

Kyogle Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021



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Kyogle Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Kyogle Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

1 Stratheden Street
Kyogle NSW 2474

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.kyogle.nsw.gov.au.

Kyogle 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 26 October 2021.

Danielle Mulholland
Mayor
26 October 2021

John Burley
Councillor
26 October 2021

Graham Kennett
General Manager
26 October 2021

Glenn Rose
Responsible Accounting Officer
26 October 2021

Kyogle Council

Income Statement

for the year ended 30 June 2021

| Original unaudited budget 2021 | \$ '000 | Notes | Actual 2021 | Actual 2020 |
|--|--|-------|----------------|----------------|
| Income from continuing operations | | | | |
| 11,039 | Rates and annual charges | B2-1 | 11,081 | 10,669 |
| 6,666 | User charges and fees | B2-2 | 7,770 | 7,801 |
| 6 | Other revenue | B2-3 | 16 | 16 |
| 7,566 | Grants and contributions provided for operating purposes | B2-4 | 8,532 | 9,991 |
| 10,446 | Grants and contributions provided for capital purposes | B2-4 | 15,495 | 9,704 |
| 190 | Interest and investment income | B2-5 | 66 | 185 |
| 196 | Net gains from the disposal of assets | B4-1 | – | – |
| 36,109 | Total income from continuing operations | | 42,960 | 38,366 |
| Expenses from continuing operations | | | | |
| 8,853 | Employee benefits and on-costs | B3-1 | 9,103 | 8,807 |
| 4,200 | Materials and services | B3-2 | 8,291 | 8,072 |
| 205 | Borrowing costs | B3-3 | 217 | 205 |
| 8,251 | Depreciation, amortisation and impairment for non-financial assets | B3-4 | 7,613 | 7,877 |
| 2,400 | Other expenses | B3-5 | 306 | 296 |
| – | Net losses from the disposal of assets | B4-1 | 3,882 | 2,529 |
| 23,909 | Total expenses from continuing operations | | 29,412 | 27,786 |
| 12,200 | Operating result from continuing operations | | 13,548 | 10,580 |
| 12,200 | Net operating result for the year attributable to Council | | 13,548 | 10,580 |
| – | Net operating result for the year before grants and contributions provided for capital purposes | | (1,947) | 876 |

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

Kyogle Council

Statement of Comprehensive Income

for the year ended 30 June 2021

| \$ '000 | Notes | 2021 | 2020 |
|--|-------|----------------|---------------|
| Net operating result for the year – from Income Statement | | 13,548 | 10,580 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-6 | (3,779) | (15,637) |
| Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment | C1-6 | (3,815) | (2,832) |
| Total items which will not be reclassified subsequently to the operating result | | (7,594) | (18,469) |
| Total other comprehensive income for the year | | (7,594) | (18,469) |
| Total comprehensive income for the year attributable to Council | | 5,954 | (7,889) |

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

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Kyogle Council

Statement of Financial Position

as at 30 June 2021

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 14,129 | 16,394 |
| Receivables | C1-3 | 5,998 | 5,691 |
| Inventories | C1-4 | 1,878 | 1,532 |
| Contract assets and contract cost assets | C1-5 | 3,741 | 915 |
| Total current assets | | 25,746 | 24,532 |
| Non-current assets | | | |
| Infrastructure, property, plant and equipment | C1-6 | 442,606 | 434,017 |
| Total non-current assets | | 442,606 | 434,017 |
| Total assets | | 468,352 | 458,549 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C3-1 | 3,391 | 3,125 |
| Contract liabilities | C3-2 | 2,787 | – |
| Borrowings | C3-3 | 871 | 842 |
| Employee benefit provisions | C3-4 | 2,558 | 2,600 |
| Total current liabilities | | 9,607 | 6,567 |
| Non-current liabilities | | | |
| Payables | C3-1 | 104 | 67 |
| Borrowings | C3-3 | 5,527 | 6,282 |
| Employee benefit provisions | C3-4 | 303 | 173 |
| Provisions | C3-5 | 2,168 | 771 |
| Total non-current liabilities | | 8,102 | 7,293 |
| Total liabilities | | 17,709 | 13,860 |
| Net assets | | 450,643 | 444,689 |
| EQUITY | | | |
| Accumulated surplus | | 190,643 | 177,095 |
| IPPE revaluation reserve | C4-1 | 260,000 | 267,594 |
| Council equity interest | | 450,643 | 444,689 |
| Total equity | | 450,643 | 444,689 |

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

Kyogle Council

Statement of Changes in Equity

for the year ended 30 June 2021

| \$ '000 | Notes | as at 30/06/21 | | | as at 30/06/20 | | |
|---|-------|---------------------|--------------------------|----------------|---------------------|--------------------------|-----------------|
| | | Accumulated surplus | IPPE revaluation reserve | Total equity | Accumulated surplus | IPPE revaluation reserve | Total equity |
| Opening balance at 1 July | | 177,095 | 267,594 | 444,689 | 166,515 | 286,063 | 452,578 |
| Net operating result for the year | | 13,548 | – | 13,548 | 10,580 | – | 10,580 |
| Net operating result for the period | | 13,548 | – | 13,548 | 10,580 | – | 10,580 |
| Other comprehensive income | | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-6 | – | (3,779) | (3,779) | – | (15,637) | (15,637) |
| – Impairment (loss) reversal relating to IPP&E | C1-6 | – | (3,815) | (3,815) | – | (2,832) | (2,832) |
| Other comprehensive income | | – | (7,594) | (7,594) | – | (18,469) | (18,469) |
| Total comprehensive income | | 13,548 | (7,594) | 5,954 | 10,580 | (18,469) | (7,889) |
| Closing balance at 30 June | | 190,643 | 260,000 | 450,643 | 177,095 | 267,594 | 444,689 |

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

Kyogle Council

Statement of Cash Flows

for the year ended 30 June 2021

| Original unaudited budget 2021 | \$ '000 | Notes | Actual 2021 | Actual 2020 |
|---|---------|-------|-----------------|----------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 11,039 | | | 11,100 | 10,746 |
| 6,666 | | | 8,886 | 6,679 |
| 190 | | | 70 | 192 |
| 18,012 | | | 21,788 | 18,786 |
| – | | | 74 | – |
| 6 | | | (468) | (318) |
| <i>Payments:</i> | | | | |
| (8,853) | | | (8,960) | (8,588) |
| (4,200) | | | (9,688) | (5,183) |
| (205) | | | (205) | (175) |
| – | | | – | (142) |
| (2,400) | | | 1,111 | (3,675) |
| 20,255 | | G1-1 | 23,708 | 18,322 |
| Net cash provided from (or used in) operating activities | | | | |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| 196 | | | 775 | 301 |
| <i>Payments:</i> | | | | |
| (22,561) | | | (26,022) | (20,059) |
| (22,365) | | | (25,247) | (19,758) |
| Net cash provided from (or used in) investing activities | | | | |
| Cash flows from financing activities | | | | |
| <i>Receipts:</i> | | | | |
| – | | | – | 5,000 |
| – | | | 8 | 108 |
| <i>Payments:</i> | | | | |
| (734) | | | (734) | (489) |
| (734) | | | (726) | 4,619 |
| Net cash flow provided from (used in) financing activities | | | | |
| (2,844) | | | (2,265) | 3,183 |
| Net change in cash and cash equivalents | | | | |
| – | | | 16,394 | 13,211 |
| (2,844) | | C1-1 | 14,129 | 16,394 |
| Cash and cash equivalents at end of year | | | | |

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

Kyogle 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 26/10/2021. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

COVID-19 Impact

A significant event of the 2020/21 financial year that affected Council's operations, as reflected in the financial statements has been the novel coronavirus (COVID-19) pandemic.

Council has implemented measures to address public health order requirements, including the temporary closure of swimming pools, art gallery and library.

Work place health and safety procedures have continued to ensure social distancing and the general wellbeing of staff, contractors and stakeholders.

Going concern

Council has considered its Delivery Program and Operational Plan 2020 - 2024 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty.

Despite the impact of COVID-19 on the 2020/21 financial year, the continuation of some of the financial support concessions into the 2021/22 financial year, and the uncertain time required for some areas of Council's operations to fully recover from COVID-19, as at the date of preparing and signing Council's financial statements, Council has sufficient resources and are expected to be able to continue managing any possible future funding requirements for the foreseeable future. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-3.

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- General purpose operations
- Water service
- Sewerage service
- Domestic Waste Management

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.

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

- Companion Animals Receipts.
- Unclaimed Monies.
- Monumental Deposits.
- Long Services Levies.

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 has minimal dependence on volunteer services, these services have not been recognised in the income statement as they are not material.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been adopted.

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

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

A1-1 Basis of preparation (continued)

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2021. None of these standards had a significant impact on reported position or performance.

