October 2021.




Peter Petty  
Mayor  
27 October 2021



Greg Sauer  
Deputy Mayor  
27 October 2021



Daryl Buckingham  
Chief Executive  
27 October 2021



Jessica Wild  
Responsible Accounting Officer  
27 October 2021

## Tenterfield Shire Council

## Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
<b>Income from continuing operations</b>				
10,521	Rates and annual charges	B2-1	10,765	10,334
2,639	User charges and fees	B2-2	2,919	2,447
504	Other revenue	B2-3	1,090	323
9,017	Grants and contributions provided for operating purposes	B2-4	11,926	14,331
17,242	Grants and contributions provided for capital purposes	B2-4	20,028	6,339
330	Interest and investment income	B2-5	66	327
—	Other income	B2-6	174	140
40,253	<b>Total income from continuing operations</b>		<b>46,968</b>	<b>34,241</b>
<b>Expenses from continuing operations</b>				
8,583	Employee benefits and on-costs	B3-1	8,473	8,751
3,725	Materials and services	B3-2	8,346	10,525
535	Borrowing costs	B3-3	485	482
7,569	Depreciation, amortisation and impairment for non-financial assets	B3-4	7,608	7,474
2,059	Other expenses	B3-5	1,751	352
265	Net losses from the disposal of assets	B4-1	2,812	625
22,736	<b>Total expenses from continuing operations</b>		<b>29,475</b>	<b>28,209</b>
17,517	<b>Operating result from continuing operations</b>		<b>17,493</b>	<b>6,032</b>
17,517	<b>Net operating result for the year attributable to Council</b>		<b>17,493</b>	<b>6,032</b>
275	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(2,535)</b>	<b>(307)</b>

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

## Tenterfield Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
<b>Net operating result for the year – from Income Statement</b>		<b>17,493</b>	<b>6,032</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<b>1,133</b>	(4,741)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,133</b>	(4,741)
<b>Total other comprehensive income for the year</b>		<b>1,133</b>	(4,741)
<b>Total comprehensive income for the year attributable to Council</b>		<b>18,626</b>	<b>1,291</b>

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

## Tenterfield Shire Council

## Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	13,383	15,066
Receivables	C1-3	5,026	2,137
Inventories	C1-4	355	610
Contract assets and contract cost assets	C1-5	7,417	5,378
<b>Total current assets</b>		<b>26,181</b>	<b>23,191</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	C1-6	469,004	448,164
Intangible Assets	C1-7	789	729
Right of use assets	C2-1	246	178
<b>Total non-current assets</b>		<b>470,039</b>	<b>449,071</b>
<b>Total assets</b>		<b>496,220</b>	<b>472,262</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	2,433	3,477
Contract liabilities	C3-2	3,412	921
Lease liabilities	C2-1	63	50
Borrowings	C3-3	804	707
Employee benefit provisions	C3-4	1,912	1,844
Provisions	C3-5	863	897
<b>Total current liabilities</b>		<b>9,487</b>	<b>7,896</b>
<b>Non-current liabilities</b>			
Lease liabilities	C2-1	153	81
Borrowings	C3-3	12,905	9,603
Provisions	C3-5	2,659	2,292
<b>Total non-current liabilities</b>		<b>15,717</b>	<b>11,976</b>
<b>Total liabilities</b>		<b>25,204</b>	<b>19,872</b>
<b>Net assets</b>		<b>471,016</b>	<b>452,390</b>
<b>EQUITY</b>			
Accumulated surplus		171,377	153,884
IPPE revaluation reserve	C4-1	299,639	298,506
<b>Council equity interest</b>		<b>471,016</b>	<b>452,390</b>
<b>Total equity</b>		<b>471,016</b>	<b>452,390</b>

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

## Tenterfield 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
Notes						
Opening balance at 1 July	153,884	298,506	452,390	149,289	303,247	452,536
Changes due to AASB 1058 and AASB 15 adoption	–	–	–	(1,437)	–	(1,437)
<b>Restated opening balance</b>	<b>153,884</b>	<b>298,506</b>	<b>452,390</b>	<b>147,852</b>	<b>303,247</b>	<b>451,099</b>
Net operating result for the year	17,493	–	17,493	6,032	–	6,032
<b>Restated net operating result for the period</b>	<b>17,493</b>	<b>–</b>	<b>17,493</b>	<b>6,032</b>	<b>–</b>	<b>6,032</b>
<b>Other comprehensive income</b>						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	–	1,133	1,133	–	(4,741)	(4,741)
<b>Other comprehensive income</b>	<b>–</b>	<b>1,133</b>	<b>1,133</b>	<b>–</b>	<b>(4,741)</b>	<b>(4,741)</b>
<b>Total comprehensive income</b>	<b>17,493</b>	<b>1,133</b>	<b>18,626</b>	<b>6,032</b>	<b>(4,741)</b>	<b>1,291</b>
<b>Closing balance at 30 June</b>	<b>171,377</b>	<b>299,639</b>	<b>471,016</b>	<b>153,884</b>	<b>298,506</b>	<b>452,390</b>

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



## Tenterfield Shire Council

## Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
10,522	Rates and annual charges		10,984	10,321
2,639	User charges and fees		3,102	2,872
330	Investment and interest revenue received		183	336
26,257	Grants and contributions		29,518	14,794
–	Bonds, deposits and retention amounts received		25	–
504	Other		187	2,464
<i>Payments:</i>				
(8,583)	Employee benefits and on-costs		(8,349)	(8,850)
(3,726)	Materials and services		(10,071)	(8,614)
(535)	Borrowing costs		(437)	(444)
–	Bonds, deposits and retention amounts refunded		–	(13)
(2,059)	Other		(807)	(1,893)
25,349	<b>Net cash flows from operating activities</b>	G1-1	24,335	10,973
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investment securities		–	1,000
–	Sale of real estate assets		324	37
2,421	Sale of infrastructure, property, plant and equipment		2,057	2,231
<i>Payments:</i>				
(28,662)	Purchase of infrastructure, property, plant and equipment		(31,519)	(16,551)
–	Purchase of intangible assets		(211)	(414)
(26,241)	<b>Net cash flows from investing activities</b>		(29,349)	(13,697)
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
3,664	Proceeds from borrowings		4,049	1,000
<i>Payments:</i>				
(741)	Repayment of borrowings		(650)	(745)
(29)	Principal component of lease payments		(68)	(47)
2,894	<b>Net cash flows from financing activities</b>		3,331	208
2,002	<b>Net change in cash and cash equivalents</b>		(1,683)	(2,516)
15,066	Cash and cash equivalents at beginning of year		15,066	17,582
17,068	<b>Cash and cash equivalents at end of year</b>	C1-1	13,383	15,066

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

# Tenterfield 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 27 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 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

and are clearly marked.

#### COVID-19

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

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

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain 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. Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

#### Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-3.

## A1-1 Basis of preparation (continued)

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

### Monies and other assets received by Council

#### The Consolidated Fund

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

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

- General purpose operations
- Tenterfield Water service
- Tenterfield Sewerage service
- Stormwater Management Fund
- Waste Management Fund

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

- Sir Henry Parkes Memorial Management Committee (Joint Committee);
- Tenterfield Saleyards Advisory Committee;
- Aboriginal Advisory Committee;
- Heritage Advisory Committee;
- ANZAC Centenary Steering Committee; and
- Disability, Inclusion and Access Advisory Committee.

#### The Trust Fund

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

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

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

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

### New accounting standards and interpretations issued not yet effective

#### New accounting standards and interpretations issued but not yet effective

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

## A1-1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

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

This Standard amends a number of standards as follows:

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

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

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

## **New accounting standards adopted during the year**

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

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

## A1-1 Basis of preparation (continued)

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- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

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

## B Financial Performance

### B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 <sup>1</sup> \$ '000	2021 \$ '000	2020 \$ '000
<b>Functions or activities</b>										
Civic Office	16	–	405	304	(389)	(304)	16	–	262	262
Organisation and Leadership	–	–	817	1,029	(817)	(1,029)	–	–	–	–
Community Development	10	342	188	351	(178)	(9)	10	341	354	354
Economic Growth and Tourism	1,100	725	1,411	601	(311)	124	1,062	690	2,043	1,702
Theatre and Museum Complex	72	159	259	304	(187)	(145)	(21)	72	196	173
Finance and Technology	8,126	8,586	1,059	501	7,067	8,085	3,387	3,770	9,317	10,645
Corporate and Governance	1	3	688	792	(687)	(789)	–	–	576	347
Workforce Development	262	214	1,507	1,242	(1,245)	(1,028)	52	66	–	–
Library Services	86	86	466	462	(380)	(376)	81	81	131	156
Emergency Services	317	727	639	974	(322)	(247)	316	313	634	465
Asset Management and Resourcing	1	9	647	701	(646)	(692)	–	–	2,035	1,881
Commercial Works	283	133	195	112	88	21	–	–	–	–
Environmental Management	503	437	638	679	(135)	(242)	498	433	23	21
Planning and Regulation	1,808	410	582	543	1,226	(133)	909	185	334	295
Plant, Fleet and Equipment	70	–	(511)	(636)	581	636	–	–	7,967	7,057
Buildings and Amenities	1,838	520	1,428	1,479	410	(959)	1,579	396	10,851	8,612
Livestock Saleyards	103	93	135	162	(32)	(69)	–	–	2,295	1,750
Parks, Gardens and Open Space	135	727	1,115	1,127	(980)	(400)	21	577	10,025	8,849
Swimming Complex	20	10	189	193	(169)	(183)	20	10	961	1,424
Stormwater and Drainage	74	82	100	100	(26)	(18)	2	1	3,740	4,786
Transport Network	22,158	9,783	10,846	9,304	11,312	479	22,076	9,734	377,578	360,547
Sewerage Services	2,712	2,471	1,674	1,666	1,038	805	16	33	27,356	26,200
Waste Management	2,857	2,849	2,453	2,421	404	428	72	191	8,022	7,285
Water Supply	4,416	5,875	2,545	3,798	1,871	2,077	1,858	3,777	31,520	29,451
<b>Total functions and activities</b>	<b>46,968</b>	<b>34,241</b>	<b>29,475</b>	<b>28,209</b>	<b>17,493</b>	<b>6,032</b>	<b>31,954</b>	<b>20,670</b>	<b>496,220</b>	<b>472,262</b>

(1) Contributions in amount of \$2,133 thousand were included in 2020 for comparative purposes



## B1-2 Components of functions or activities

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

### Civic Office

Corporate affairs and relations; the governance framework; overall corporate performance and reporting; community advocacy; mayoral, councillor and committee support; and media and external communications.

### Organisation and Leadership

Collaboration with other organisations and governments; continual improvement; overall strategic direction of the administrative arm; community engagement; administrative support; service integration and corporate advertising.

### Community Development

Community engagement, development of partnerships, indigenous affairs, inclusiveness, accessible services, supporting diversity and cultural events.

### Economic Growth and Tourism

Community prosperity, tourism, connectivity, partnering, promotion and livability. The Office of the Chief Executive directly oversees these outcomes.

### Theatre and Museum Complex

Sir Henry Parkes School of Art; cultural diversity, events and art activities; youth engagement; volunteering; and festivals.

### Finance and Technology

Information technology; financial sustainability and advise; investments; financial capacity; procurement compliance; regulatory and statutory compliance; business systems; property strategy, overall management and register, land mapping service (GIS).

### Corporate and Governance

Statutory reporting, business processes and integration; procurement compliance; audit; community involvement; customer service; governance; information technology and information management; insurance, risk and business continuity; registers and records management, legal services and election support.

### Workforce Development

Workplace health and wellbeing, planning and culture; workers compensation; workforce performance; training; recruitment, selection and retention; and internal communications.