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B Financial Performance

B1 Functions or activities

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

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

| \$ '000 | Income | | Expenses | | Operating result | | Grants and contributions | | Carrying amount of assets | |
|--|---------------|---------------|---------------|---------------|------------------|---------------|--------------------------|---------------|---------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Functions or activities | | | | | | | | | | |
| Governance | – | – | 424 | 461 | (424) | (461) | – | – | – | – |
| Administration | – | – | 1,131 | 1,165 | (1,131) | (1,165) | – | – | 12,819 | 17,276 |
| Personnel | 37 | 55 | 826 | 537 | (789) | (482) | 27 | 26 | – | – |
| Finance | 10,347 | 10,153 | 630 | 618 | 9,717 | 9,535 | 2,985 | 2,906 | – | – |
| Crown reserves | 334 | 258 | 474 | 422 | (140) | (164) | 334 | 258 | – | – |
| Town planning | 223 | 151 | 553 | 577 | (330) | (426) | 50 | – | – | – |
| Environmental health | 164 | 148 | 442 | 413 | (278) | (265) | 12 | – | – | – |
| Building control | 56 | 54 | 85 | 83 | (29) | (29) | – | – | – | – |
| Animal control | 20 | 22 | 211 | 116 | (191) | (94) | – | 4 | 54 | 55 |
| Other waste management | 961 | 924 | 1,111 | 1,112 | (150) | (188) | 74 | 57 | 2,813 | 1,409 |
| Strategic, community & cultural services | 432 | 258 | 850 | 556 | (418) | (298) | 414 | 248 | 723 | 987 |
| Pre schools | – | – | 68 | 67 | (68) | (67) | – | – | – | – |
| Public libraries | 134 | 109 | 564 | 511 | (430) | (402) | 133 | 106 | 8 | 8 |
| Regional roads | 6,666 | 6,688 | 1,776 | 1,750 | 4,890 | 4,938 | 6,666 | 6,688 | 62,492 | 59,311 |
| Urban roads | 218 | 111 | 861 | 920 | (643) | (809) | 218 | 112 | 13,521 | 14,413 |
| Rural roads | 5,481 | 2,400 | 6,042 | 3,982 | (561) | (1,582) | 5,481 | 2,399 | 138,102 | 124,936 |
| Bridges | 5,463 | 3,942 | 3,691 | 2,513 | 1,772 | 1,429 | 5,460 | 3,940 | 117,328 | 123,766 |
| Emergency services | 43 | 1,784 | 1,413 | 1,485 | (1,370) | 299 | 43 | 1,783 | 2,084 | 2,500 |
| Swimming pools | 137 | 181 | 756 | 744 | (619) | (563) | – | 37 | 3,652 | 3,380 |
| Parks & gardens | 952 | 102 | 761 | 681 | 191 | (579) | 948 | 102 | 5,239 | 3,414 |
| Community buildings | 642 | 655 | 364 | 597 | 278 | 58 | 496 | 562 | 9,715 | 10,012 |
| Public cemeteries | 104 | 116 | 159 | 152 | (55) | (36) | – | – | 141 | 145 |
| Stormwater drainage | 614 | 177 | 114 | 254 | 500 | (77) | 430 | (3) | 26,141 | 25,121 |
| Engineering administration | 104 | 89 | 309 | (314) | (205) | 403 | – | – | – | – |
| Water supplies | 1,981 | 2,184 | 1,555 | 1,872 | 426 | 312 | 244 | 470 | 28,786 | 28,358 |
| Sewerage services | 1,656 | 1,518 | 1,258 | 1,236 | 398 | 282 | 12 | – | 30,326 | 29,497 |
| Domestic waste management | 1,058 | 1,010 | 1,103 | 751 | (45) | 259 | – | – | 116 | 153 |
| State highways | 5,093 | 5,238 | 4,875 | 5,638 | 218 | (400) | – | – | 1,099 | 1,406 |
| Quarries | – | – | (296) | (565) | 296 | 565 | – | – | 2,182 | 2,148 |
| Other | – | – | – | – | – | – | – | – | 159 | – |
| Plant fund | 40 | 39 | (2,698) | (548) | 2,738 | 587 | – | – | 10,852 | 10,254 |
| Total functions and activities | 42,960 | 38,366 | 29,412 | 27,786 | 13,548 | 10,580 | 24,027 | 19,695 | 468,352 | 458,549 |

B1-2 Components of functions or activities

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

Governance

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

Administration

Includes corporate support and other support services and any Council Policy compliance.

Personnel

Includes costs relating to payroll, human resources and workplace health and safety.

Finance

Includes rates, accounts receivable, accounts payable and annual financial reporting requirements.

Crown reserves

Includes costs relating to reserves not controlled by council.

Town Planning

Includes costs relating to planning activities.

Environmental health

Includes costs relating to environmental activities.

Building control

Includes costs relating to building inspections.

Animal control

Includes costs relating to regulatory activities.

Other waste management

Includes costs relating to waste management.

Strategic, community and cultural services

Includes costs relating to Economic development, tourism, visitor information centre, community services and art galleries.

Pre schools

Includes building maintenance and operating contributions to local pre schools.

Public libraries

Includes costs relating to the regional library.

Regional roads

Includes costs relating to sealed and unsealed regional roads and bridges.

Urban roads

Includes costs relating to sealed and unsealed urban roads and footpaths.

Rural roads

Includes costs relating to sealed and unsealed rural roads.

Bridges

Includes coists relating to rural bridges.

Emergency services

Includes costs relating to rural fire brigades, town brigade and state emergency services.

Swimming pools

Includes costs relating to Kyogle, Bonalbo and Woodenbong pool.

B1-2 Components of functions or activities (continued)

Parks and gardens

Includes costs relating to parks, gardens and sporting fields.

Community buildings

Includes costs relating to community buildings.

Public cemeteries

Includes costs relating to cemeteries, lawn cemetery and columbarium walls.

Stormwater drainage

Includes costs relating to drainage improvements and flood mitigation.

Engineering administration

Includes costs relating to provision of engineering services.

Water supplies

All matters relating to the provision of water supplies.

Sewerage services

All matters relating to the provision of sewerage services.

Domestic waste management

Includes costs relating to collection of residential and commercial bins.

State highways

All matters relating to works conducted on state highways.

Quarries

All matters relating to the production of quarry materials for council roadworks.

Plant fund

All matters relating to councils vehicle fleet.

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B2 Sources of income

B2-1 Rates and annual charges

| \$ '000 | 2021 | 2020 |
|---|---------------|---------------|
| Ordinary rates | | |
| Residential | 3,586 | 3,445 |
| Farmland | 3,459 | 3,392 |
| Business | 310 | 301 |
| Less: pensioner rebates (mandatory) | (218) | (224) |
| Rates levied to ratepayers | 7,137 | 6,914 |
| Pensioner rate subsidies received | 122 | 124 |
| Total ordinary rates | 7,259 | 7,038 |
| Annual charges | | |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small> | | |
| Domestic waste management services | 1,081 | 1,033 |
| Water supply services | 960 | 909 |
| Sewerage services | 1,345 | 1,267 |
| Drainage | 185 | 180 |
| Waste management services (non-domestic) | 318 | 311 |
| Less: pensioner rebates (mandatory) | (152) | (151) |
| Annual charges levied | 3,737 | 3,549 |
| Pensioner subsidies received: | | |
| – Water | 28 | 27 |
| – Sewerage | 27 | 26 |
| – Domestic waste management | 30 | 29 |
| Total annual charges | 3,822 | 3,631 |
| Total rates and annual charges | 11,081 | 10,669 |

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

Accounting policy

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

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

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

B2-2 User charges and fees

| \$ '000 | Timing | 2021 | 2020 |
|--|--------|--------------|--------------|
| Specific user charges | | | |
| (per s.502 - specific 'actual use' charges) | | | |
| Water supply services | 1 | 789 | 816 |
| Sewerage services | 1 | 318 | 272 |
| Waste management services (non-domestic) | 1 | 703 | 684 |
| Total specific user charges | | 1,810 | 1,772 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Building services – other | 2 | 17 | 22 |
| Inspection services | 2 | 78 | 69 |
| Planning and building regulation | 2 | 164 | 155 |
| Private works – section 67 | 1 | 66 | 56 |
| Section 603 certificates | 2 | 32 | 22 |
| Other | 2 | 122 | 122 |
| Art galleries | 2 | 12 | 6 |
| Caravan parks | 2 | 106 | 60 |
| Cemeteries | 2 | 104 | 116 |
| Pools | 2 | 137 | 144 |
| Quarries | 2 | 29 | 19 |
| Transport for NSW works (State roads not controlled by council) | 1 | 5,093 | 5,238 |
| Total fees and charges – statutory/regulatory | | 5,960 | 6,029 |
| Total user charges and fees | | 7,770 | 7,801 |
| Timing of revenue recognition for user charges and fees | | | |
| User charges and fees recognised over time (1) | | 6,969 | 7,066 |
| User charges and fees recognised at a point in time (2) | | 801 | 735 |
| Total user charges and fees | | 7,770 | 7,801 |

Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

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

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

B2-3 Other revenue

| \$ '000 | Timing | 2021 | 2020 |
|----------------------------|--------|-----------|-----------|
| Other | 2 | 16 | 16 |
| Total other revenue | | 16 | 16 |

Timing of revenue recognition for other revenue

| | | | |
|---|--|-----------|-----------|
| Other revenue recognised over time (1) | | - | - |
| Other revenue recognised at a point in time (2) | | 16 | 16 |
| Total other revenue | | 16 | 16 |

Accounting policy for other revenue

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

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

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

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B2-4 Grants and contributions

| \$ '000 | Timing | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|--|--------|-------------------|-------------------|-----------------|-----------------|
| General purpose grants and non-developer contributions (untied) | | | | | |
| General purpose (untied) | | | | | |
| Current year allocation | | | | | |
| Financial assistance ¹ | 2 | 2,219 | 2,239 | - | - |
| Payment in advance - future year allocation | | | | | |
| Financial assistance ¹ | 2 | 2,376 | 2,373 | - | - |
| Amount recognised as income during current year | | 4,595 | 4,612 | - | - |
| Special purpose grants and non-developer contributions (tied) | | | | | |
| Cash contributions | | | | | |
| Water supplies | 1 | - | - | 209 | 430 |
| Sewerage services | 1 | - | - | 12 | - |
| Bushfire and emergency services | 2 | - | 273 | - | - |
| Library | 2 | 133 | 87 | - | - |
| LIRS subsidy | 2 | 35 | 40 | - | - |
| Storm/flood damage | 2 | - | (22) | - | - |
| Community projects | 1 | 946 | 2,145 | 1,320 | 545 |
| Flood mitigation | 1 | - | - | 430 | 19 |
| Waste sustainability | 2 | 55 | 55 | - | - |
| Street lighting | 2 | 35 | 35 | - | - |
| Transport (other roads and bridges funding) | 1 | 1,654 | 1,705 | 13,282 | 8,236 |
| Previously contributions: | | | | | |
| Other councils – joint works/services | 2 | - | - | - | 191 |
| Roads and bridges | 2 | - | - | 242 | 90 |
| Transport for NSW contributions (regional roads, block grant) | 2 | 946 | 946 | - | 189 |
| Other contributions | 2 | 82 | 61 | - | - |
| Total special purpose grants and non-developer contributions – cash | | 3,886 | 5,325 | 15,495 | 9,700 |
| Total special purpose grants and non-developer contributions (tied) | | 3,886 | 5,325 | 15,495 | 9,700 |
| Total grants and non-developer contributions | | 8,481 | 9,937 | 15,495 | 9,700 |
| Comprising: | | | | | |
| – Commonwealth funding | | 6,282 | 7,711 | 4,706 | 5,491 |
| – State funding | | 2,113 | 2,165 | 10,542 | 3,928 |
| – Other funding | | 86 | 61 | 247 | 281 |
| | | 8,481 | 9,937 | 15,495 | 9,700 |

(1) \$2.376m of the 2021 - 2022 Financial Assistance Grant from the Commonwealth Government was received by Council in June 2021 and hence is reported as 2020 - 2021 income although it relates to the 2021 - 2022 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

| \$ '000 | Notes | Timing | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|--|-------|--------|-------------------|-------------------|-----------------|-----------------|
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | G3 | | | | | |
| Cash contributions | | | | | | |
| S 7.11 – contributions towards amenities/services | | 2 | 51 | 54 | – | 4 |
| Total developer contributions – cash | | | 51 | 54 | – | 4 |
| Total developer contributions | | | 51 | 54 | – | 4 |
| Total contributions | | | 51 | 54 | – | 4 |
| Total grants and contributions | | | 8,532 | 9,991 | 15,495 | 9,704 |
| Timing of revenue recognition for grants and contributions | | | | | | |
| Grants and contributions recognised over time (1) | | | 2,600 | 3,850 | 15,253 | 9,230 |
| Grants and contributions recognised at a point in time (2) | | | 5,932 | 6,141 | 242 | 474 |
| Total grants and contributions | | | 8,532 | 9,991 | 15,495 | 9,704 |

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B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

| \$ '000 | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|---|-------------------|-------------------|-----------------|-----------------|
| Unspent grants and contributions | | | | |
| Unspent funds at 1 July | 1,020 | 210 | 102 | 1,696 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 530 | 810 | 3,182 | – |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (722) | – | (102) | (1,594) |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | – | – | – | – |
| Unspent funds at 30 June | 828 | 1,020 | 3,182 | 102 |

Various grants for roads, bridges, parks, community buildings and community projects

Contributions

| | | | | |
|---|------------|------------|----------|----------|
| Unspent funds at 1 July | 163 | 161 | – | – |
| Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | – | 163 | – | – |
| Less: contributions recognised as revenue in previous years that have been spent during the reporting year | – | (161) | – | – |
| Unspent contributions at 30 June | 163 | 163 | – | – |

Developer contributions under S7.11 and S64 plans.

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include such things as youth services and community resilience. 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.

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B2-5 Interest and investment income

| \$ '000 | 2021 | 2020 |
|--|-----------|------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 30 | 46 |
| – Cash and investments | 36 | 137 |
| – Other | – | 2 |
| Finance income on the net investment in the lease | – | – |
| Total interest and investment income (losses) | 66 | 185 |
| Interest and investment income is attributable to: | | |
| Unrestricted investments/financial assets: | | |
| General Council cash and investments | 63 | 178 |
| Restricted investments/funds – external: | | |
| Development contributions | | |
| – Section 7.11 | – | 1 |
| – Section 64 | – | 1 |
| Water fund operations | 1 | 2 |
| Sewerage fund operations | 1 | 1 |
| Domestic waste management operations | 1 | 2 |
| Total interest and investment income | 66 | 185 |

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

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B3 Costs of providing services

B3-1 Employee benefits and on-costs

| \$ '000 | 2021 | 2020 |
|--|---------------|---------------|
| Salaries and wages | 7,927 | 7,708 |
| Employee leave entitlements (ELE) | 1,844 | 1,653 |
| Superannuation – defined contribution plans | 798 | 761 |
| Superannuation – defined benefit plans | 162 | 158 |
| Workers' compensation insurance | 249 | 144 |
| Fringe benefit tax (FBT) | 10 | 13 |
| Training costs (other than salaries and wages) | 221 | 154 |
| Other | 137 | 125 |
| Total employee costs | 11,348 | 10,716 |
| Less: capitalised costs | (2,245) | (1,909) |
| Total employee costs expended | 9,103 | 8,807 |
| Number of 'full-time equivalent' employees (FTE) at year end | 136 | 117 |

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

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|--------------|--------------|
| Raw materials and consumables | | 6,227 | 6,041 |
| Audit Fees | F2-1 | 76 | 69 |
| Previously other expenses: | | | |
| Councillor and Mayoral fees and associated expenses | F1-2 | 149 | 163 |
| Advertising | | 74 | 75 |
| Electricity and heating | | 273 | 318 |
| Insurance | | 390 | 373 |
| Street lighting | | 106 | 112 |
| Subscriptions and publications | | 14 | 15 |
| Telephone and communications | | 88 | 91 |
| Emergency services | | 377 | 317 |
| Regional library | | 492 | 436 |
| Legal expenses: | | | |
| – Legal expenses: debt recovery | | 20 | 36 |
| – Legal expenses: other | | 5 | 26 |
| Total materials and services | | 8,291 | 8,072 |
| Total materials and services | | 8,291 | 8,072 |

Accounting policy

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

B3-3 Borrowing costs

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|------------|------------|
| (i) Interest bearing liability costs | | | |
| Interest on leases | | – | – |
| Interest on loans | | 201 | 201 |
| Total interest bearing liability costs | | 201 | 201 |
| Total interest bearing liability costs expensed | | 201 | 201 |
| (ii) Other borrowing costs | | | |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | C3-5 | 16 | 4 |
| Total other borrowing costs | | 16 | 4 |
| Total borrowing costs expensed | | 217 | 205 |

Accounting policy

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

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

| \$ '000 | Notes | 2021 | 2020 |
|--|-----------|--------------|--------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,209 | 1,190 |
| Office equipment | | 67 | 87 |
| Furniture and fittings | | 1 | 1 |
| Land improvements (depreciable) | | 23 | 23 |
| Infrastructure: | | | |
| | C1-6 | | |
| – Buildings – non-specialised | | 66 | 65 |
| – Buildings – specialised | | 348 | 356 |
| – Other structures | | 216 | 206 |
| – Roads | | 3,666 | 4,012 |
| – Bridges | | 1,191 | 1,233 |
| – Footpaths | | 57 | 60 |
| – Stormwater drainage | | 73 | 73 |
| – Water supply network | | 305 | 301 |
| – Sewerage network | | 197 | 192 |
| – Swimming pools | | 69 | 71 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | C3-5,C1-6 | 11 | 2 |
| – Quarry assets | C3-5,C1-6 | 114 | 5 |
| Total gross depreciation and amortisation costs | | 7,613 | 7,877 |
| Total depreciation and amortisation costs | | 7,613 | 7,877 |
| Impairment / revaluation decrement of IPPE | | | |
| Infrastructure: | | | |
| | C1-6 | | |
| – Roads | | 3,815 | 2,077 |
| – Bridges | | – | 755 |
| Total gross IPPE impairment / revaluation decrement costs | | 3,815 | 2,832 |
| Amounts taken through revaluation reserve | C1-6 | (3,815) | (2,832) |
| Total IPPE impairment / revaluation decrement costs charged to Income Statement | | – | – |
| Total depreciation, amortisation and impairment for non-financial assets | | 7,613 | 7,877 |

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.

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

| \$ '000 | Notes | 2021 | 2020 |
|--|-------|-------------|------------|
| Impairment of receivables | | | |
| Other | | - | (3) |
| Total impairment of receivables | C1-3 | - | (3) |
| Other | | | |
| Donations, contributions and assistance to other organisations (Section 356) | | 306 | 299 |
| Total other | | 306 | 299 |
| Total other expenses | | 306 | 296 |

Accounting policy

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

Impairment expenses are recognised when identified.

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

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|----------------|----------------|
| Gain (or loss) on disposal of property (excl. investment property) | | | |
| Proceeds from disposal – property | | 247 | – |
| Less: carrying amount of property assets sold/written off | | (130) | – |
| Gain (or loss) on disposal | | 117 | – |
| Gain (or loss) on disposal of plant and equipment | | | |
| | C1-6 | | |
| Proceeds from disposal – plant and equipment | | 528 | 301 |
| Less: carrying amount of plant and equipment assets sold/written off | | (266) | (305) |
| Gain (or loss) on disposal | | 262 | (4) |
| Gain (or loss) on disposal of infrastructure | | | |
| | C1-6 | | |
| Less: carrying amount of infrastructure assets sold/written off | | (4,261) | (2,525) |
| Gain (or loss) on disposal | | (4,261) | (2,525) |
| Net gain (or loss) on disposal of assets | | (3,882) | (2,529) |

Accounting policy

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

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B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 09/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

| \$ '000 | 2021 Budget | 2021 Actual | 2021 Variance | |
|--|----------------|----------------|------------------|-----------------|
| REVENUES | | | | |
| User charges and fees Level of Transport NSW works higher than anticipated. | 6,666 | 7,770 | 1,104 | 17% F |
| Other revenues Insurance recoveries higher than anticipated. | 6 | 16 | 10 | 167% F |
| Operating grants and contributions Additional funding approved after original estimates adopted. | 7,566 | 8,532 | 966 | 13% F |
| Interest and investment revenue Interest charges on overdue rates lower than anticipated. | 190 | 66 | (124) | (65)% U |
| Net gains from disposal of assets Council does not budget for disposal of infrastructure assets. Council made a loss on disposal of plant assets against an original budgeted gain. | 196 | - | (196) | (100)% U |
| EXPENSES | | | | |
| Materials and services Level of Transport NSW works higher than anticipated. Additional projects approved through revotes. | 4,200 | 8,291 | (4,091) | (97)% U |
| Net losses from disposal of assets Council does not budget for disposal of infrastructure assets. Council made a loss on disposal of plant assets against an original budgeted gain. | - | 3,882 | (3,882) | ∞ U |

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

| \$ '000 | 2021 | 2020 |
|--|---------------|---------------|
| Cash and cash equivalents | | |
| Cash on hand and at bank | 8,129 | 8,394 |
| Cash-equivalent assets | | |
| – Deposits at call | 6,000 | 8,000 |
| Total cash and cash equivalents | 14,129 | 16,394 |

Reconciliation of cash and cash equivalents

| | | |
|---|---------------|---------------|
| Total cash and cash equivalents per Statement of Financial Position | 14,129 | 16,394 |
| Balance as per the Statement of Cash Flows | 14,129 | 16,394 |

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.