### Library Services

Home services; vision impaired; review and updating collections; exchanges; internet and Wi Fi access; accessible technology; exhibitions; online training and resources; research and reference services; and the management of corporate art and memorabilia.

### Emergency Services

Integrating land use policies to support emergency management; disaster management; review of emergency management plans; inter-agency communication and collaboration; and rural addressing.

### Asset Management and Resourcing

Review, investigation, survey, design, development and project management; asset investigation, planning, policy formulation and management (both as a bureau service to whole organisation and for transport infrastructure).

### Commercial Works

Private works management, benchmarking, offsetting costs through creating synergies.

### Environmental Management

Education; noxious plants; feral pests (advocacy); illegal dumping and pollution; and roads & footpath regulatory enforcement.

## B1-2 Components of functions or activities (continued)

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### Planning and Regulation

Development planning, controls, assessment and certification; regulation of premises; built environment; urban design; land use data, mapping and reporting; building and assessment advice; heritage; domestic animals; public health and pollution.

### Plant, Fleet and Equipment

Effective provision and management of plant, fleet, equipment, store and depots; and tendering and procurement.

### Buildings and Amenities

Energy management and conservation, asset planning and maintenance scheduling; building and amenities utilisation, income generation and administration.

### Livestock Saleyards

Planning, development, maintenance, operations and administration of the Saleyards.

### Parks, Gardens and Open Space

Consultation, planning, development; increasing patronage; amenity; maintenance and operations; public art; cycleways; public trees; sportsgrounds (active and passive); cleanliness and administration.

### Swimming Complex

Service provision; regulatory compliance; planning; supervision of patrons; and management.

### Stormwater and Drainage

Ongoing management and improvement of all stormwater infrastructure, gross pollutant traps, natural urban waterways and erosion control apparatus.

### Transport Network

Sustainable management and improvement of all infrastructure used to facilitate transportation: vehicular, aviation, pedestrian and cyclists; car parking; quarries; delineation, line marking, signage and lighting; regulatory compliance; emergency response and on-call; traffic committee administration; and risk mitigation.

### Sewerage Services

Ongoing catchment, transportation, and treatment; monitoring, reporting, environmental compliance and emergency management; trade waste and commercial; fees and charges; public education and administration.

### Waste Management

Ongoing and sustainably managing waste: reduction; recycling; landfill remediation and development; and public education.

### Water Supply

Ongoing water catchment, storage, treatment, distribution, monitoring, regulating, reporting, compliance, charging and administration.

## B2 Sources of income

### B2-1 Rates and annual charges

	2021 \$ '000	2020 \$ '000
<b>Ordinary rates</b>		
Residential	2,107	2,041
Farmland	2,321	2,255
Mining	10	9
Business	280	288
Less: pensioner rebates (mandatory)	(136)	(137)
<b>Rates levied to ratepayers</b>	<b>4,582</b>	<b>4,456</b>
Pensioner rate subsidies received	75	76
<b>Total ordinary rates</b>	<b>4,657</b>	<b>4,532</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,015	958
Stormwater management services	70	73
Water supply services	1,294	1,235
Sewerage services	2,394	2,268
Waste management services (non-domestic)	180	171
Waste management facility charge	1,254	1,191
Less: pensioner rebates (mandatory)	(218)	(217)
<b>Annual charges levied</b>	<b>5,989</b>	<b>5,679</b>
Pensioner subsidies received:		
– Water	30	32
– Sewerage	27	28
– Domestic waste management	62	63
<b>Total annual charges</b>	<b>6,108</b>	<b>5,802</b>
<b>Total rates and annual charges</b>	<b>10,765</b>	<b>10,334</b>
<b>Timing of revenue recognition for rates and annual charges</b>		
Rates and annual charges recognised at a point in time (2)	10,765	10,334
<b>Total rates and annual charges</b>	<b>10,765</b>	<b>10,334</b>

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

#### Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

## B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	1,299	825
Sewerage services	1	173	119
Waste management services (non-domestic)	1	304	280
Trade waste	1	27	19
<b>Total specific user charges</b>		<b>1,803</b>	<b>1,243</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services	2	21	13
Planning and building regulation	2	334	200
Private works – section 67	2	283	548
Section 603 certificates	2	38	14
Other	2	1	–
Companion animals	2	4	4
Local government and health act fees	2	9	10
<b>Total fees and charges – statutory/regulatory</b>		<b>690</b>	<b>789</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	2	1	2
Cemeteries	2	113	146
Saleyards	2	103	93
Tourism	2	32	30
Cinema	2	26	62
Library	2	5	5
Museum and theatre	2	53	14
Service installation	2	55	28
Other	2	38	35
<b>Total fees and charges – other</b>		<b>426</b>	<b>415</b>
<b>Total user charges and fees</b>		<b>2,919</b>	<b>2,447</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		1,803	1,243
User charges and fees recognised at a point in time (2)		1,116	1,204
<b>Total user charges and fees</b>		<b>2,919</b>	<b>2,447</b>

### 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, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged the fee is recognised on a straight-line basis over the expected life of the membership.

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

## B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Commissions and agency fees	1	–	2
Diesel rebate	2	70	74
Recycling income (non-domestic)	2	52	43
Insurance rebates	2	27	52
Sale of surplus material	2	1	9
Found assets	2	532	–
Training reimbursement	2	180	20
Net effect from de-recognition of remediation provisions	2	4	53
Other	2	224	70
<b>Total other revenue</b>		<b>1,090</b>	<b>323</b>
<b>Timing of revenue recognition for other revenue</b>			
Other revenue recognised over time (1)		–	2
Other revenue recognised at a point in time (2)		1,090	321
<b>Total other revenue</b>		<b>1,090</b>	<b>323</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	1,636	1,588	–	–
Financial assistance – local roads component	2	824	839	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	1,750	1,682	–	–
Financial assistance – local roads component	2	885	891	–	–
<b>Amount recognised as income during current year</b>		<b>5,095</b>	<b>5,000</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
Water supplies	1	–	–	862	25
Bushfire and emergency services	2	136	313	20	–
Community centres	1	–	–	337	–
Economic development	2	89	150	–	–
Employment and training programs	2	–	15	–	–
Environmental programs	2	18	30	–	–
Heritage and cultural	1,2	1,227	22	1,590	238
Library	2	62	62	19	19
LIRS subsidy	2	19	22	–	–
Noxious weeds	1, 2	498	428	–	–
Recreation and culture	2	29	10	2	162
Community development	2	9	103	–	–
Public conveniences	1	–	–	144	514
Street lighting	2	66	–	–	–
Town planning	1,2	50	–	139	2
Waste management	2	–	–	50	53
Disaster recovery	2	1,261	3,199	–	–
Transport (roads to recovery)	2	1,567	1,567	–	–
Transport (other roads and bridges funding)	1, 2	16	158	15,844	2,865
Critical drought initiative	2	–	1,332	793	2,248
Other councils – joint works/services	1	133	145	–	–
Transport for NSW contributions (regional roads, block grant)	2	1,594	1,594	–	–
Tourism	2	–	6	–	–
FBT contributions	2	52	50	–	–
Waste management services	2	5	125	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>6,831</b>	<b>9,331</b>	<b>19,800</b>	<b>6,126</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>6,831</b>	<b>9,331</b>	<b>19,800</b>	<b>6,126</b>
<b>Total grants and non-developer contributions</b>		<b>11,926</b>	<b>14,331</b>	<b>19,800</b>	<b>6,126</b>
<b>Comprising:</b>					
– Commonwealth funding		8,333	8,552	5,963	762
– State funding		3,593	3,859	13,837	5,364
– Other funding		–	1,920	–	–
		<b>11,926</b>	<b>14,331</b>	<b>19,800</b>	<b>6,126</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

	Notes	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	–	–	197	153
S 64 – water supply contributions		2	–	–	15	27
S 64 – sewerage service contributions		2	–	–	16	33
<b>Total developer contributions – cash</b>			–	–	228	213
<b>Total developer contributions</b>			–	–	228	213
<b>Total contributions</b>			–	–	228	213
<b>Total grants and contributions</b>			11,926	14,331	20,028	6,339
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			133	145	1,343	539
Grants and contributions recognised at a point in time (2)			11,793	14,186	18,685	5,800
<b>Total grants and contributions</b>			11,926	14,331	20,028	6,339

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Notes				
<b>Grants</b>				
Unspent funds at 1 July	2,626	1,038	946	1,794
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,189	2,185	154	437
<b>Add:</b> grants received for the provision of goods and services in a future period	–	412	3,412	509
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(2,196)	(233)	(426)	(1,134)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(412)	(776)	(509)	(660)
<b>Unspent grants at 30 June</b>	<b>1,207</b>	<b>2,626</b>	<b>3,577</b>	<b>946</b>
<b>Contributions</b>				
Unspent funds at 1 July	–	–	–	89
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	222	–
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	(89)
<b>Unspent contributions at 30 June</b>	<b>–</b>	<b>–</b>	<b>222</b>	<b>–</b>

G4

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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

#### Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.



## B2-4 Grants and contributions (continued)

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

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

### Developer contributions

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

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

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

### Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

## B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	33	145
– Cash and investments	33	182
<b>Total interest and investment income (losses)</b>	<b>66</b>	<b>327</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
General Council cash and investments	66	327
<b>Total interest and investment income</b>	<b>66</b>	<b>327</b>

### 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
<b>Rental income</b>			
<b>Other lease income</b>			
Council owned property		174	140
<b>Total Other lease income</b>		<b>174</b>	<b>140</b>
<b>Total rental income</b>	C2-2	<b>174</b>	<b>140</b>
<b>Total other income</b>		<b>174</b>	<b>140</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	7,591	7,571
Employee leave entitlements (ELE)	1,513	1,397
Superannuation	880	907
Workers' compensation insurance	188	135
Fringe benefit tax (FBT)	46	30
Other	45	31
<b>Total employee costs</b>	<b>10,263</b>	<b>10,071</b>
Less: capitalised costs	(1,790)	(1,320)
<b>Total employee costs expensed</b>	<b>8,473</b>	<b>8,751</b>

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

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

## B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		2,752	2,508
Contractor and consultancy costs		3,514	5,880
Audit fees	F2-1	50	52
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	182	180
Advertising		127	74
Cleaning		57	53
Electricity and heating		251	274
Insurance		461	452
Postage		42	44
Printing and stationery		15	21
Street lighting		117	125
Subscriptions and publications		223	209
Telephone and communications		248	233
Travel expenses		4	18
Training costs (other than salaries and wages)		133	167
Other expenses		119	120
– Legal expenses: other		37	106
Other		14	9
<b>Total materials and services</b>		<b>8,346</b>	<b>10,525</b>
<b>Total materials and services</b>		<b>8,346</b>	<b>10,525</b>

### 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
<b>(i) Interest bearing liability costs</b>			
Interest on leases		7	6
Interest on loans		463	436
<b>Total interest bearing liability costs</b>		<b>470</b>	<b>442</b>
<b>Total interest bearing liability costs expensed</b>		<b>470</b>	<b>442</b>
<b>(ii) Other borrowing costs</b>			
– Remediation liabilities	C3-5	15	40
<b>Total other borrowing costs</b>		<b>15</b>	<b>40</b>
<b>Total borrowing costs expensed</b>		<b>485</b>	<b>482</b>

#### Accounting policy

Borrowing costs are expensed as incurred.