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C1-2 Restricted cash, cash equivalents and investments

| \$ '000 | 2021 | 2021 | 2020 | 2020 |
|--|---------------|-------------|---------|-------------|
| | Current | Non-current | Current | Non-current |
| Total cash, cash equivalents and investments | 14,129 | – | 16,394 | – |
| attributable to: | | | | |
| External restrictions | 4,898 | – | 1,997 | – |
| Internal restrictions | 9,185 | – | 11,511 | – |
| Unrestricted | 46 | – | 2,886 | – |
| | 14,129 | – | 16,394 | – |

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

Details of restrictions

External restrictions – included in liabilities

| | | |
|---|--------------|-------|
| Specific purpose unexpended grants – general fund | 4,010 | 1,122 |
| Retention bonds and deposits | 208 | 134 |

External restrictions – included in liabilities

| | | |
|--|--------------|-------|
| | 4,218 | 1,256 |
|--|--------------|-------|

External restrictions – other

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

| | | |
|--------------------------------------|------------|-----|
| Developer contributions – general | 109 | 109 |
| Developer contributions – sewer fund | 54 | 54 |
| Water fund | 193 | 184 |
| Sewer fund | 324 | 394 |

External restrictions – other

| | | |
|--|------------|-----|
| | 680 | 741 |
|--|------------|-----|

Total external restrictions

| | | |
|--|--------------|-------|
| | 4,898 | 1,997 |
|--|--------------|-------|

Internal restrictions

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

| | | |
|-------------------------------|--------------|-------|
| Plant and vehicle replacement | 413 | 1,423 |
| Employees leave entitlement | 1,451 | 1,443 |
| Carry over works | 3,507 | 5,283 |
| Building replacement | 150 | 150 |
| Commercial waste | 771 | 186 |
| Emergency works | 500 | 500 |
| Information technology | 100 | 100 |
| Quarries | 789 | 1,226 |
| Roads and bridges | 1,000 | 1,000 |
| Stormwater management | 200 | 200 |
| Transport | 304 | – |

Total internal restrictions

| | | |
|--|--------------|--------|
| | 9,185 | 11,511 |
|--|--------------|--------|

Total restrictions

| | | |
|--|---------------|--------|
| | 14,083 | 13,508 |
|--|---------------|--------|

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

C1-3 Receivables

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Purpose | | | | |
| Rates and annual charges | 792 | - | 652 | - |
| User charges and fees | 1,135 | - | 2,251 | - |
| Accrued revenues | | | | |
| – Interest on investments | 1 | - | 5 | - |
| Amounts due from other councils | 271 | - | 173 | - |
| Government grants and subsidies | 3,256 | - | 2,453 | - |
| Net GST receivable | 548 | - | 160 | - |
| Other debtors | 1 | - | 1 | - |
| Total | 6,004 | - | 5,695 | - |
| Less: provision of impairment | | | | |
| Other debtors | (6) | - | (4) | - |
| Total provision for impairment – receivables | (6) | - | (4) | - |
| Total net receivables | 5,998 | - | 5,691 | - |
| Externally restricted receivables | | | | |
| Water supply | | | | |
| – Rates and availability charges | - | - | 112 | - |
| – Other | 372 | - | 207 | - |
| Sewerage services | | | | |
| – Rates and availability charges | - | - | 125 | - |
| – Other | 207 | - | 65 | - |
| Domestic waste management | - | - | 153 | - |
| Total external restrictions | 579 | - | 662 | - |
| Unrestricted receivables | 5,419 | - | 5,029 | - |
| Total net receivables | 5,998 | - | 5,691 | - |

| \$ '000 | 2021 | 2020 |
|---|----------|----------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 4 | 7 |
| – amounts already provided for and written off this year | 2 | (3) |
| Balance at the end of the year | 6 | 4 |

C1-3 Receivables (continued)

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-4 Inventories

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|----------------------------------|-----------------|---------------------|-----------------|---------------------|
| (i) Inventories at cost | | | | |
| Stores and materials | 1,452 | – | 1,029 | – |
| Trading stock | 426 | – | 503 | – |
| Total inventories at cost | 1,878 | – | 1,532 | – |
| Total inventories | 1,878 | – | 1,532 | – |

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-5 Contract assets and Contract cost assets

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|--------------|------------|
| Contract assets | C1-5 | 3,741 | 915 |
| Total contract assets and contract cost assets | | 3,741 | 915 |

Contract assets

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Grants - Community Projects | - | - | 175 | - |
| Grants - Transport | 3,741 | - | 740 | - |
| Total contract assets | 3,741 | - | 915 | - |

Significant changes in contract assets

Regional Roads, Flood Damage and Bridge Construction.

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-6 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2020 | | | Asset movements during the reporting period | | | | | | | | At 30 June 2021 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|--|---------------|---------------------------|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss recognised in equity (ARR) | WIP transfers | Adjustments and transfers | Revaluation decrements to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 7,733 | – | 7,733 | 3,876 | 1,011 | – | – | – | (6,448) | – | – | 6,172 | – | 6,172 |
| Plant and equipment | 15,456 | (8,711) | 6,745 | 2,717 | – | (597) | (1,209) | – | – | – | – | 14,632 | (6,976) | 7,656 |
| Office equipment | 905 | (795) | 110 | 84 | – | – | (67) | – | – | – | – | 790 | (662) | 128 |
| Furniture and fittings | 31 | (23) | 8 | – | – | – | (1) | – | – | – | – | 31 | (24) | 7 |
| Land: | | | | | | | | | | | | | | |
| – Crown land | 1,442 | – | 1,442 | – | – | – | – | – | – | – | – | 1,442 | – | 1,442 |
| – Operational land | 4,392 | – | 4,392 | – | 45 | (130) | – | – | – | – | – | 4,306 | – | 4,306 |
| – Community land | 1,603 | – | 1,603 | – | – | – | – | – | – | – | – | 1,603 | – | 1,603 |
| – Land under roads (pre 1/7/08) | 1,744 | – | 1,744 | – | – | – | – | – | – | – | 129 | 1,873 | – | 1,873 |
| – Land under roads (post 30/6/08) | 2 | – | 2 | – | – | – | – | – | – | – | 1 | 3 | – | 3 |
| Land improvements – depreciable | 869 | (363) | 506 | – | 433 | – | (23) | – | 11 | – | 13 | 1,332 | (393) | 939 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings – non-specialised | 4,040 | (1,830) | 2,210 | 56 | – | – | (66) | – | – | – | 40 | 4,168 | (1,929) | 2,239 |
| – Buildings – specialised | 26,020 | (13,208) | 12,812 | 437 | 460 | (26) | (348) | – | 202 | – | 37 | 26,965 | (13,390) | 13,575 |
| – Other structures | 6,801 | (3,201) | 3,600 | 240 | 647 | (37) | (216) | – | 171 | – | 149 | 7,843 | (3,291) | 4,552 |
| – Roads | 237,144 | (69,451) | 167,693 | 10,422 | 876 | (1,396) | (3,666) | (3,815) | 5,318 | – | 3,460 | 253,959 | (75,066) | 178,893 |
| – Bridges | 166,824 | (44,058) | 122,766 | 4,045 | 478 | (2,289) | (1,191) | – | 405 | 531 | (9,881) | 194,111 | (79,247) | 114,864 |
| – Footpaths | 3,702 | (723) | 2,979 | – | 93 | (10) | (57) | – | – | – | 27 | 3,828 | (796) | 3,032 |
| – Bulk earthworks (non-depreciable) | 14,644 | – | 14,644 | – | 54 | (25) | – | – | – | – | 373 | 15,046 | – | 15,046 |
| – Stormwater drainage | 28,771 | (3,851) | 24,920 | 9 | – | – | (73) | – | – | – | 1,084 | 29,513 | (3,572) | 25,941 |
| – Water supply network | 32,911 | (5,620) | 27,291 | 159 | 152 | (105) | (305) | – | 80 | – | 183 | 33,401 | (5,945) | 27,456 |
| – Sewerage network | 34,154 | (5,464) | 28,690 | 599 | 56 | (43) | (197) | – | 166 | – | 454 | 34,799 | (5,073) | 29,726 |
| – Swimming pools | 5,502 | (3,463) | 2,039 | – | – | – | (69) | – | – | – | 152 | 5,656 | (3,534) | 2,122 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | | | |
| – Tip assets | 386 | (327) | 59 | – | – | – | (11) | – | – | 272 | – | 792 | (472) | 320 |
| – Quarry assets | 375 | (346) | 29 | – | – | – | (114) | – | – | 797 | – | 1,171 | (460) | 711 |
| Total infrastructure, property, plant and equipment | 595,451 | (161,434) | 434,017 | 22,644 | 4,305 | (4,658) | (7,613) | (3,815) | (95) | 1,600 | (3,779) | 643,436 | (200,830) | 442,606 |

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

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

| By aggregated asset class | At 1 July 2019 | | | Asset movements during the reporting period | | | | | | | | At 30 June 2020 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|--|---------------|---------------------------|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss recognised in equity (ARR) | WIP transfers | Adjustments and transfers | Revaluation decrements to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 3,222 | – | 3,222 | 3,629 | 3,516 | – | – | – | (2,634) | – | – | 7,733 | – | 7,733 |
| Plant and equipment | 14,520 | (7,914) | 6,606 | 1,635 | – | (306) | (1,190) | – | – | – | – | 15,456 | (8,711) | 6,745 |
| Office equipment | 831 | (709) | 122 | 74 | – | – | (87) | – | – | – | – | 905 | (795) | 110 |
| Furniture and fittings | 31 | (23) | 8 | – | – | – | (1) | – | – | – | – | 31 | (23) | 8 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 4,392 | – | 4,392 | – | – | – | – | – | – | – | – | 4,392 | – | 4,392 |
| – Community land | 1,603 | – | 1,603 | – | – | – | – | – | – | – | – | 1,603 | – | 1,603 |
| – Crown land | 1,442 | – | 1,442 | – | – | – | – | – | – | – | – | 1,442 | – | 1,442 |
| – Land under roads (pre 1/7/08) | 1,744 | – | 1,744 | – | – | – | – | – | – | – | – | 1,744 | – | 1,744 |
| – Land under roads (post 30/6/08) | 2 | – | 2 | – | – | – | – | – | – | – | – | 2 | – | 2 |
| Land improvements – depreciable | 869 | (340) | 529 | – | – | – | (23) | – | – | – | – | 869 | (363) | 506 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings – non-specialised | 3,800 | (1,670) | 2,130 | 41 | 159 | – | (65) | – | – | – | (55) | 4,040 | (1,830) | 2,210 |
| – Buildings – specialised | 25,803 | (12,900) | 12,903 | – | 196 | – | (356) | – | 137 | – | (68) | 26,020 | (13,208) | 12,812 |
| – Other structures | 6,706 | (3,003) | 3,703 | 62 | 93 | – | (206) | – | 38 | – | (91) | 6,801 | (3,201) | 3,600 |
| – Roads | 248,804 | (68,797) | 180,007 | 6,680 | 560 | (485) | (4,012) | (2,077) | 177 | – | (13,158) | 237,144 | (69,451) | 167,693 |
| – Bridges | 166,406 | (44,575) | 121,831 | 3,172 | 3 | (1,808) | (1,233) | (755) | 1,725 | – | (168) | 166,824 | (44,058) | 122,766 |
| – Footpaths | 3,771 | (688) | 3,083 | – | 26 | – | (60) | – | – | – | (70) | 3,702 | (723) | 2,979 |
| – Bulk earthworks (non-depreciable) | 16,157 | – | 16,157 | – | – | – | – | – | – | – | (1,513) | 14,644 | – | 14,644 |
| – Stormwater drainage | 28,544 | (3,246) | 25,298 | 154 | 222 | (138) | (73) | – | 434 | – | (975) | 28,771 | (3,851) | 24,920 |
| – Water supply network | 32,633 | (5,297) | 27,336 | 125 | – | (78) | (301) | – | 116 | – | 92 | 32,911 | (5,620) | 27,291 |
| – Sewerage network | 33,777 | (5,230) | 28,547 | – | – | (14) | (192) | – | – | – | 348 | 34,154 | (5,464) | 28,690 |
| – Swimming pools | 5,502 | (3,413) | 2,089 | – | – | – | (71) | – | – | – | 21 | 5,502 | (3,463) | 2,039 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | | | |
| – Tip assets | 340 | (325) | 15 | – | – | – | (2) | – | – | 47 | – | 386 | (327) | 59 |
| – Quarry assets | 369 | (340) | 29 | – | – | – | (5) | – | – | 5 | – | 375 | (346) | 29 |
| Total infrastructure, property, plant and equipment | 601,268 | (158,470) | 442,798 | 15,572 | 4,775 | (2,829) | (7,877) | (2,832) | (7) | 52 | (15,637) | 595,451 | (161,434) | 434,017 |

(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

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

Infrastructure, property, plant and equipment are held at fair value. 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 Planning, Industry and Environment – Water.

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

| Plant and equipment | Years | Other equipment | Years |
|-----------------------------------|--------------|--------------------------|--------------|
| Office equipment | 5 | Playground equipment | 5 to 15 |
| Office furniture | 5 | Benches, seats etc. | 10 to 20 |
| Computer equipment | 3 | | |
| Vehicles | 10 to 20 | Buildings | |
| Heavy plant/road making equipment | 10 | Buildings: masonry | 80 to 170 |
| Other plant and equipment | 10 | Buildings: other | 15 to 65 |
| | | Stormwater assets | |
| Water and sewer assets | | Drains | 144 to 203 |
| Civil works | 40 to 195 | Culverts | 150 to 203 |
| Mechanical and electrical | 25 to 92 | | |
| Reticulation pipes: Water | 65 to 203 | | |
| Reticulation pipes: Sewer | 133 to 319 | | |
| Transportation assets | | | |
| Sealed roads: surface | 10 to 35 | | |
| Sealed roads: structure | 100 | | |
| Unsealed roads | 20 to 38 | | |
| Bridge: concrete | 141 | | |
| Bridge: timber | 141 | | |
| Road pavements | 125 | | |
| Kerb, gutter and footpaths | 30 to 70 | | |

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

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Up until 2008-09, Council recognised all new rural fire service assets including plant and vehicles, however since then, Council has not recognised any new rural fire service assets.

Externally restricted infrastructure, property, plant and equipment

| \$ '000 | as at 30/06/21 | | | as at 30/06/20 | | |
|--|-----------------------|----------------------------------|---------------------|-----------------------|----------------------------------|---------------------|
| | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount |
| Water supply | | | | | | |
| WIP | 766 | – | 766 | 565 | – | 565 |
| Infrastructure | 33,401 | 5,945 | 27,456 | 32,911 | 5,620 | 27,291 |
| Total water supply | 34,167 | 5,945 | 28,222 | 33,476 | 5,620 | 27,856 |
| Sewerage services | | | | | | |
| WIP | 15 | – | 15 | 169 | – | 169 |
| Infrastructure | 34,799 | 5,074 | 29,725 | 34,154 | 5,464 | 28,690 |
| Total sewerage services | 34,814 | 5,074 | 29,740 | 34,323 | 5,464 | 28,859 |
| Total restricted infrastructure, property, plant and equipment | 68,981 | 11,019 | 57,962 | 67,799 | 11,084 | 56,715 |

Infrastructure, property, plant and equipment – current year impairments

| \$ '000 | 2021 | 2020 |
|---|--------------|--------------|
| (i) Impairment losses recognised direct to equity (ARR): | | |
| Roads assets impaired during various flood events 2020 & 2021 | 3,815 | 2,077 |
| Bridge assets impaired during February 2020 flood | – | 755 |
| Total impairment losses | 3,815 | 2,832 |
| Impairment of assets – direct to equity (ARR) | 3,815 | 2,832 |

C2 Leasing activities

C2-1 Council as a lessee

Council is not party to any lease arrangements that would require recognition under AASB 16.

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market value for land and buildings which are used for Pre Schools.

The leases are generally between 1 and 20 years and require payments of less than \$1,000 per year.

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

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C3 Liabilities of Council

C3-1 Payables

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Payables | | | | |
| Goods and services – operating expenditure | 887 | – | 1,938 | – |
| Goods and services – capital expenditure | 1,776 | – | 742 | – |
| Accrued expenses: | | | | |
| – Borrowings | 33 | – | 37 | – |
| – Salaries and wages | 255 | – | 200 | – |
| – Other expenditure accruals | 176 | – | 140 | – |
| Security bonds, deposits and retentions | 105 | 104 | 68 | 67 |
| Prepaid rates | 159 | – | – | – |
| Total payables | 3,391 | 104 | 3,125 | 67 |
| Total payables | 3,391 | 104 | 3,125 | 67 |

Payables relating to restricted assets

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Externally restricted assets | | | | |
| Water | 136 | – | 101 | – |
| Sewer | 4 | – | 5 | – |
| Payables relating to externally restricted assets | 140 | – | 106 | – |
| Total payables relating to restricted assets | 140 | – | 106 | – |
| Total payables relating to unrestricted assets | 3,251 | 104 | 3,019 | 67 |
| Total payables | 3,391 | 104 | 3,125 | 67 |

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

| \$ '000 | Notes | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-------|-----------------|---------------------|-----------------|---------------------|
| Grants and contributions received in advance: | | | | | |
| Unexpended capital grants (to construct Council controlled assets) | (i) | 2,787 | - | - | - |
| Total grants received in advance | | 2,787 | - | - | - |
| Total contract liabilities | | 2,787 | - | - | - |

Notes

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

Contract liabilities relating to restricted assets

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Externally restricted assets | | | | |
| Unspent grants held as contract liabilities (excl. Water & Sewer) | 4,010 | - | 1,122 | - |
| Contract liabilities relating to externally restricted assets | 4,010 | - | 1,122 | - |
| Total contract liabilities relating to restricted assets | 4,010 | - | 1,122 | - |
| Total contract liabilities relating to unrestricted assets | (1,223) | - | (1,122) | - |
| Total contract liabilities | 2,787 | - | - | - |

Significant changes in contract liabilities

Council has received funding in advance for "Fixing Country Bridges", "Fixing Local Roads", "Kyogle Bridge Package", "Local Roads and Community infrastructure Program" and "Public Spaces Legacy Program"

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Bank overdraft | 116 | – | 108 | – |
| Loans – secured ¹ | 755 | 5,527 | 734 | 6,282 |
| Total borrowings | 871 | 5,527 | 842 | 6,282 |

(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

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Externally restricted assets | | | | |
| Water | 227 | 821 | 218 | 1,047 |
| Sewer | 26 | 761 | 24 | 787 |
| Borrowings relating to externally restricted assets | 253 | 1,582 | 242 | 1,834 |
| Total borrowings relating to restricted assets | 253 | 1,582 | 242 | 1,834 |
| Total borrowings relating to unrestricted assets | 618 | 3,945 | 600 | 4,448 |
| Total borrowings | 871 | 5,527 | 842 | 6,282 |

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

| | 2020 | | Non-cash movements | | | | 2021 |
|--|-----------------|--------------|--------------------|--------------------|--|-------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| \$ '000 | | | | | | | |
| Loans – secured | 7,016 | (734) | – | – | – | – | 6,282 |
| Total liabilities from financing activities | 7,016 | (734) | – | – | – | – | 6,282 |

| | 2019 | | Non-cash movements | | | | 2020 |
|--|-----------------|--------------|--------------------|--------------------|--|-------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| \$ '000 | | | | | | | |
| Loans – secured | 2,505 | 4,511 | – | – | – | – | 7,016 |
| Total liabilities from financing activities | 2,505 | 4,511 | – | – | – | – | 7,016 |

(b) Financing arrangements

| \$ '000 | 2021 | 2020 |
|---|-----------|-----------|
| Total facilities | | |
| Credit cards/purchase cards | 12 | 12 |
| Total financing arrangements | 12 | 12 |
| Undrawn facilities | | |
| – Credit cards/purchase cards | 12 | 12 |
| Total undrawn financing arrangements | 12 | 12 |

Additional financing arrangements information

Breaches and defaults

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

| \$ '000 | 2021 | | 2020 | |
|--|--------------|-------------|--------------|-------------|
| | Current | Non-current | Current | Non-current |
| Annual leave | 1,088 | – | 1,009 | – |
| Long service leave | 1,269 | 303 | 1,399 | 173 |
| Other leave – time in lieu | 56 | – | 65 | – |
| ELE on-costs | 145 | – | 127 | – |
| Total employee benefit provisions | 2,558 | 303 | 2,600 | 173 |

Employee benefit provisions relating to restricted assets

Externally restricted assets

| | | | | |
|--|--------------|------------|--------------|------------|
| Water | 105 | – | 104 | – |
| Sewer | 105 | – | 104 | – |
| Employee benefit provisions relating to externally restricted assets | 210 | – | 208 | – |
| Total employee benefit provisions relating to restricted assets | 210 | – | 208 | – |
| Total employee benefit provisions relating to unrestricted assets | 2,348 | 303 | 2,392 | 173 |
| Total employee benefit provisions | 2,558 | 303 | 2,600 | 173 |

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

| \$ '000 | 2021 | 2020 |
|--|--------------|--------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 1,098 | 1,210 |
| | 1,098 | 1,210 |

C3-4 Employee benefit provisions (continued)

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.