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

	Notes	2021 \$ '000	2020 \$ '000
<b>Depreciation and amortisation</b>			
Plant and equipment		646	576
Office equipment		45	40
Furniture and fittings		5	5
Land improvements (depreciable)		36	50
<b>Infrastructure:</b>	C1-6		
– Buildings		772	768
– Other structures		118	121
– Roads		3,204	3,189
– Bridges		941	950
– Footpaths		42	41
– Stormwater drainage		100	100
– Water supply network		711	711
– Sewerage network		488	479
– Swimming pools		21	21
– Other open space/recreational assets		108	110
Right of use assets	C2-1	85	–
<b>Other assets:</b>			
– Library books		24	27
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5,C1-6	333	391
– Quarry assets	C3-5,C1-6	6	17
Intangible assets	C1-7	151	62
<b>Total gross depreciation and amortisation costs</b>		<b>7,836</b>	<b>7,658</b>
Less: capitalised costs		(228)	(184)
<b>Total depreciation and amortisation costs</b>		<b>7,608</b>	<b>7,474</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>7,608</b>	<b>7,474</b>

### 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 C1-6 for IPPE assets and Note C1-7 for intangible assets.

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

#### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

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

## B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
<b>Receivables write-off</b>			
Other		25	—
<b>Total impairment of receivables</b>	C1-3	25	—
<b>Other</b>			
Grants funded rates credit		493	—
Grants funded donations, contributions and assistance to other organisations (incl. Section 356)		603	—
Council funded donations, contributions and assistance to other organisations (incl. Section 356)		126	50
Emergency services levy (includes FRNSW, SES, and RFS levies)		504	302
<b>Total other</b>		1,726	352
<b>Total other expenses</b>		1,751	352

### 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
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Less: carrying amount of property assets sold/written off		–	(309)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(309)</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
Proceeds from disposal – plant and equipment	C1-6	2,057	2,231
Less: carrying amount of plant and equipment assets sold/written off		(2,347)	(2,481)
<b>Gain (or loss) on disposal</b>		<b>(290)</b>	<b>(250)</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off	C1-6	(2,564)	(60)
<b>Gain (or loss) on disposal</b>		<b>(2,564)</b>	<b>(60)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
Proceeds from disposal – real estate assets	C1-4	324	37
Less: carrying amount of real estate assets sold/written off		(282)	(43)
<b>Gain (or loss) on disposal</b>		<b>42</b>	<b>(6)</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>(2,812)</b>	<b>(625)</b>

#### Accounting policy

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

#### Non-infrastructure assets

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.

#### Infrastructure assets

It is not common for infrastructure assets to be sold. De-recognition of carrying value of infrastructure assets usually occurs in cases of replacement or when they are no longer serviceable. Physical replacement of infrastructure assets result in loss from disposal of replaced assets through profit and loss account. Renewal works which represent reversal of consumed service potential add up to the carrying value of the asset.

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 24/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	10,521	10,765	244	2% <b>F</b>
User charges and fees	2,639	2,919	280	11% <b>F</b>
Due to increased water usage consumption after water restrictions were lifted, and some additional commercial/private works completed.				
Other revenues	504	1,090	586	116% <b>F</b>
Insurance settlement for fire at Urbenville Medical Centre in December 2020, and new subsidies received for Street Lighting Carbon Offset and Workforce Training.				
Operating grants and contributions	9,017	11,926	2,909	32% <b>F</b>
A number of new grants were received throughout the year. Also accrual for contract assets.				
Capital grants and contributions	17,242	20,028	2,786	16% <b>F</b>
A number of new grants were received throughout the year.				
Interest and investment revenue	330	66	(264)	(80)% <b>U</b>
Due to the current low interest rates and a six (6) month freeze on charging interest on overdue rates and charges as a result of a NSW State Government directive.				
Other income	—	174	174	∞ <b>F</b>
Leases renewed for some commercial properties at higher market rates, as well as some outstanding rental income collected for previous years.				



**B5-1 Material budget variations (continued)**

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----
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**EXPENSES**

Employee benefits and on-costs	8,583	8,473	110	1%	F
Materials and services	3,725	8,346	(4,621)	(124)%	U

Includes operational expenditure for operational grants received this year (e.g. Drought Communities Extension), as well as some expenditure relating to operational grants received in the 2019/20 financial year (e.g. bushfire recovery funding).

Borrowing costs	535	485	50	9%	F
Depreciation, amortisation and impairment of non-financial assets	7,569	7,608	(39)	(1)%	U
Other expenses	2,059	1,751	308	15%	F
Net losses from disposal of assets	265	2,812	(2,547)	(961)%	U

Includes amount of write offs of undepreciated components of renewed roads assets. This figure is higher than in previous year due to extensive amount of capital works on road network in 2021 financial year. It is hard to budget for this category of loss.

**STATEMENT OF CASH FLOWS**

Cash flows from operating activities	25,349	24,335	(1,014)	(4)%	U
Cash flows from investing activities	(26,241)	(29,349)	(3,108)	12%	U

New grants for capital purposes received throughout the year, resulted in additional capital expenditure when compared to original budget.

Cash flows from financing activities	2,894	3,331	437	15%	F
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Mainly due to an additional loan being taken out in the 2020/2021 Financial Year to fund capital purchases.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	8,631	6,380
Cash-equivalent assets		
– Deposits at call	4,370	8,373
Trust account	382	313
<b>Total cash and cash equivalents</b>	<b>13,383</b>	<b>15,066</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	13,383	15,066
<b>Balance as per the Statement of Cash Flows</b>	<b>13,383</b>	<b>15,066</b>

#### 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 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	13,383	–	15,066	–
<b>attributable to:</b>				
External restrictions	14,583	–	12,069	–
Internal restrictions	–	–	2,924	–
Unrestricted <sup>1</sup>	(1,200)	–	73	–
	13,383	–	15,066	–

(1) See explanation about negative unrestricted cash in the disclosure note below.

	2021 \$ '000	2020 \$ '000
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### Details of restrictions

#### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	3,413	921
Unspent LIRS Loan Funds	–	19

#### External restrictions – included in liabilities

#### External restrictions – other

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

Developer contributions – general	222	–
Specific purpose unexpended grants (recognised as revenue) – general fund	1,345	2,575
Water fund	590	1,030
Sewer fund	4,846	3,528
Domestic waste management	3,109	2,949
Stormwater management	1,032	990
Bruxner Way widening (RMS)	26	57

#### External restrictions – other

#### Total external restrictions

#### Internal restrictions

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

Plant and vehicle replacement	–	2,333
Employees leave entitlement	–	461
International town partnerships	–	10
Special projects	–	120

#### Total internal restrictions

#### Total restrictions

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

#### Negative unrestricted cash

Council's negative unrestricted cash of \$1.2 million represents a breach of section 409(3) of the LG Act.

Due to timing differences in the receipt of payments of funds for infrastructure projects in the final quarter of 2020/21 Council has utilised restricted funds to keep these projects progressing.

The Council is unable to verify that funds raised by special rates or charges were not used to pay for general fund expenses during the year ended 30 June 2021. The Council acknowledges it may have used restricted special rates and charges funds

## C1-2 Restricted cash, cash equivalents and investments (continued)

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for purposes other than their intended use, without Ministerial approval. Such unapproved use would not comply with section 410(3) of the LG Act.

At 30 June 2021 Council had Disaster Recovery Funding Arrangement (DRFA) claims in excess of \$3.0 million as contract assets (refer Note C1-5) for works delivered during the financial years 2019/20 and 2020/21. Post 30 June 2021 these restricted funds have been refunded as project funding has been received. Hence, the financial statements for the year ended 30 June 2021 are prepared on a going concern basis.

### C1-3 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Purpose</b>				
Rates and annual charges	452	–	671	–
Interest and extra charges	62	–	179	–
User charges and fees	775	–	446	–
Private works	86	–	307	–
Accrued revenues				
– Interest on investments	1	–	1	–
Government agency receivables	3,036	–	148	–
Net GST receivable	628	–	401	–
Other debtors	41	–	39	–
<b>Total</b>	<b>5,081</b>	<b>–</b>	<b>2,192</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Other debtors	(55)	–	(55)	–
<b>Total provision for impairment – receivables</b>	<b>(55)</b>	<b>–</b>	<b>(55)</b>	<b>–</b>
<b>Total net receivables</b>	<b>5,026</b>	<b>–</b>	<b>2,137</b>	<b>–</b>

#### Externally restricted receivables

##### Water supply

– Rates and availability charges	67	–	89	–
– Other	1,079	–	438	–
<b>Sewerage services</b>				
– Rates and availability charges	122	–	170	–
– Other	99	–	71	–
<b>Domestic waste management</b>	213	–	259	–
<b>Stormwater management</b>	4	–	7	–
<b>Total external restrictions</b>	<b>1,584</b>	<b>–</b>	<b>1,034</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>3,442</b>	<b>–</b>	<b>1,103</b>	<b>–</b>
<b>Total net receivables</b>	<b>5,026</b>	<b>–</b>	<b>2,137</b>	<b>–</b>

	2021 \$ '000	2020 \$ '000
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#### Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	55	55
<b>Balance at the end of the year</b>	<b>55</b>	<b>55</b>

## C1-3 Receivables (continued)

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### Accounting policy

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

### Impairment

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 60 days past due has seen a significant increase in credit risk.

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

## C1-4 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>(i) Inventories at cost</b>				
Real estate for resale	70	–	352	–
Stores and materials	285	–	258	–
<b>Total inventories at cost</b>	<b>355</b>	<b>–</b>	<b>610</b>	<b>–</b>
<b>Total inventories</b>	<b>355</b>	<b>–</b>	<b>610</b>	<b>–</b>

### (i) Other disclosures

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>(a) Details for real estate development</b>					
Residential		70	–	352	–
<b>Total real estate for resale</b>		<b>70</b>	<b>–</b>	<b>352</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		70	–	352	–
<b>Total costs</b>		<b>70</b>	<b>–</b>	<b>352</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>70</b>	<b>–</b>	<b>352</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		352	–	395	–
– WDV of sales (expense)	B4-1	(282)	–	(43)	–
<b>Total real estate for resale</b>		<b>70</b>	<b>–</b>	<b>352</b>	<b>–</b>

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

	2021 \$ '000	2020 \$ '000
Real estate for resale	–	300
	<b>–</b>	<b>300</b>

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

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

#### Land held for resale

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

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

## C1-5 Contract assets

	2021 \$ '000	2020 \$ '000
Contract assets	7,417	5,378
<b>Total contract assets</b>	<b>7,417</b>	<b>5,378</b>

### Contract assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Grant Contract Asset (AASB 1058 - asset exemption)	4,482	—	2,978	—
Accrued Income (AASB 1058)	2,802	—	2,255	—
Contract Asset (AASB 15)	133	—	145	—
<b>Total contract assets</b>	<b>7,417</b>	<b>—</b>	<b>5,378</b>	<b>—</b>

### Significant changes in contract assets

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

No significant changes.

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

Increase by \$1.5M mostly due to accrual of income for capital works done on enforceable and specific grant related projects. Most significant accruals were done on the following projects as at 30 June 2021:

- a) Mt Lindesay Upgrade - \$1.6M
- b) Tooloom Rd - Forestry HML Heavy Vehicle Access Project under Fixing Local Roads program - \$1M
- c) March 2021 Storms & Floods damage under DRFA program - \$0.8M

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

Increase by \$0.5M mostly due to accrual of works on non-specific or not enforceable contracts which are expected to be reimbursed by fund providers.