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C3-5 Provisions

| \$ '000 | 2021 Current | 2021 Non-Current | 2020 Current | 2020 Non-Current |
|---|-----------------|---------------------|-----------------|---------------------|
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | - | 2,168 | - | 771 |
| Sub-total – asset remediation/restoration | - | 2,168 | - | 771 |
| Total provisions | - | 2,168 | - | 771 |
| Provisions relating to restricted assets | | | | |
| Total provisions relating to restricted assets | - | - | - | - |
| Total provisions relating to unrestricted assets | - | 2,168 | - | 771 |
| Total provisions | - | 2,168 | - | 771 |

Description of and movements in provisions

| \$ '000 | Other provisions | |
|---------------------------------------|----------------------|---------------------------|
| | Asset remediation | Net carrying amount |
| 2021 | | |
| At beginning of year | 771 | 771 |
| Changes to provision: | | |
| – Revised costs | 1,317 | 1,317 |
| Unwinding of discount | 16 | 16 |
| Remeasurement effects | 64 | 64 |
| Total other provisions at end of year | 2,168 | 2,168 |
| 2020 | | |
| At beginning of year | 714 | 714 |
| Unwinding of discount | 4 | 4 |
| Remeasurement effects | 53 | 53 |
| Total other provisions at end of year | 771 | 771 |

Nature and purpose of provisions

Asset remediation

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

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

| Asset/operation | Estimated year of restoration | NPV of provision | |
|---|----------------------------------|------------------|------------|
| | | 2021 | 2020 |
| Tip Remediation - Kyogle | 2051 | 593 | 186 |
| Tip Remediation - Mallanganee | 2027 | 20 | 0 |
| Tip Remediation - Woodenbong | 2048 | 158 | 0 |
| Quarry Remediation - Millers | 2029 | 434 | 162 |
| Quarry Remediation - Medhurst | 2029 | 674 | 209 |
| Quarry Remediation - Griffiths | 2026 | 98 | 160 |
| Quarry Remediation - Lloyds | 2026 | 191 | 54 |
| Balance at the end of the reporting period | | 2,168 | 771 |

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

| \$ '000 | General 2021 | Water 2021 | Sewer 2021 |
|--|-----------------|---------------|---------------|
| Income from continuing operations | | | |
| Rates and annual charges | 8,819 | 938 | 1,324 |
| User charges and fees | 6,654 | 798 | 318 |
| Interest and investment revenue | 64 | 1 | 1 |
| Other revenues | 16 | – | – |
| Grants and contributions provided for operating purposes | 8,497 | 35 | – |
| Grants and contributions provided for capital purposes | 15,274 | 209 | 12 |
| Total income from continuing operations | 39,324 | 1,981 | 1,655 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 8,593 | 258 | 252 |
| Materials and services | 6,963 | 692 | 636 |
| Borrowing costs | 112 | 46 | 59 |
| Depreciation, amortisation and impairment of non-financial assets | 7,111 | 305 | 197 |
| Other expenses | 87 | 149 | 70 |
| Net losses from the disposal of assets | 3,734 | 105 | 43 |
| Total expenses from continuing operations | 26,600 | 1,555 | 1,257 |
| Operating result from continuing operations | 12,724 | 426 | 398 |
| Net operating result for the year | 12,724 | 426 | 398 |
| Net operating result attributable to each council fund | 12,724 | 426 | 398 |
| Net operating result for the year before grants and contributions provided for capital purposes | (2,550) | 217 | 386 |

D1-2 Statement of Financial Position by fund

| \$ '000 | General 2021 | Water 2021 | Sewer 2021 |
|---|-----------------|---------------|---------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13,558 | 193 | 378 |
| Receivables | 5,419 | 372 | 207 |
| Inventories | 1,878 | – | – |
| Contract assets and contract cost assets | 3,741 | – | – |
| Total current assets | 24,596 | 565 | 585 |
| Non-current assets | | | |
| Infrastructure, property, plant and equipment | 384,644 | 28,222 | 29,740 |
| Total non-current assets | 384,644 | 28,222 | 29,740 |
| TOTAL ASSETS | 409,240 | 28,787 | 30,325 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 3,251 | 136 | 4 |
| Contract liabilities | 2,787 | – | – |
| Borrowings | 618 | 227 | 26 |
| Employee benefit provision | 2,348 | 105 | 105 |
| Total current liabilities | 9,004 | 468 | 135 |
| Non-current liabilities | | | |
| Payables | 104 | – | – |
| Borrowings | 3,945 | 821 | 761 |
| Employee benefit provision | 303 | – | – |
| Provisions | 2,168 | – | – |
| Total non-current liabilities | 6,520 | 821 | 761 |
| TOTAL LIABILITIES | 15,524 | 1,289 | 896 |
| Net assets | 393,716 | 27,498 | 29,429 |
| EQUITY | | | |
| Accumulated surplus | 165,535 | 15,447 | 9,661 |
| Revaluation reserves | 228,181 | 12,051 | 19,768 |
| Council equity interest | 393,716 | 27,498 | 29,429 |
| Total equity | 393,716 | 27,498 | 29,429 |

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

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

| Name of entity/operation | Principal activity/type of entity | 2021 | 2021 |
|--------------------------|-----------------------------------|----------|------------|
| | | Net loss | Net assets |
| Newlog | Vehicle Weight Limits | (26) | 27 |

Reasons for non-recognition

The Council is a member of the North-East Weight of Loads Group. The constitution of the group specifies the council as having a part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally promote the aims of reducing damage to Councils roads by policing of vehicles weight limits.

Council's share of the operations (12.5%) have been deemed as "immaterial" and therefore have not been incorporated into these Financial Statements.

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E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

| \$ '000 | Carrying value 2021 | Carrying value 2020 | Fair value 2021 | Fair value 2020 |
|------------------------------------|------------------------|------------------------|--------------------|--------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 14,129 | 16,394 | 14,129 | 16,394 |
| Receivables | 5,998 | 5,691 | 5,998 | 5,691 |
| Total financial assets | 20,127 | 22,085 | 20,127 | 22,085 |
| Financial liabilities | | | | |
| Measured at amortised cost | | | | |
| Bank overdraft | 116 | 108 | 116 | 108 |
| Payables | 3,495 | 3,192 | 3,495 | 3,192 |
| Loans/advances | 6,282 | 7,016 | 7,391 | 8,246 |
| Total financial liabilities | 9,893 | 10,316 | 11,002 | 11,546 |

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

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

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

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

(a) Market risk – interest rate and price risk

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

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

Impact of a 1% movement in interest rates

– Equity / Income Statement

141 163

Impact of a 10% movement in price of investments

(b) Credit risk

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

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

| \$ '000 | Not yet overdue | < 1 year overdue | 1 - 2 years overdue | 2 - 5 years overdue | > 5 years overdue | Total |
|-----------------------|--------------------|---------------------|------------------------|------------------------|----------------------|-------|
| 2021 | | | | | | |
| Gross carrying amount | 765 | 27 | – | – | – | 792 |
| 2020 | | | | | | |
| Gross carrying amount | 610 | 42 | – | – | – | 652 |

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses,

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

non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

| \$ '000 | Not yet overdue | 0 - 30 days overdue | 31 - 60 days overdue | 61 - 90 days overdue | > 91 days overdue | Total |
|------------------------|-----------------|---------------------|----------------------|----------------------|-------------------|-------|
| 2021 | | | | | | |
| Gross carrying amount | 5,212 | – | – | – | – | 5,212 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 2020 | | | | | | |
| Gross carrying amount | 5,043 | – | – | – | – | 5,043 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(c) Liquidity risk

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

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

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

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

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

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

| \$ '000 | Weighted average interest rate | Subject to no maturity | payable in: ≤ 1 Year | 1 - 5 Years | > 5 Years | Total cash outflows | Actual carrying values |
|------------------------------------|--------------------------------|------------------------|-------------------------|--------------|--------------|---------------------|------------------------|
| 2021 | | | | | | | |
| Bank overdraft | 0.00% | 116 | – | – | – | 116 | 116 |
| Trade/other payables | 0.00% | 368 | 3,127 | – | – | 3,495 | 3,495 |
| Loans and advances | 3.01% | – | 939 | 3,719 | 2,964 | 7,622 | 6,282 |
| Total financial liabilities | | 484 | 4,066 | 3,719 | 2,964 | 11,233 | 9,893 |
| 2020 | | | | | | | |
| Bank overdraft | 0.00% | 108 | – | – | – | 108 | 108 |
| Trade/other payables | 0.00% | 135 | 3,057 | – | – | 3,192 | 3,192 |
| Loans and advances | 2.99% | – | 939 | 3,756 | 3,866 | 8,561 | 7,016 |
| Total financial liabilities | | 243 | 3,996 | 3,756 | 3,866 | 11,861 | 10,316 |

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

| \$ '000 | Notes | Fair value measurement hierarchy | | | | | | | |
|--|-------|----------------------------------|----------|---------------------------------------|----------|---|----------------|----------------|----------------|
| | | Date of latest valuation | | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Recurring fair value measurements | | | | | | | | | |
| Infrastructure, property, plant and equipment C1-6 | | | | | | | | | |
| Plant & Equipment | | 30/06/21 | 30/06/20 | – | – | 7,657 | 6,745 | 7,657 | 6,745 |
| Office Equipment | | 30/06/21 | 30/06/20 | – | – | 128 | 110 | 128 | 110 |
| Furniture & Fittings | | 30/06/21 | 30/06/20 | – | – | 8 | 8 | 8 | 8 |
| Land Operational | | 30/06/18 | 30/06/18 | – | – | 4,306 | 4,392 | 4,306 | 4,392 |
| Land Community | | 30/06/18 | 30/06/18 | – | – | 1,603 | 1,603 | 1,603 | 1,603 |
| Land Crown | | 30/06/18 | 30/06/18 | – | – | 1,442 | 1,442 | 1,442 | 1,442 |
| Land under Roads | | 01/07/20 | 30/06/16 | – | – | 1,876 | 1,746 | 1,876 | 1,746 |
| Land Improvements | | 30/06/18 | 30/06/18 | – | – | 940 | 506 | 940 | 506 |
| Buildings | | 30/06/18 | 30/06/18 | – | – | 15,814 | 15,022 | 15,814 | 15,022 |
| Other Structures | | 30/06/18 | 30/06/18 | – | – | 4,552 | 3,600 | 4,552 | 3,600 |
| Roads | | 31/03/20 | 31/03/20 | – | – | 178,893 | 167,693 | 178,893 | 167,693 |
| Bridges | | 30/06/21 | 01/07/18 | – | – | 114,864 | 121,166 | 114,864 | 121,166 |
| Footpaths | | 31/03/20 | 31/03/20 | – | – | 3,031 | 2,979 | 3,031 | 2,979 |
| Earthworks | | 31/03/20 | 31/03/20 | – | – | 15,046 | 14,644 | 15,046 | 14,644 |
| Stormwater Drainage | | 30/06/17 | 30/06/17 | – | – | 25,941 | 24,920 | 25,941 | 24,920 |
| Water Supply | | 30/06/17 | 30/06/17 | – | – | 27,455 | 27,291 | 27,455 | 27,291 |
| Sewerage Network | | 30/06/17 | 30/06/17 | – | – | 29,725 | 28,690 | 29,725 | 28,690 |
| Swimming Pools | | 30/06/18 | 30/06/18 | – | – | 2,122 | 2,039 | 2,122 | 2,039 |
| Reinstatement Assets | | 30/06/21 | 30/06/20 | – | – | 1,032 | 88 | 1,032 | 88 |
| Total infrastructure, property, plant and equipment | | | | – | – | 436,435 | 424,684 | 436,435 | 424,684 |

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

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, servers etc.
- Furniture & Fittings - Chairs & desks etc.

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

Operational & Community Land & Land Improvements

The key unobservable input to the valuation of these classes of assets is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd, Director Robert Lee Muller BSc (Hons) MRICS MAPM MAIPM AAPI, Chartered Valuation Surveyor.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

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

Crown Land

Council's Crown Land (including land managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access. Many of these parcels of land have no feasible alternative use, such as parks and reserves. Community land is valued using the 'Market Approach'.

Fair value is derived by adjusting observable market inputs using unobservable inputs. The resulting measurement is categorised within level 3. Crown Land was revalued as at 30 June 2018. There has been no change to the valuation process during the reporting period.

Land Under Roads

Land under roads has been valued using the Engloba method for nearby or adjacent Community Land having regard to the highest and best use for this land. Land under roads was revalued at 30 June 2021 by internal staff.

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

Buildings - Non-Specialised & Specialised

Buildings were valued by AssetVal Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

E2-1 Fair value measurement (continued)

Other Structures

These assets include all other structures not included in the category of Buildings. Examples include statues, fences, monuments and clocktowers. Other Structures were valued by AssetVal Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost for each structure by componentising the structures into significant parts with different useful lives and taking into account a range of factors. While all structures were physically inspected inputs such as pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

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

Roads & Footpaths (including Bulk Earthworks)

Roads & Footpaths were revalued at 31 March 2020 by internal staff valuation. The calculation of unit rates has been based on a series of project construction costs. A sample of 6 projects was taken which represents a range of construction types. The costs used in the analysis were based on figures derived from Council 'Work Order' system. The total cost and area for each project were used to derive an average unit cost. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and road type. This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

This asset class includes the road formation (bulk earthworks) road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges

Bridges were revalued at 30 June 2021 by internal staff valuation. The calculation of unit rates has been based on a series of project construction costs (estimated or actual). This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Water Supply

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the DPIE - Water.

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

E2-1 Fair value measurement (continued)

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the DPIE - Water.

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

Fair value measurements using significant unobservable inputs (level 3)

b. The valuation process for level 3 fair value measurements

Fair Value Hierarchy

AASB 13 Fair Value measurement requires disclosure of fair value measurement by level of input, using the following hierarchy:

- * Level 1 - Quoted prices (unadjusted) 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 - Unobservable inputs for asset or liability.

Fair Value Techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

'Cost Approach': A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

'Income Approach': A valuation technique that converts future amounts (cash inflows / outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

'Market Approach': A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Valuation Techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. 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:

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input, whereby maximising observable inputs and minimising unobservable inputs as below:

- * Quoted prices for similar asset in active markets
- * Current replacement cost concept
- * Purchase price
- * Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used for this technique were:

- * Pattern of consumption
- * Asset condition
- * Unit rates

E2-1 Fair value measurement (continued)

* Useful life

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

| \$ '000 | Plant and equipment | | Office equipment | | Furniture and fittings | | Operational land | |
|---|---------------------|---------|------------------|------|------------------------|------|------------------|-------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Opening balance | 6,745 | 6,606 | 110 | 122 | 8 | 8 | 4,392 | 4,392 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Purchases (GBV) | 2,717 | 1,635 | 84 | 74 | – | – | 44 | – |
| Disposals (WDV) | (597) | (306) | – | – | – | – | (130) | – |
| Depreciation and impairment | (1,209) | (1,190) | (66) | (86) | – | – | – | – |
| Closing balance | 7,656 | 6,745 | 128 | 110 | 8 | 8 | 4,306 | 4,392 |

| \$ '000 | Community land | | Crown lands | | Land under Roads | | Land improvements | |
|--|----------------|-------|--------------|-------|------------------|-------|-------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Opening balance | 1,603 | 1,603 | 1,442 | 1,442 | 1,746 | 1,746 | 506 | 529 |
| Total gains or losses for the period | | | | | | | | |
| Recognised in other comprehensive income – revaluation surplus | – | – | – | – | 130 | – | 12 | – |
| Other movements | | | | | | | | |
| Purchases (GBV) | – | – | – | – | – | – | 444 | – |
| Depreciation and impairment | – | – | – | – | – | – | (23) | (23) |
| Closing balance | 1,603 | 1,603 | 1,442 | 1,442 | 1,876 | 1,746 | 939 | 506 |

E2-1 Fair value measurement (continued)

| \$ '000 | Buildings non specialised | | Building specialised | | Other structures | | Roads | |
|--|---------------------------|-------|----------------------|--------|------------------|-------|----------------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Opening balance | 2,210 | 2,130 | 12,812 | 12,903 | 3,599 | 3,703 | 167,692 | 180,007 |
| Total gains or losses for the period | | | | | | | | |
| Recognised in other comprehensive income – revaluation surplus | 40 | (55) | 37 | (68) | 149 | (91) | (355) | (13,158) |
| Other movements | | | | | | | | |
| Purchases (GBV) | 56 | 200 | 1,099 | 333 | 1,057 | 193 | 16,617 | 7,417 |
| Disposals (WDV) | – | – | (26) | – | (37) | – | (1,396) | (485) |
| Depreciation and impairment | (66) | (65) | (348) | (356) | (216) | (206) | (3,666) | (6,089) |
| Closing balance | 2,240 | 2,210 | 13,574 | 12,812 | 4,552 | 3,599 | 178,892 | 167,692 |

| \$ '000 | Bridges | | Footpaths | | Bulk earthworks | | Stormwater drainage | |
|--|----------------|---------|--------------|-------|-----------------|---------|---------------------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Opening balance | 122,767 | 121,831 | 2,979 | 3,083 | 14,644 | 16,157 | 24,922 | 25,298 |
| Total gains or losses for the period | | | | | | | | |
| Recognised in other comprehensive income – revaluation surplus | (9,350) | (1,768) | 27 | (70) | 373 | (1,513) | 1,084 | (975) |
| Other movements | | | | | | | | |
| Purchases (GBV) | 4,928 | 4,900 | 93 | 26 | 54 | – | 9 | 810 |
| Disposals (WDV) | (2,289) | (1,808) | (10) | – | (25) | – | – | (138) |
| Depreciation and impairment | (1,191) | (1,988) | (57) | (60) | – | – | (73) | (73) |
| Closing balance | 114,865 | 121,167 | 3,032 | 2,979 | 15,046 | 14,644 | 25,942 | 24,922 |

E2-1 Fair value measurement (continued)

| \$ '000 | Water supply network | | Sewerage network | | Swimming pools | | Reinstatement assets | |
|--|----------------------|--------|------------------|--------|----------------|-------|----------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Opening balance | 27,290 | 27,336 | 28,689 | 28,547 | 2,039 | 2,089 | 89 | 44 |
| Total gains or losses for the period | | | | | | | | |
| Recognised in other comprehensive income – revaluation surplus | 183 | 92 | 454 | 348 | 152 | 21 | – | – |
| Other movements | | | | | | | | |
| Purchases (GBV) | 391 | 241 | 822 | – | – | – | 1,068 | – |
| Disposals (WDV) | (105) | (78) | (43) | (14) | – | – | – | – |
| Depreciation and impairment | (305) | (301) | (197) | (192) | (69) | (71) | (125) | (7) |
| Reinstatement Remeasurement | – | – | – | – | – | – | – | 52 |
| Closing balance | 27,454 | 27,290 | 29,725 | 28,689 | 2,122 | 2,039 | 1,032 | 89 |

| \$ '000 | Total | |
|--|----------------|-----------------|
| | 2021 | 2020 |
| Opening balance | 426,284 | 439,576 |
| Recognised in other comprehensive income – revaluation surplus | (7,064) | (17,237) |
| Purchases (GBV) | 29,483 | 15,829 |
| Disposals (WDV) | (4,658) | (2,829) |
| Depreciation and impairment | (7,611) | (10,707) |
| Reinstatement Remeasurement | – | 52 |
| Closing balance | 436,434 | 424,684 |

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 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 161,710.03. The last valuation of the Scheme was performed by Richard Boyland FIAA, and covers the period ended 30 June 2020.

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$81,500. Council's expected contribution to the plan for the next annual reporting period is \$175,401.00.

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 \$81,500.00 as at 30 June 2021.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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

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

(ii) Richmond Upper-Clarence Regional Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Richmond Upper-Clarence Regional Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

(iii) Section 7.11 Infrastructure

Council has significant obligations to provide Section 7.11 infrastructure in new release areas. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference (Refer Note G4).

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F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

| \$ '000 | 2021 | 2020 |
|--------------------------|------------|------------|
| Compensation: | | |
| Short-term benefits | 878 | 852 |
| Post-employment benefits | 69 | 67 |
| Other long-term benefits | 12 | 25 |
| Total | 959 | 944 |

Other transactions with KMP and their related parties

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

| Nature of the transaction | Ref | Transactions during the year | Outstanding balances including commitments | Terms and conditions | Impairment provision on outstanding balances | Impairment expense |
|---|-----|------------------------------|--|----------------------|--|--------------------|
| \$ '000 | | | | | | |
| 2021 | | | | | | |
| Employee expenses relating to close family members of KMP | 1 | 99 | - | | - | - |
| 2020 | | | | | | |
| Employee expenses relating to close family members of KMP | 1 | 84 | - | | - | - |

1 One (1) close family member of Council's KMP is employed by the Council under the relevent pay award on an arms length basis

F1-2 Councillor and Mayoral fees and associated expenses

| \$ '000 | 2021 | 2020 |
|--|------------|------------|
| The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are: | | |
| Mayoral fee | 25 | 27 |
| Councillors' fees | 110 | 109 |
| Other Councillors' expenses (including Mayor) | 14 | 27 |
| Total | 149 | 163 |

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F2 Other relationships

F2-1 Audit fees

| \$ '000 | 2021 | 2020 |
|--|-----------|-----------|
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms | | |
| Auditors of the Council - NSW Auditor-General: | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements | 63 | 62 |
| Remuneration for audit and other assurance services | 63 | 62 |
| Total Auditor-General remuneration | 63 | 62 |
| Non NSW Auditor-General audit firms | | |
| (i) Audit and other assurance services | | |
| Other audit services | 13 | 7 |
| Remuneration for audit and other assurance services | 13 | 7 |
| Total remuneration of non NSW Auditor-General audit firms | 13 | 7 |
| Total audit fees | 76 | 69 |