### Accounting policy

#### Contract assets

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

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

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



## C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period									At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Reclassifications	Net effect from found assets to P&L	Revaluation decrements/ impairment 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	7,177	–	7,177	2,809	7,850	–	–	(1,781)	–	–	–	–	16,056	–	16,056
Plant and equipment	14,747	(6,649)	8,098	2,865	1,396	(2,347)	(646)	60	5	–	–	–	16,383	(6,953)	9,430
Office equipment	671	(344)	327	–	53	–	(45)	–	–	–	–	–	724	(389)	335
Furniture and fittings	155	(133)	22	–	–	–	(5)	–	–	–	–	–	155	(138)	17
<b>Land:</b>															
– Crown land - managed by council	1,202	–	1,202	–	–	–	–	–	–	–	–	76	1,278	–	1,278
– Crown land - devolved to council	2,504	–	2,504	–	–	–	–	–	–	–	–	247	2,750	–	2,750
– Operational land	3,441	–	3,441	–	21	–	–	–	–	532	–	–	3,995	–	3,995
– Community land	1,414	–	1,414	–	–	–	–	–	–	–	–	111	1,525	–	1,525
– Land under roads (post 30/6/08)	10	–	10	–	–	–	–	–	–	–	–	–	10	–	10
Land improvements – depreciable	1,746	(391)	1,355	–	–	–	(36)	–	(9)	–	(331)	162	1,758	(616)	1,142
<b>Infrastructure:</b>															
– Buildings	30,643	(17,230)	13,413	486	1,922	(218)	(772)	271	176	–	–	–	32,950	(17,671)	15,279
– Other structures	3,642	(1,324)	2,318	–	272	–	(118)	197	(167)	–	–	664	4,960	(1,794)	3,166
– Roads	263,213	(50,777)	212,436	3,996	4,581	(1,356)	(3,204)	1	–	–	–	–	268,882	(52,429)	216,453
– Bridges	89,157	(42,394)	46,763	1,753	244	(927)	(941)	1,167	–	–	–	–	89,403	(41,344)	48,059
– Footpaths	3,350	(873)	2,477	–	22	–	(42)	–	–	–	–	–	3,374	(915)	2,459
– Bulk earthworks (non-depreciable)	91,880	–	91,880	–	1,883	–	–	1	–	–	–	–	93,763	–	93,763
– Stormwater drainage	8,354	(4,558)	3,796	–	40	–	(100)	–	–	–	–	–	8,395	(4,659)	3,736
– Water supply network	58,100	(34,507)	23,593	747	36	(18)	(711)	1	–	–	–	210	58,672	(34,813)	23,859
– Sewerage network	33,905	(11,934)	21,971	–	–	–	(488)	–	–	–	–	198	34,217	(12,537)	21,680
– Swimming pools	1,205	(298)	907	–	–	–	(21)	–	–	–	(524)	–	1,408	(1,047)	361
– Other open space/recreational assets	2,350	(668)	1,682	92	229	(45)	(108)	83	(5)	–	–	320	2,956	(708)	2,248
<b>Other assets:</b>															
– Library books	947	(816)	131	–	–	–	(24)	–	–	–	–	–	167	(60)	107
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>															
– Tip assets	2,865	(1,667)	1,198	–	–	–	(333)	–	349	–	–	–	3,124	(1,910)	1,214
– Quarry assets	88	(39)	49	–	–	–	(6)	–	39	–	–	–	105	(23)	82
<b>Total infrastructure, property, plant and equipment</b>	<b>622,766</b>	<b>(174,602)</b>	<b>448,164</b>	<b>12,748</b>	<b>18,549</b>	<b>(4,911)</b>	<b>(7,600)</b>	<b>–</b>	<b>388</b>	<b>532</b>	<b>(855)</b>	<b>1,988</b>	<b>647,010</b>	<b>(178,006)</b>	<b>469,004</b>

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period									At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Other movements (Found Assets at FV through Equity) \$ '000	Revaluation decrements/ impairment 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	416	–	416	4,515	2,248	–	–	(2)	–	–	–	–	7,177	–	7,177
Plant and equipment	13,171	(6,135)	7,036	3,613	506	(2,481)	(576)	–	–	–	–	–	14,747	(6,649)	8,098
Office equipment	622	(304)	318	–	50	–	(40)	–	–	–	–	–	671	(344)	327
Furniture and fittings	148	(128)	20	–	8	–	(5)	–	–	–	–	–	155	(133)	22
<b>Land:</b>															
– Operational land	3,441	–	3,441	–	–	–	–	–	–	–	–	–	3,441	–	3,441
– Community land	1,414	–	1,414	–	–	–	–	–	–	–	–	–	1,414	–	1,414
– Crown land - managed by council	1,202	–	1,202	–	–	–	–	–	–	–	–	–	1,202	–	1,202
– Crown land - devolved to council	2,504	–	2,504	–	–	–	–	–	–	–	–	–	2,504	–	2,504
– Land under roads (post 30/6/08)	10	–	10	–	–	–	–	–	–	–	–	–	10	–	10
Land improvements – depreciable	1,371	(342)	1,029	–	376	–	(50)	–	–	–	–	–	1,746	(391)	1,355
<b>Infrastructure:</b>															
– Buildings	37,953	(20,786)	17,167	260	688	(309)	(768)	–	–	–	(3,625)	–	30,643	(17,230)	13,413
– Other structures	3,397	(1,203)	2,194	–	245	–	(121)	–	–	–	–	–	3,642	(1,324)	2,318
– Roads	260,413	(47,502)	212,911	1,480	2,392	(60)	(3,189)	–	255	–	(1,352)	–	263,213	(50,777)	212,436
– Bridges	89,813	(41,757)	48,056	–	–	–	(950)	–	(255)	–	(88)	–	89,157	(42,394)	46,763
– Footpaths	3,276	(833)	2,443	–	75	–	(41)	–	–	–	–	–	3,350	(873)	2,477
– Bulk earthworks (non-depreciable)	91,380	–	91,380	–	602	–	–	–	–	–	(101)	–	91,880	–	91,880
– Stormwater drainage	8,355	(4,458)	3,897	–	–	–	(100)	–	–	–	–	–	8,354	(4,558)	3,796
– Water supply network	57,471	(33,472)	23,999	–	83	–	(711)	–	–	–	–	221	58,100	(34,507)	23,593
– Sewerage network	33,210	(11,344)	21,866	367	12	–	(479)	–	–	–	–	204	33,905	(11,934)	21,971
– Swimming pools	1,164	(277)	887	–	41	–	(21)	–	–	–	–	–	1,205	(298)	907
– Other open space/recreational assets	2,191	(558)	1,633	–	157	–	(110)	2	–	–	–	–	2,350	(668)	1,682
<b>Other assets:</b>															
– Library books	930	(789)	141	–	16	–	(27)	–	–	–	–	–	947	(816)	131
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>															
– Tip assets	3,178	(1,275)	1,903	–	–	–	(391)	–	(313)	–	–	–	2,865	(1,667)	1,198
– Quarry assets	125	(22)	103	–	–	–	(17)	–	(37)	–	–	–	88	(39)	49
<b>Total infrastructure, property, plant and equipment</b>	<b>617,155</b>	<b>(171,185)</b>	<b>445,970</b>	<b>10,235</b>	<b>7,499</b>	<b>(2,850)</b>	<b>(7,596)</b>	<b>–</b>	<b>(350)</b>	<b>–</b>	<b>(5,166)</b>	<b>425</b>	<b>622,766</b>	<b>(174,602)</b>	<b>448,164</b>

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

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

### Accounting policy

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

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

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

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

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

Land is not depreciated unless it was acquired to be controlled by the council for a specified period of time. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	<b>Years</b>	<b>Water and sewer assets</b>	<b>Years</b>
Office equipment	10	Water - Mains	80 to 90
Office furniture	10 to 20	Water - Pumping Stations	30 to 80
Computer equipment	4	Water Dam	100
Plants - Light vehicles	1	Water - Reservoirs	40 to 80
Plants - Heavy plant/road making equipment	10	Water - Treatment Works	30 to 80
Other plant and equipment	10	Sewerage - Ancilliary	30 to 50
		Sewerage - Pumping Stations	30
		Sewerage - Treatment Works	30 to 70
		Sewerage - Mains	80 to 90
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface	30	Drains	80
Sealed roads: pavement base	50		
Sealed roads: pavement sub-base	Infinite		
Unsealed roads surface:			
- depreciable component	25		
- non-depreciable component	Infinite	<b>Buildings</b>	
Bulk earthworks	Infinite	Buildings	15 to 75
Bridge: concrete	100		
Bridge: timber	80	<b>Other infrastructure assets</b>	
Kerb, gutter and footpaths	80	Swimming pools	50
		Other open space/ recreational assets	10 to 100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. As at 30 June 2021 only vehicle assets had residual values.

Depreciation starts in the year following the year of acquisition of an asset.

### Land under roads

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

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

### Crown reserves

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

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

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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".

Council did not recognise Rural Fire Services Assets, including buildings, plant and equipment, due to lack of evidence of control over the economic benefits which are expected to flow from these assets.

## C1-7 Intangible assets

Intangible assets are as follows:

	2021 \$ '000	2020 \$ '000
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	964	550
Accumulated amortisation	(235)	(173)
<b>Net book value – opening balance</b>	<b>729</b>	<b>377</b>
<b>Movements for the year</b>		
Purchases	211	414
Amortisation charges	(151)	(62)
<b>Closing values at 30 June</b>		
Gross book value	1,175	964
Accumulated amortisation	(386)	(235)
<b>Total software – net book value</b>	<b>789</b>	<b>729</b>
<b>Total intangible assets – net book value</b>	<b>789</b>	<b>729</b>

### Accounting policy

#### Information technology (IT) and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from five to ten years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

## C2 Leasing activities

### C2-1 Council as a lessee

Information relating to the leases in place and associated balances and transactions is provided below.

#### Buildings

Council leases land for operational purposes. The land leases contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

#### Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

#### (a) Right of use assets

	Office and IT equipment \$ '000	Land \$ '000	Total \$ '000
<b>2021</b>			
Opening balance at 1 July	178	–	178
Additions to right-of-use assets	–	132	132
Adjustments to right-of-use assets due to re-measurement of lease liability	21	–	21
Depreciation charge	(85)	–	(85)
Impairment of right-of-use assets	–	–	–
<b>Balance at 30 June</b>	<b>114</b>	<b>132</b>	<b>246</b>
<b>2020</b>			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	141	–	141
Adjustments to right-of-use assets due to re-measurement of lease liability	37	–	37
Impairment of right-of-use assets	–	–	–
<b>Balance at 30 June</b>	<b>178</b>	<b>–</b>	<b>178</b>

#### (b) Lease liabilities

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities	63	153	50	81
<b>Total lease liabilities</b>	<b>63</b>	<b>153</b>	<b>50</b>	<b>81</b>

## C2-1 Council as a lessee (continued)

### (c) (i) The maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
<b>2021</b>					
Cash flows	77	75	106	258	216
<b>2020</b>					
Cash flows	55	84	–	139	131

### (d) Income Statement

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

	2021 \$ '000	2020 \$ '000
Interest on lease liabilities	7	6
Variable lease payments based on usage not included in the measurement of lease liabilities	14	24
Depreciation of right of use assets	85	–
Expenses relating to low-value leases	–	1
	<b>106</b>	<b>31</b>

### (e) Statement of Cash Flows

Total cash outflow for leases	75	46
	<b>75</b>	<b>46</b>

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

Council has a lease at significantly below market for land and building which is used for School of Arts.

The lease is for 80 years and requires payments of a maximum amount of \$1 per year. The use of the right-to-use asset is restricted by the lessor to specified community services which Council must provide, these services are detailed in the lease. Council does not believe that this lease 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.

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

## C2-1 Council as a lessee (continued)

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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 (below \$10,000). 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 to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

– property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

	2021 \$ '000	2020 \$ '000
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#### (i) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	174	140
<b>Total income relating to operating leases for Council assets</b>	<b>174</b>	<b>140</b>

#### (iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	174	140
1–2 years	174	140
2–3 years	174	140
3–4 years	174	140
4–5 years	174	140
> 5 years	174	140
<b>Total undiscounted lease payments to be received</b>	<b>1,044</b>	<b>840</b>

### 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 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Payables</b>				
Goods and services	1,363	–	2,227	–
Goods and services – accruals	267	–	646	–
Accrued expenses:				
– Borrowings	80	–	47	–
– Salaries and wages	147	–	91	–
Advances	7	–	7	–
Security bonds, deposits and retentions	131	–	106	–
Other	56	–	40	–
Trust account	382	–	313	–
<b>Total payables</b>	<b>2,433</b>	<b>–</b>	<b>3,477</b>	<b>–</b>
<b>Total payables</b>	<b>2,433</b>	<b>–</b>	<b>3,477</b>	<b>–</b>

#### Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Externally restricted assets</b>				
Water	323	–	132	–
Sewer	27	–	29	–
Other	72	–	1,798	–
Payables relating to externally restricted assets	422	–	1,959	–
<b>Total payables relating to restricted assets</b>	<b>422</b>	<b>–</b>	<b>1,959</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>2,011</b>	<b>–</b>	<b>1,518</b>	<b>–</b>
<b>Total payables</b>	<b>2,433</b>	<b>–</b>	<b>3,477</b>	<b>–</b>

#### Accounting policy

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

#### Payables

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

## C3-2 Contract Liabilities

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,412	—	534	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	—	—	387	—
<b>Total grants received in advance</b>		<b>3,412</b>	<b>—</b>	<b>921</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>3,412</b>	<b>—</b>	<b>921</b>	<b>—</b>

### Notes

(i) Council has received funding to construct assets to be controlled by the council under Stronger Country Communities Funding and Drought Stimulus Package grant agreements. The funds received are under enforceable contracts which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

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

	2021 \$ '000	2020 \$ '000
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	921	1,436
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>921</b>	<b>1,436</b>

### Significant changes in contract liabilities

#### Unexpended capital grants (to construct Council controlled assets)

*Increase by \$2.8M was mostly due to advance payment received in 2021 for Kildare Road project under Fixing Local Roads program (\$2.4M).*

#### Unexpended operating grants (received prior to performance obligation being satisfied)

*Drop by \$0.4M due to delivery of services in 2021 financial year for funds received under "Weeds funding - Blackberry & Serrated Tussock" project in 2020 financial year.*

### 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 <sup>1</sup>	804	12,905	707	9,603
<b>Total borrowings</b>	<b>804</b>	<b>12,905</b>	<b>707</b>	<b>9,603</b>

(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.

#### Borrowings relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Externally restricted assets</b>				
Water	237	5,931	316	6,111
Sewer	93	1,670	86	1,763
Domestic waste management	–	–	159	233
<b>Borrowings relating to externally restricted assets</b>	<b>330</b>	<b>7,601</b>	<b>561</b>	<b>8,107</b>
<b>Total borrowings relating to restricted assets</b>	<b>330</b>	<b>7,601</b>	<b>561</b>	<b>8,107</b>
<b>Total borrowings relating to unrestricted assets</b>	<b>474</b>	<b>5,304</b>	<b>146</b>	<b>1,496</b>
<b>Total borrowings</b>	<b>804</b>	<b>12,905</b>	<b>707</b>	<b>9,603</b>

### C3-3 Borrowings (continued)

#### (a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	10,310	3,399	–	–	–	–	13,709
Lease liability (Note C2-1b)	131	(47)	132	–	–	–	216
<b>Total liabilities from financing activities</b>	<b>10,441</b>	<b>3,352</b>	<b>132</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,925</b>

	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	10,055	255	–	–	–	–	10,310
Lease liability (Note C2-1b)	–	–	–	–	–	131	131
<b>Total liabilities from financing activities</b>	<b>10,055</b>	<b>255</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>131</b>	<b>10,441</b>

#### (b) Financing arrangements

	2021 \$ '000	2020 \$ '000
<b>Total facilities</b>		
Credit cards/purchase cards	50	50
<b>Total financing arrangements</b>	<b>50</b>	<b>50</b>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	41	30
<b>Total undrawn financing arrangements</b>	<b>41</b>	<b>30</b>

#### Accounting policy

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or borrowing costs.

### C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	759	–	750	–
Long service leave	1,153	–	1,094	–
<b>Total employee benefit provisions</b>	<b>1,912</b>	<b>–</b>	<b>1,844</b>	<b>–</b>

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

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

Provisions – employees benefits	1,215	1,217
	<b>1,215</b>	<b>1,217</b>

#### 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
<b>Other provisions</b>				
Workers compensation	42	—	29	—
<b>Sub-total – other provisions</b>	<b>42</b>	<b>—</b>	<b>29</b>	<b>—</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	821	2,659	868	2,292
<b>Sub-total – asset remediation/restoration</b>	<b>821</b>	<b>2,659</b>	<b>868</b>	<b>2,292</b>
<b>Total provisions</b>	<b>863</b>	<b>2,659</b>	<b>897</b>	<b>2,292</b>

## Description of and movements in provisions

	Other provisions		
	Asset remediation \$ '000	Workers compensation \$ '000	Net carrying amount \$ '000
<b>2021</b>			
At beginning of year	3,160	29	3,189
Unwinding of discount	15	—	15
Amounts used (payments)	(79)	(16)	(95)
Remeasurement effects	(22)	—	(22)
Other	406	—	477
<b>Total other provisions at end of year</b>	<b>3,480</b>	<b>13</b>	<b>3,564</b>
<b>2020</b>			
At beginning of year	3,545	31	3,576
Unwinding of discount	40	—	40
Amounts used (payments)	(23)	(2)	(25)
Remeasurement effects	(402)	—	(402)
<b>Total other provisions at end of year</b>	<b>3,160</b>	<b>29</b>	<b>3,189</b>

## 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.

### C3-5 Provisions (continued)

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

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



## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **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

	<b>General 2021 \$ '000</b>	<b>Water 2021 \$ '000</b>	<b>Sewer 2021 \$ '000</b>
<b>Income from continuing operations</b>			
Rates and annual charges	7,183	1,238	2,344
User charges and fees	1,330	1,355	234
Interest and investment revenue	53	6	7
Other revenues	1,078	(72)	84
Grants and contributions provided for operating purposes	11,681	218	27
Grants and contributions provided for capital purposes	18,342	1,670	16
Other income	174	–	–
<b>Total income from continuing operations</b>	<b>39,841</b>	<b>4,415</b>	<b>2,712</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	7,661	542	270
Materials and services	6,752	958	636
Borrowing costs	118	225	142
Depreciation, amortisation and impairment of non-financial assets	6,367	734	507
Other expenses	1,582	76	93
Net losses from the disposal of assets	2,768	18	26
<b>Total expenses from continuing operations</b>	<b>25,248</b>	<b>2,553</b>	<b>1,674</b>
<b>Operating result from continuing operations</b>	<b>14,593</b>	<b>1,862</b>	<b>1,038</b>
<b>Net operating result for the year</b>	<b>14,593</b>	<b>1,862</b>	<b>1,038</b>
<b>Net operating result attributable to each council fund</b>	<b>14,593</b>	<b>1,862</b>	<b>1,038</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(3,749)</b>	<b>192</b>	<b>1,022</b>

## D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7,947	590	4,846
Receivables	3,659	1,146	221
Inventories	355	—	—
Contract assets and contract cost assets	6,633	784	—
<b>Total current assets</b>	<b>18,594</b>	<b>2,520</b>	<b>5,067</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	416,779	29,557	22,668
Intangible assets	789	—	—
Right of use assets	246	—	—
<b>Total non-current assets</b>	<b>417,814</b>	<b>29,557</b>	<b>22,668</b>
<b>TOTAL ASSETS</b>	<b>436,408</b>	<b>32,077</b>	<b>27,735</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,088	318	27
Income received in advance	(5)	5	—
Contract liabilities	3,412	—	—
Lease liabilities	63	—	—
Borrowings	474	237	93
Employee benefit provision	1,912	—	—
Provisions	863	—	—
<b>Total current liabilities</b>	<b>8,807</b>	<b>560</b>	<b>120</b>
<b>Non-current liabilities</b>			
Lease liabilities	153	—	—
Borrowings	5,304	5,931	1,670
Provisions	2,659	—	—
<b>Total non-current liabilities</b>	<b>8,116</b>	<b>5,931</b>	<b>1,670</b>
<b>TOTAL LIABILITIES</b>	<b>16,923</b>	<b>6,491</b>	<b>1,790</b>
<b>Net assets</b>	<b>419,485</b>	<b>25,586</b>	<b>25,945</b>
<b>EQUITY</b>			
Accumulated surplus	144,261	14,014	13,102
Revaluation reserves	275,224	11,572	12,843
<b>Council equity interest</b>	<b>419,485</b>	<b>25,586</b>	<b>25,945</b>
<b>Total equity</b>	<b>419,485</b>	<b>25,586</b>	<b>25,945</b>

## D2 Interests in other entities

### D2-5 Subsidiaries, joint arrangements and associates not recognised

#### New England Joint Organisation (NEJO)

The NEJO was established on 11 May 2018 and is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the *Local Government Act (NSW)* 1993, as amended, and the Local Government (General) Regulation 2008.

The principle purpose of the NEJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

NEJO comprises of seven voting member councils: Armidale Regional Council, Glen Innes Severn Council, Inverell Shire Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council and Uralla Shire Council.

The Board of NEJO consists of:

- The Mayors of each Member Council, who are entitled to one (1) vote at Meetings;
- A non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. Chairperson does not have a casting vote.

A decision of the Board is supported by a majority at which a quorum is present is a decision of NEJO.

Tenterfield Shire Council, as a member of the NEJO, has a one seventh voting right in respect to the decisions of the Board. Considering the fact that decision making is based on majority votes, council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the Charter each member of the NEJO contributes annual fees towards the operation of the joint organisation. In 2020/2021 the contribution made by Tenterfield Shire Council was \$13,180. For the period ended 30 June 2021 NEJO's net operating result was \$81 thousand (2020: \$46 thousand).

#### North West Weight of Loads Committee (NWWLC)

Council joined the North West Weight of Loads Committee (NWWLC) in March 2021. The NWWLC is a joint venture between the Council of the Shire of Moree Plains, the Council of the Shire of Narrabri, the Western Plains Regional Council, the Council of the Shire of Glen Innes Severn, the Council of the Shire of Gunnedah, the Council of the Shire of Tenterfield, the Council of the Shire of Inverell and the Council of the Shire of Warrumbungle.

Council's interest in the group capital is 12.5% with no control or significant influence over the group's activity. The principal activity of the NWWLC is the checking and enforcement of load weights carried by heavy vehicles on roads within the above named Council boundaries.

Tenterfield Shire Council's member contribution to the NWWLC was \$2,026.55 in 2020/21.

For the period ended 30 June 2021 NWWLC's net operating income attributable to Tenterfield Shire Council was zero.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

The fair value of receivables, loans, investments and financial liabilities approximates the carrying amount.

The risks associated with the financial instruments held are:

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

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

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

	2021 \$ '000	2020 \$ '000
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The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement	5	47
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#### (b) Credit risk

Council's receivables for the purposes of credit risk exposure comprise two categories:

1) Category 1: rates and annual charges (including interests on outstanding rates); statutory entitlements (GST receivable); government grants and subsidies; accrued grants income; and interest on investments.

2) Category 2: user charges and fees; private works; other debtors.

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

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

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

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

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

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

### Credit risk profile

#### Receivables – Category 1

##### *Rates and annual charges (including interest on overdue rates debtors)*

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.

##### *Government grants, subsidies, GST receivable*

Credit risk on this type of debtors is negligible due to allocation of the funds to the council for the whole period of fund agreements, absence of evidence of default of the Australian Government in the past, currently and in the future and timely payments made by the government.

##### *Interest on investments*

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.

##### *Contract Assets*

This class of assets comprises of accrued income under various government grants. Credit risk on this type of accruals is negligible due to allocation of the funds to the council for the whole period of fund agreements, absence of evidence of default of the Australian Government in the past, currently and in the future and timely payments made by the government.