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G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

| \$ '000 | 2021 | 2020 |
|---|---------------|---------------|
| Net operating result from Income Statement | 13,548 | 10,580 |
| Adjust for non-cash items: | | |
| Depreciation and amortisation | 7,613 | 7,877 |
| Net losses/(gains) on disposal of assets | 3,882 | 2,529 |
| Non-cash capital grants and contributions | – | (57) |
| Unwinding of discount rates on reinstatement provisions | 16 | 4 |
| +/- Movement in operating assets and liabilities and other cash items: | | |
| Decrease/(increase) in receivables | (309) | (1,306) |
| Increase/(decrease) in provision for impairment of receivables | 2 | (3) |
| Decrease/(increase) in inventories | (346) | (162) |
| Decrease/(increase) in contract assets | (2,826) | (915) |
| Increase/(decrease) in payables | (1,051) | 1,151 |
| Increase/(decrease) in accrued interest payable | (4) | 26 |
| Increase/(decrease) in other accrued expenses payable | 91 | 102 |
| Increase/(decrease) in other liabilities | 233 | (1,682) |
| Increase/(decrease) in contract liabilities | 2,787 | – |
| Increase/(decrease) in provision for employee benefits | 88 | 125 |
| Increase/(decrease) in other provisions | (16) | 53 |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | 23,708 | 18,322 |

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G2-1 Commitments

Capital commitments (exclusive of GST)

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

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

| | | |
|-----------------------|-------|---|
| Bridge Infrastructure | 1,859 | – |
|-----------------------|-------|---|

| | | |
|--------------------------|--------------|----------|
| Total commitments | 1,859 | – |
|--------------------------|--------------|----------|

These expenditures are payable as follows:

| | | |
|----------------------|-------|---|
| Within the next year | 1,859 | – |
|----------------------|-------|---|

| | | |
|----------------------|--------------|----------|
| Total payable | 1,859 | – |
|----------------------|--------------|----------|

Sources for funding of capital commitments:

| | | |
|---------------------------------|-------|---|
| Future grants and contributions | 1,859 | – |
|---------------------------------|-------|---|

| | | |
|---------------------------------|--------------|----------|
| Total sources of funding | 1,859 | – |
|---------------------------------|--------------|----------|

Details of capital commitments

Cedar Point Bridge.

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G3 Statement of developer contributions as at 30 June 2021

G3-1 Summary of developer contributions

| \$ '000 | Opening balance at 1 July 2020 | Contributions received during the year | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2021 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------|--|----------|---------------------------------------|------------------|---------------------|--|---|
| | | Cash | Non-cash | | | | | |
| Roads | 88 | 51 | - | - | (51) | - | 88 | - |
| Open space | 21 | - | - | - | - | - | 21 | - |
| S7.11 contributions – under a plan | 109 | 51 | - | - | (51) | - | 109 | - |
| Total S7.11 and S7.12 revenue under plans | 109 | 51 | - | - | (51) | - | 109 | - |
| S64 contributions | 54 | - | - | - | - | - | 54 | - |
| Total contributions | 163 | 51 | - | - | (51) | - | 163 | - |

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.

G3-2 Developer contributions by plan

| \$ '000 | Opening balance at 1 July 2020 | Contributions received during the year | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2021 | Cumulative balance of internal borrowings (to)/from |
|-----------------------------------|--------------------------------|--|----------|---------------------------------------|------------------|---------------------|--|---|
| | | Cash | Non-cash | | | | | |
| CONTRIBUTION PLAN NUMBER 1 | | | | | | | | |
| Roads | 88 | 51 | - | - | (51) | - | 88 | - |
| Open space | 21 | - | - | - | - | - | 21 | - |
| Total | 109 | 51 | - | - | (51) | - | 109 | - |

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2021 | Indicator 2021 | 2020 | Indicators 2019 | 2018 | Benchmark |
|--|-----------------|-------------------|--------|--------------------|--------|-----------|
| 1. Operating performance ratio | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 1,935 | 7.05% | 11.87% | 8.54% | 8.98% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 27,465 | | | | | |
| 2. Own source operating revenue ratio | | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 18,933 | 44.07% | 48.13% | 56.18% | 52.00% | > 60.00% |
| Total continuing operating revenue | 42,960 | | | | | |
| 3. Unrestricted current ratio | | | | | | |
| Current assets less all external restrictions | 20,269 | 5.20x | 5.95x | 3.76x | 5.63x | > 1.50x |
| Current liabilities less specific purpose liabilities | 3,896 | | | | | |
| 4. Debt service cover ratio | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 9,765 | 10.27x | 16.55x | 24.94x | 21.21x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 951 | | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | | |
| Rates and annual charges outstanding | 792 | 6.73% | 5.80% | 6.85% | 6.89% | < 10.00% |
| Rates and annual charges collectable | 11,763 | | | | | |
| 6. Cash expense cover ratio | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 14,129 | 9.18 | 10.78 | 9.73 | 11.12 | > 3.00 |
| Monthly payments from cash flow of operating and financing activities | 1,540 | mths | mths | mths | mths | mths |

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

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

G4-2 Statement of performance measures by fund

| \$ '000 | General Indicators ³ | | Water Indicators | | Sewer Indicators | | Benchmark |
|--|---------------------------------|------------|------------------|-----------|------------------|-----------|-------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 4.92% | 12.83% | 18.17% | (7.75)% | 26.11% | 18.51% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | | | |
| 2. Own source operating revenue ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 39.55% | 44.54% | 87.68% | 78.48% | 99.27% | 100.00% | > 60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 5.20x | 5.95x | 1.21x | 1.19x | 3.93x | 4.80x | > 1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 9.94x | 18.59x | 14.63x | 3.95x | 11.61x | 8.75x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | | | |
| Rates and annual charges outstanding | 5.88% | 4.52% | 11.95% | 11.25% | 8.39% | 9.21% | < 10.00% |
| Rates and annual charges collectable | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 10.10 mths | 12.22 mths | 1.75 mths | 1.29 mths | 4.36 mths | 5.12 mths | > 3.00 mths |
| Monthly payments from cash flow of operating and financing activities | | | | | | | |

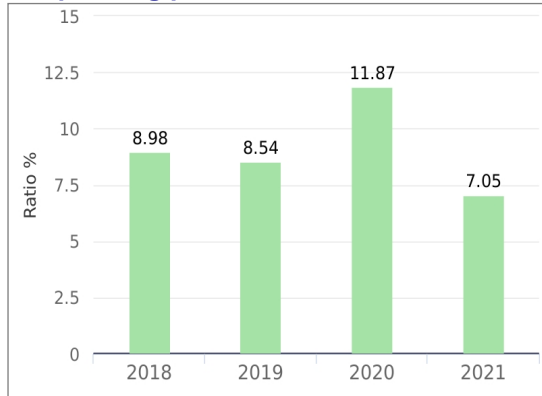
(1) - (2) Refer to Notes at Note 23a above.

(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 7.05%

Council's Operating performance ratio is above the benchmark of 0%. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve its operating performance.

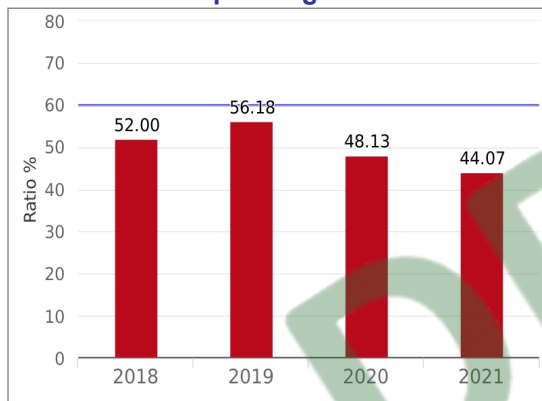
Benchmark: — > 0.00%

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 44.07%

this ratio can fluctuate dramatically each year depending on the level of grant funding. Clarence Way funding of \$4.9 million, Fixing Local Roads funding of \$2.5 million and advance payment of financial assistance grants of \$2.4 million have impacted this ratio.

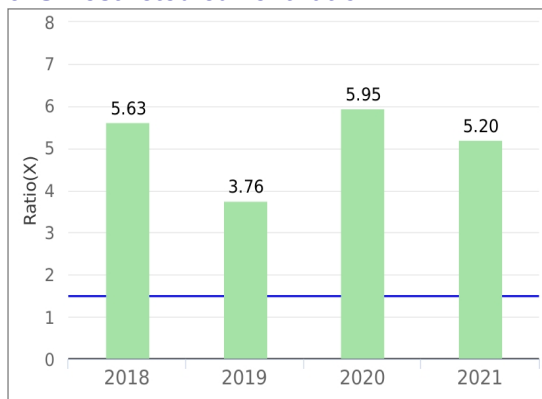
Benchmark: — > 60.00%

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 5.20x

Council has adequate unrestricted cash and internal reserves to satisfy its current obligations and has adequate levels of internally restricted funds to meet identified needs.

Benchmark: — > 1.50x

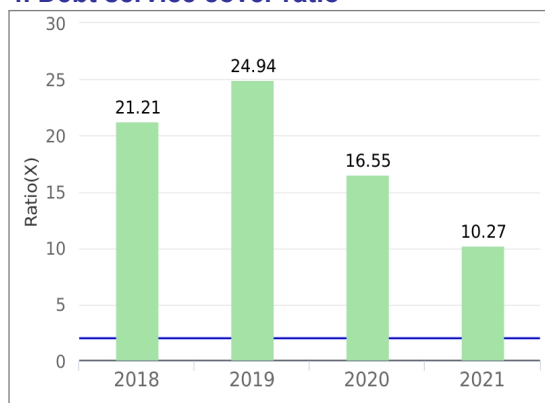
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 10.27x

Council's ability to generate sufficient cash to cover its debt payments is sound and is far in excess of the required 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 6.73%

This ratio is within the required benchmark of <10.00%. Council will continue to monitor and pursue all outstanding debts.

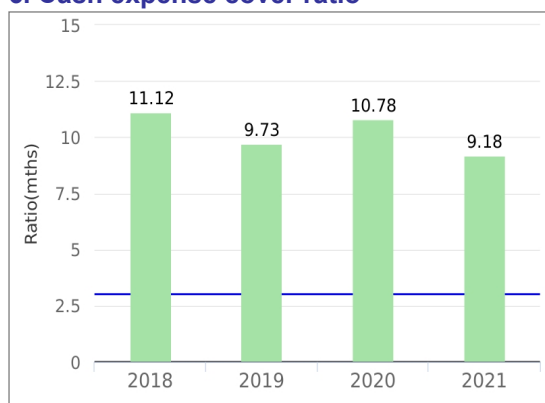
Benchmark: — < 10.00%

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 9.18 mths

Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and is in excess of the required benchmark.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Kyogle Council

General Purpose Financial Statements
for the year ended 30 June 2021

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Kyogle Council

General Purpose Financial Statements
for the year ended 30 June 2021

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Kyogle Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



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Background

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

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

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

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

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

Kyogle Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial Reporting*,
- the NSW Office of Water *Best-Practice Management of