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
<b>2021</b>						
Gross carrying amount - Receivables (AASB 9)	628	514	–	–	–	1,142
Contract Assets (AASB 15 and AASB 1058)	7,417	–	–	–	–	7,417
<b>2020</b>						
Gross carrying amount - Receivables (AASB 9)	402	850	–	–	–	1,252
Contract Assets (AASB 15 and AASB 1058)	5,378	–	–	–	–	5,378

#### Receivables - Category 2

##### *Fees and charges, Private works and other debtors*

Council applies the simplified approach for Category 2 debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, Category 2 debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2021 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
<b>2021</b>						
Gross carrying amount	2,083	1,110	293	453	–	3,939
Expected loss rate (%)	0.15%	0.12%	0.48%	11.00%	0.00%	1.41%
<b>ECL provision</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>50</b>	<b>–</b>	<b>55</b>
<b>2020</b>						
Gross carrying amount	662	17	42	219	–	940
Expected loss rate (%)	1.00%	10.00%	15.00%	18.00%	0.00%	5.75%

continued on next page ...

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
ECL provision	7	2	7	39	–	55

### (c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (for lease liability maturity analysis refer to Note C2-1) and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in: 1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2021</b>							
Trade/other payables	0.00%	131	2,035	–	–	2,166	2,433
Loans	4.44%	–	1,407	7,652	9,603	18,662	13,709
<b>Total financial liabilities</b>		<b>131</b>	<b>3,442</b>	<b>7,652</b>	<b>9,603</b>	<b>20,828</b>	<b>16,142</b>
<b>2020</b>							
Trade/other payables	0.00%	106	3,371	–	–	3,477	3,477
Loans	5.56%	–	1,136	5,411	7,860	14,407	10,310
<b>Total financial liabilities</b>		<b>106</b>	<b>4,507</b>	<b>5,411</b>	<b>7,860</b>	<b>17,884</b>	<b>13,787</b>

## 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 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).

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Infrastructure, property, plant and equipment</b>	C1-6								
Plant and equipment		30/06/18	30/06/18	–	–	9,430	8,098	9,430	8,098
Office equipment		30/06/16	30/06/16	–	–	335	327	335	327
Furniture and fittings		30/06/16	30/06/16	–	–	17	22	17	22
Crown land		30/06/21	30/06/18	–	–	4,028	3,706	4,028	3,706
Land – operational		30/06/18	30/06/18	–	–	3,995	3,441	3,995	3,441
Land – community		30/06/21	30/06/16	–	–	1,525	1,414	1,525	1,414
Land under roads		30/06/14	30/06/14	–	–	10	10	10	10
Land improvements – depreciated		30/06/21	30/06/16	–	–	1,142	1,355	1,142	1,355
Buildings		30/06/18	30/06/18	–	–	15,279	13,413	15,279	13,413
Other structures		30/06/21	30/06/16	–	–	3,166	2,318	3,166	2,318
Roads		30/06/19	30/06/19	–	–	216,453	212,436	216,453	212,436
Bulk earthworks		30/06/19	30/06/19	–	–	48,059	46,763	48,059	46,763
Footpaths		30/06/19	30/06/19	–	–	2,459	2,477	2,459	2,477
Bridges		30/06/19	30/06/19	–	–	93,763	91,880	93,763	91,880
Stormwater assets		30/06/19	30/06/19	–	–	3,736	3,797	3,736	3,797
Water supply assets		30/06/17	30/06/17	–	–	23,859	23,593	23,859	23,593
Sewerage network		30/06/17	30/06/17	–	–	21,680	21,971	21,680	21,971
Swimming pools		30/06/21	30/06/16	–	–	361	907	361	907
Open space and recreation		30/06/21	30/06/16	–	–	2,248	1,682	2,248	1,682
Library books		30/06/21	30/06/16	–	–	107	131	107	131
Tip assets		30/06/18	30/06/18	–	–	1,214	1,198	1,214	1,198
Quarry assets		30/06/18	30/06/18	–	–	82	49	82	49
<b>Total infrastructure, property, plant and equipment</b>				–	–	452,948	440,988	452,948	440,988

### Valuation techniques

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

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



## E2-1 Fair value measurement (continued)

### Infrastructure, property, plant and equipment (IPPE)

#### Crown Land

All valuations of Crown Land are based upon the land valuations issued by the Valuer - General. Crown Land was valued as at 30 June 2021 using the 1 July 2019 VG valuation data. There has been no change to the valuation process during the reporting period.

#### Community Land

All valuations of Community Land are based upon the land valuations issued by the Valuer - General. Community Land was valued as at 30 June 2021. There has been no change to the valuation process during the reporting period.

#### Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating the land parcels geographic, land use and zoning were also taken into consideration. The last valuation was undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Other Structures, Swimming Pools and Open Space & Recreation Assets

The valuation process involved current replacement cost approach. Unobservable inputs such as replacement cost, asset condition and useful life required extensive professional judgement. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken on 30 June 2021 by APV Valuers and Asset Management Pty Ltd. There has been no change to the valuation process during the reporting period.

#### Plant & Equipment, Office Equipment, Furniture & Fittings and Library Books

Plant & Equipment, Furniture & Fittings, Library Books and Office Equipment are valued at cost but disclosed at fair value in the Notes of the financial statements. It is assumed that the carrying amount of these asset classes is approximate fair value. Assets include graders, motor vehicles, mowers, chainsaws, computers, tables, chairs, lighting, library books and resources. The key unobservable input is the condition of the assets. There has been no change to the valuation process during the reporting period.

#### Buildings

Buildings assets are valued externally. Council engaged Scott Fullarton Valuations Pty Ltd to perform a comprehensive valuation of buildings assets as at 30 June 2018.

Most of the Council's buildings are specialised by nature and were valued utilising the cost approach. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates useful life, asset condition and componentisation) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

There were no changes in valuation technique from prior year.

#### Water supply and Sewerage network assets

Due to specialised nature of the assets all water and sewer network assets were valued using cost approach with the Level 3 input dominating the valuation. As a result, this class of assets is always valued externally with sufficient regularity to ensure carrying amount of the assets is not materially different to fair value. Council engaged independent professional valuer, AssetVal Pty Ltd, to perform a comprehensive revaluation of its water and sewerage supply network assets as at 30 June 2017.

Valuer applied significant judgement in determining following inputs into the valuation process: unit rates, condition assessment and obsolescence, useful life. The valuation technique has not changed from previous year.

#### Transportation assets

Transportation assets is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note C1-6: roads, bridges, footpaths, bulk earthworks, stormwater drainage.

This valuation relies on key unobservable inputs such as unit rates, condition ratings, useful life. The key unobservable inputs and no active market place these assets categories at Level 3. The last valuation of replacement cost was undertaken on 30

## E2-1 Fair value measurement (continued)

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June 2019 by AssetVal Pty Ltd. Further adjustments were then applied based on the condition of the assets using internal inspection data.

### Remediation Assets for Tips and Quarries

Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular, the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period.

### Fair value measurements using significant unobservable inputs (level 3)

There were no movements between levels of hierarchy during the year. For schedule of changes in values please refer to Note C1-6.

### Highest and best use

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

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

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

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

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 2020. 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 \$ 119,383.42. The last valuation of the Scheme was performed by

## E3-1 Contingencies (continued)

Fund Actuary, Richard Boyfield FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$99,267.36.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.22% 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

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.

## E3-1 Contingencies (continued)

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### 2. Other liabilities

#### (i) Third party claims

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

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

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

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

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

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

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

#### (ii) Infringement notices/fines

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

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

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

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

## F People and relationships

### F1 Related party disclosures

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

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

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

	2021 \$ '000	2020 \$ '000
<b>Compensation:</b>		
Short-term benefits	886	973
Post-employment benefits	67	65
<b>Total</b>	<b>953</b>	<b>1,038</b>

## 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	27	27
Councillors' fees	122	122
Other Councillors' expenses (including Mayor)	33	31
<b>Total</b>	<b>182</b>	<b>180</b>

## 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

	50	50
--	----	----

#### Remuneration for audit and other assurance services

#### Total Auditor-General remuneration

##### (ii) Other assurance services

Audit and review of financial statements – auditors other than NSW Auditor-General

	–	2
--	---	---

#### Remuneration for other assurance services performed by auditors other than NSW Auditor-General

	–	2
--	---	---

#### Total audit fees

	50	52
--	----	----



## 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
<b>Net operating result from Income Statement</b>	<b>17,493</b>	6,032
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	7,608	7,474
Net losses/(gains) on disposal of assets	2,812	625
Adoption of AASB 15/1058	–	(1,437)
Net effect from found assets	(532)	–
Unwinding of discount rates on reinstatement provisions	15	40
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(2,889)	2,622
Decrease/(increase) in inventories	(27)	94
Decrease/(increase) in accrued grants income	–	–
Decrease/(increase) in contract assets	(2,039)	(5,378)
Increase/(decrease) in payables	(864)	703
Increase/(decrease) in accrued interest payable	33	(2)
Increase/(decrease) in other accrued expenses payable	56	(231)
Increase/(decrease) in other liabilities	110	(195)
Increase/(decrease) in contract liabilities	2,491	921
Increase/(decrease) in provision for employee benefits	68	132
Increase/(decrease) in other provisions	–	(427)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>24,335</b>	10,973

## 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

Water Supply	9,046	582
Plant and equipment	–	1,821
Intangibles	73	13
Sewer Network	100	21
Waste Management	110	–
Roads	4,252	2,594
Parks	19	2
Buildings	362	1,484
Other	83	201
<b>Total commitments</b>	<b>14,045</b>	<b>6,718</b>

#### These expenditures are payable as follows:

Within the next year	14,045	6,718
<b>Total payable</b>	<b>14,045</b>	<b>6,718</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	458	52
Future grants and contributions	12,808	3,729
Externally restricted reserves	779	74
Internally restricted reserves	–	2,863
<b>Total sources of funding</b>	<b>14,045</b>	<b>6,718</b>

### G3-1 Events occurring after the reporting date

---

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed. No other matters have arisen subsequent to 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	Expenditure during year and transfers to unrestricted \$ '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					
Drainage	–	2	–	–	–	–	2	–
Roads	–	151	–	–	(6)	–	145	–
New multi-residential development	–	4	–	–	–	–	4	–
Open space	–	2	–	–	–	–	2	–
Community facilities	–	5	–	–	–	–	5	–
Emergency services	–	10	–	–	–	–	10	–
Waste management	–	18	–	–	–	–	18	–
Other	–	5	–	–	–	–	5	–
<b>S7.11 contributions – under a plan</b>	<b>–</b>	<b>197</b>	<b>–</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>191</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>–</b>	<b>197</b>	<b>–</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>191</b>	<b>–</b>
S64 contributions	–	31	–	–	–	–	31	–
<b>Total contributions</b>	<b>–</b>	<b>228</b>	<b>–</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>222</b>	<b>–</b>

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 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Expenditure during year and transfers to unrestricted \$ '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					
<b>CONTRIBUTION PLAN NUMBER 2013</b>								
Drainage	—	2	—	—	—	—	2	—
Roads	—	151	—	—	(6)	—	145	—
New multi-residential development	—	4	—	—	—	—	4	—
Open space	—	2	—	—	—	—	2	—
Community facilities	—	5	—	—	—	—	5	—
Emergency services	—	10	—	—	—	—	10	—
Waste management	—	18	—	—	—	—	18	—
Other	—	5	—	—	—	—	5	—
<b>Total</b>	<b>—</b>	<b>197</b>	<b>—</b>	<b>—</b>	<b>(6)</b>	<b>—</b>	<b>191</b>	<b>—</b>

## G5 Statement of performance measures

### G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	302	1.12%	1.14%	2.95%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	26,940				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	15,014	31.97%	39.63%	39.07%	> 60.00%
Total continuing operating revenue <sup>1</sup>	46,968				
3. Unrestricted current ratio					
Current assets less all external restrictions	9,230	2.25x	2.17x	3.93x	> 1.50x
Current liabilities less specific purpose liabilities	4,107				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	8,395	6.98x	6.49x	7.39x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,203				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	514	4.41%	7.55%	7.48%	< 10.00%
Rates and annual charges collectable	11,648				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	13,383	7.88 mths	8.77 mths	12.47 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	1,698				

(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 <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(4.24)%	(0.57)%	6.99%	(9.17)%	37.91%	31.64%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	24.64%	35.13%	57.24%	35.17%	98.41%	97.53%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	2.25x	2.17x	4.50x	1.93x	42.23x	32.77x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	6.67x	6.91x	5.12x	2.86x	11.77x	9.50x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	6.37%	10.81%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	4.68 mths	6.12 mths	∞	∞	∞	∞	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

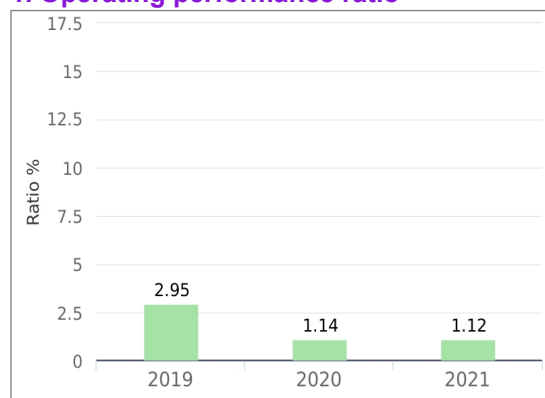
(1) - (2) Refer to Notes at Note G5-1 above.

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

## H Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



##### Purpose of operating performance ratio

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

##### Commentary on 2020/21 result

2020/21 ratio 1.12%

The ratio is above the benchmark.

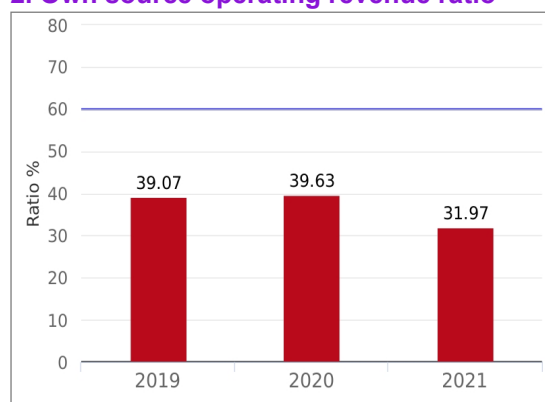
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



##### Purpose of own source operating revenue ratio

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

##### Commentary on 2020/21 result

2020/21 ratio 31.97%

The deterioration in this ratio is an indicator that a Special Rate Variation is required to improve Council's income stream from non-grant funded sources.

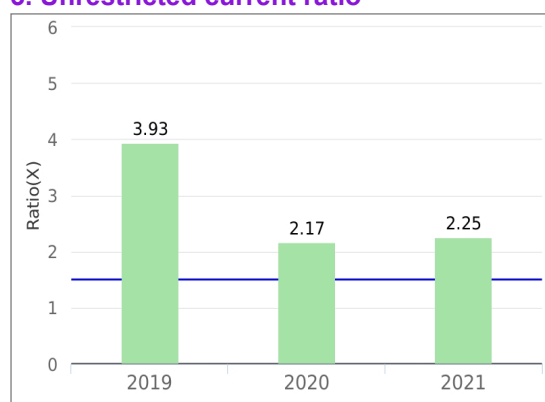
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



##### Purpose of unrestricted current ratio

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

##### Commentary on 2020/21 result

2020/21 ratio 2.25x

While still above the benchmark, the high level of outstanding amounts owed to Council for grant funded Capital Works where payment is received after expenditure is incurred, is causing issues with Council's ability to restrict cash

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

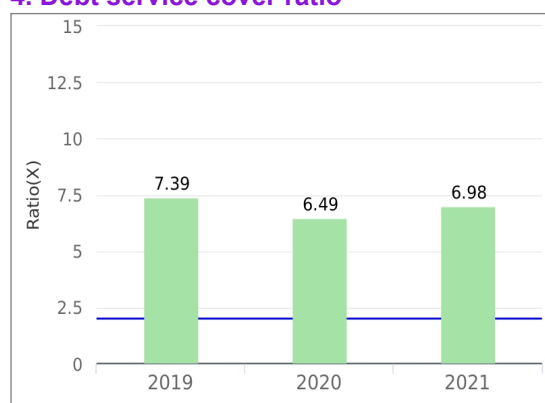
Ratio achieves benchmark

Ratio is outside benchmark



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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 6.98x

This ratio continues to be above the benchmark.

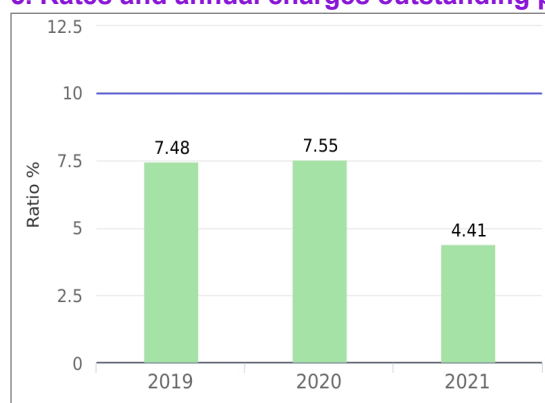
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



#### Purpose of rates and annual charges outstanding percentage

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

#### Commentary on 2020/21 result

2020/21 ratio 4.41%

This improved result is in large part due to the Sale of Land for unpaid rates which occurred during the year.

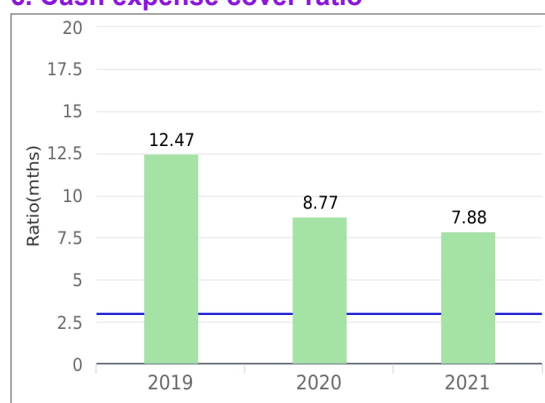
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 7.88 mths

This ratio continues to be well above the benchmark.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## H1-2 Council information and contact details

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**Principal place of business:**

247 Rouse Street  
Tenterfield NSW 2372

**Contact details****Mailing Address:**

PO Box 214  
Tenterfield NSW 2372

**Telephone:** 02 6736 6000

**Facsimile:** 02 6736 6005

**Opening hours:**

9:00am - 4:30pm  
Monday to Friday

**Internet:** [www.tenterfield.nsw.gov.au](http://www.tenterfield.nsw.gov.au)

**Email:** [council@tenterfield.nsw.gov.au](mailto:council@tenterfield.nsw.gov.au)

**Officers****Chief Executive**

Daryl Buckingham

**Responsible Accounting Officer**

Jessica Wild

**Public Officer**

Kylie Smith

**Auditors**

Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

**Elected members****Mayor**

Peter Petty

**Councillors**

Greg Sauer (Deputy Mayor)  
Gary Verri  
Bronwyn Petrie  
John Macnish  
Brian Murray  
Tom Peters  
Don Forbes  
Robert Rogan  
Michael Petrie

**Other information**

**ABN:** 85 010 810 083



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Tenterfield Shire Council

To the Councillors of Tenterfield Shire Council

### Opinion

I have audited the accompanying financial statements of Tenterfield 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.

### **Emphasis of Matter – Compliance with the *Local Government Act 1993***

I draw attention to Note C1-2 'Restricted cash, cash equivalents and investments', where the Council has reported a negative unrestricted cash balance of \$1.2 million at 30 June 2021.

The Council acknowledges it has used externally restricted funds for purposes other than their intended use during the year ended 30 June 2021. In doing so, it has not complied with section 409 of the *Local Government Act 1993* (the Act).

In addition, the Council is unable to verify that funds raised by special rates or charges were not used to pay for general fund expenses during the year ended 30 June 2021. The Council acknowledges it may have used restricted special rates and charges funds for purposes other than their intended use, without Ministerial approval. Such unapproved use would not comply with section 410 of the Act.

My opinion is not modified in respect of this matter.

### **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 Act, 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 Act, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 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.



Chris Harper  
Director, Financial Audit

Delegate of the Auditor General for New South Wales

3 November 2021  
SYDNEY



Cr Peter Petty  
Mayor  
Tenterfield Shire Council  
PO Box 214  
TENTERFIELD NSW 2372

Contact: Chris Harper  
Phone no: 02 9275 7374  
Our ref: D2120011/1794

3 November 2021

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of Tenterfield 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 rural fire-fighting equipment in the Council's GPFS.

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 (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 firefighting equipment is not controlled by the RFS.

## Compliance with the *Local Government Act 1993* - use of externally restricted funds for purposes other than their intended use

Council has reported a negative unrestricted cash balance of \$1.2 million at 30 June 2021.

The Council acknowledges it has used externally restricted funds for purposes other than their intended use during the year ended 30 June 2021. In doing so, it has not complied with section 409 of the *Local Government Act 1993* (the Act).

In addition, the Council is unable to verify that funds raised by special rates or charges were not used to pay for general fund expenses during the year ended 30 June 2021. The Council acknowledges it may have used restricted special rates and charges funds for purposes other than their intended use, without Ministerial approval. Such unapproved use would not comply with section 410 of the Act.

## INCOME STATEMENT

### Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	10.8	10.3	4.9
Grants and contributions revenue	32.0	20.7	54.6
Operating result from continuing operations	17.5	6.0	191.7
Net operating result before capital grants and contributions	(2.5)	(0.3)	733.3

The Council's operating result from continuing operations (\$17.5 million including depreciation and amortisation expense of \$7.6 million) was \$11.5 million higher than the 2019–20 result. This is mainly due to an increase in grants and contributions revenue for capital purposes.

The net operating loss result before capital grants and contributions (\$2.5 million) was \$2.2 million lower than the 2019–20 result. This is mainly due to a decrease in grants and contributions for operating purposes.

Rates and annual charges revenue (\$10.8 million) increased by \$431,000 (4.9 per cent) in 2020–21 due mainly to the normal rate peg allowance increases in the year.

Grants and contributions revenue (\$32.0 million) increased by \$11.3 million (54.6 per cent) in 2020–21 due to the effect of:

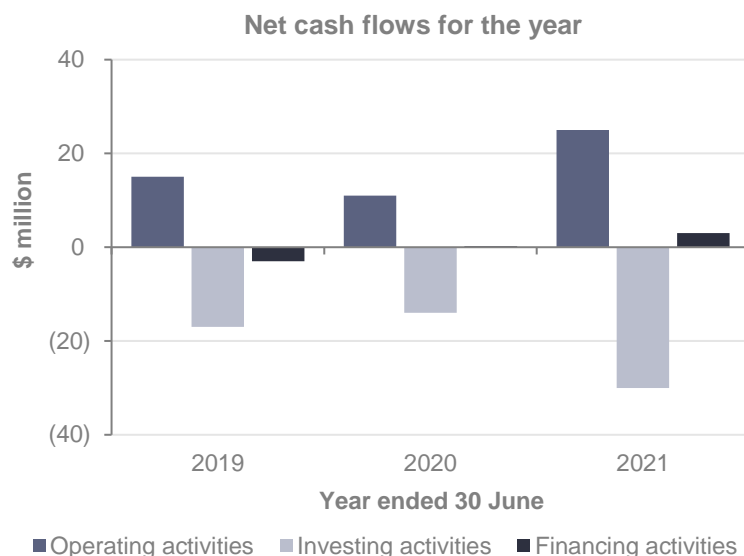
- additional funding received through the Fixing Local Roads program (\$3.8 million) for Tooloom Road and Kildare Road
- increased funding for the Mt Lindsay road upgrade (\$2.8 million)
- stimulus support for local infrastructure through the Local Roads and Community Infrastructure Program (\$1.3 million)
- drought community program extension (\$947,000)
- Disaster Recovery Funding Arrangement for March 2021 floods and storms (\$879,000).

## STATEMENT OF CASH FLOWS

Cash from operating activities increased by \$14.2 million due to an increase in grants and contributions.

Cash outflows from investing activities increased by \$16.5 million due to higher capital expenditure on Infrastructure, Property, Plant and Equipment.

Cash inflows from financing activities increased by \$3.1 million. This was due to new borrowings of \$4 million in the current year relating to transport infrastructure, IT infrastructure and enhancements to the Tenterfield Depot.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>13.4</b>	<b>15.1</b>	Major external restrictions include water, sewer and domestic waste operations, as well as grants for specific purposes, unexpended loans and developer contributions.
Restricted cash and investments:			The decrease in cash and cash equivalents relates to capital expenditure on additions and renewals incurred during the year.
• External restrictions	14.6	12.1	
• Internal and unrestricted	(1.2)	3.0	The increase in externally restricted cash is due to the receipt of grant funding for a specific purpose which had not been spent at year end.
			Council has reported a negative unrestricted cash balance of \$1.2 million at 30 June 2021. Refer to the 'significant audit issues and observations' section of this report relating to 'Compliance with the <i>Local Government Act 1993</i> '.



# PERFORMANCE

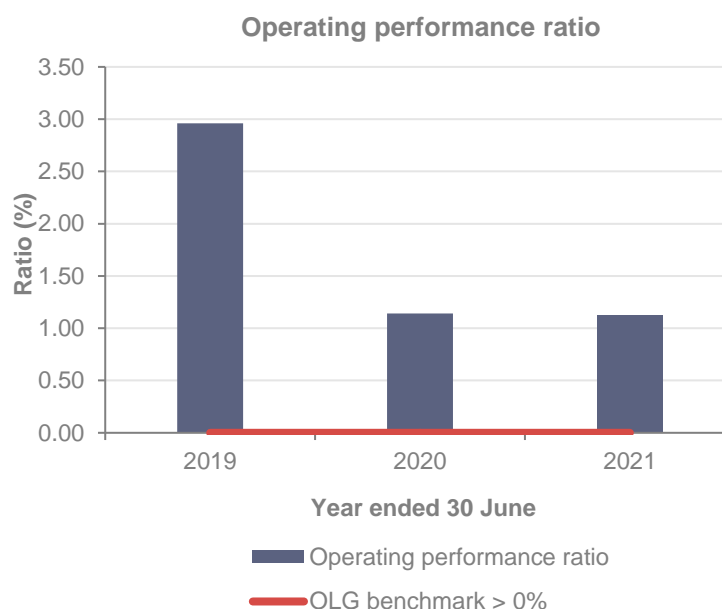
## Performance measures

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.

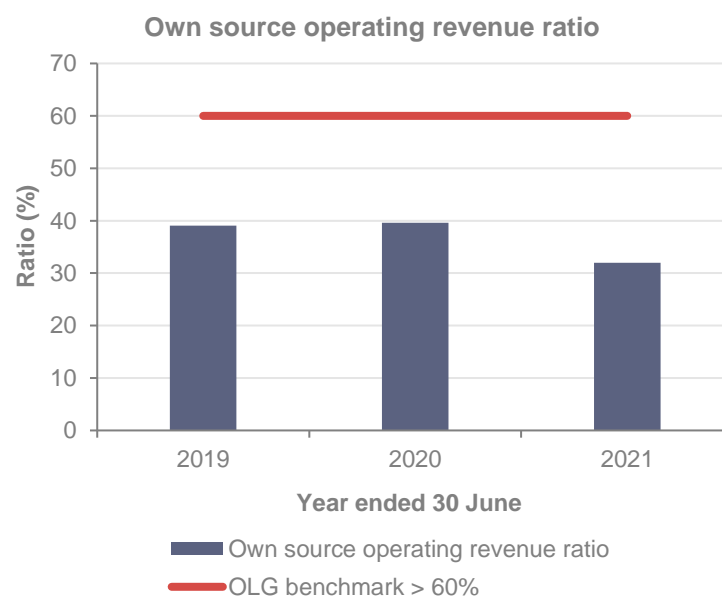
Council exceeded the OLG benchmark for the current reporting period. The ratio is consistent with the prior year.



### 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.

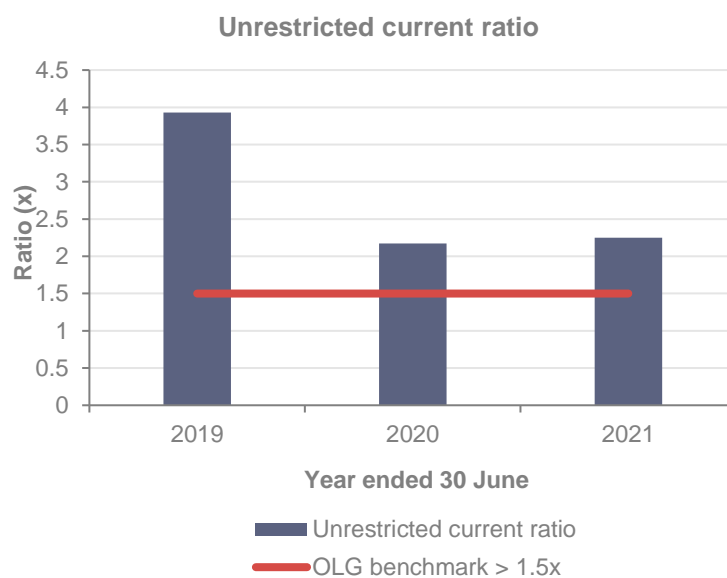
Council's ratio continues to be below the benchmark set by OLG as Council relies on government grants and contributions to assist in funding operations. The ratio declined during the year due to an increase in capital grant funding received.



## 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.

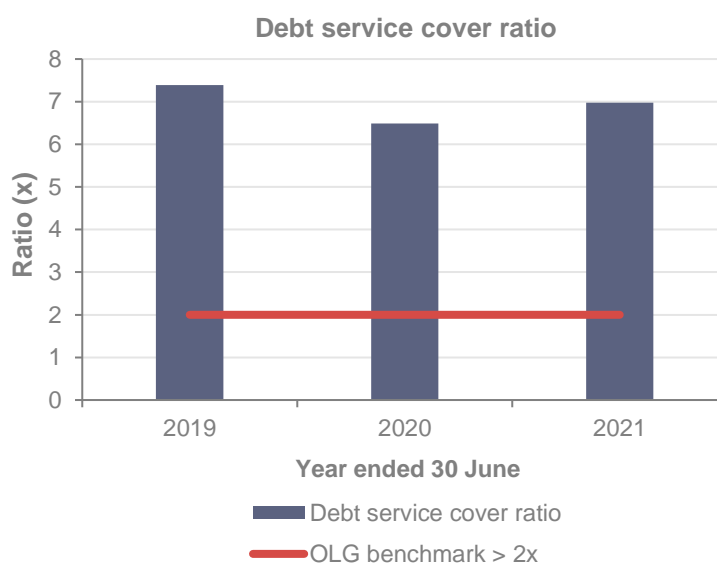
Council continues to exceed the OLG benchmark for the current reporting period.



## 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.

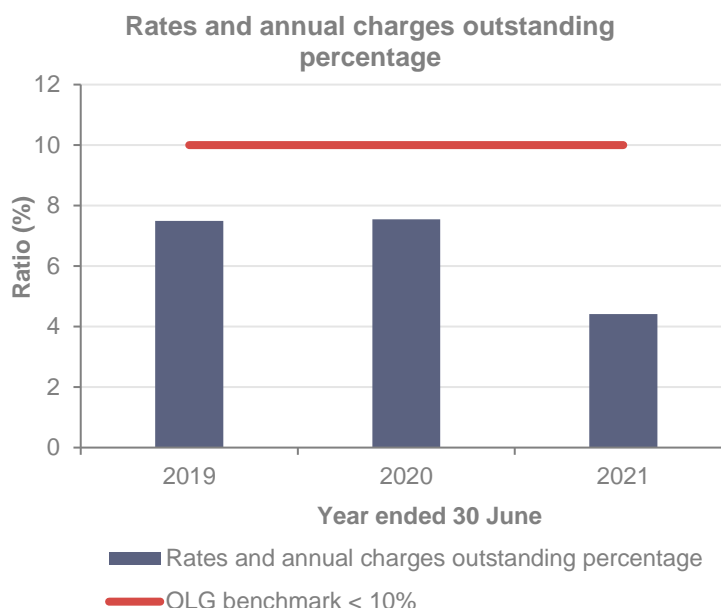
Council exceeded the OLG benchmark for the current reporting period.



## 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.

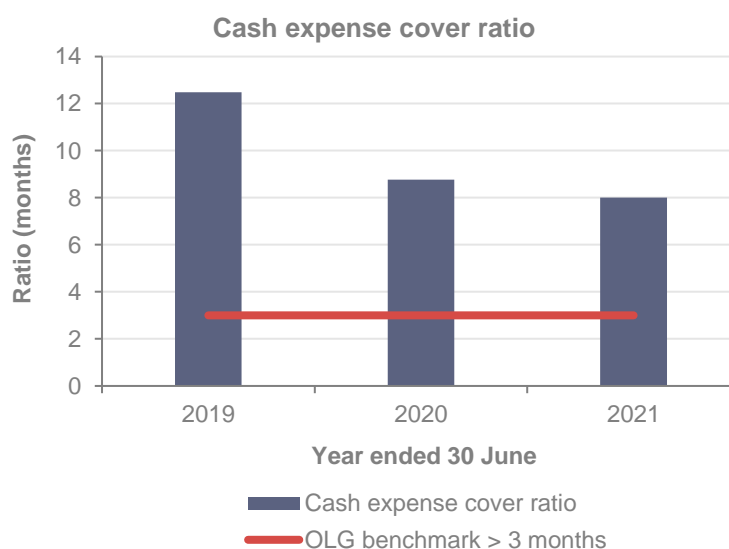
The Council exceeded the OLG benchmark for the current reporting period. The percentage improved during the year due to sale of land for unpaid rates.



## 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.



## Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$12.7 million. This increased by \$2.5 million compared to 2019–20 due to Council increasing its renewal works in accordance with its infrastructure management plans. Renewal expenditure was above depreciation for the year by \$5.1 million.

## OTHER MATTERS

### Impact of new accounting standards

#### AASB 1059 'Service Concession Arrangements: Grantors'

The Council did not identify any service concession arrangements as part of adopting this standard.

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

### Legislative compliance

My audit procedures identified instances of non-compliance with legislative requirements that will be reported in the Management Letter and to the Minister for Local Government.

Refer to the 'significant audit issues and observations' section of this report relating to 'Compliance with the *Local Government Act 1993*'.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- 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 Daryl Buckingham, Chief Executive Officer  
Mr Geoff King, Chair of the Audit, Risk and Improvement Committee  
Ms Jessica Wild, Acting Manager Finance and Technology  
Mr Geoff Allen, Principal, Forsyths  
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment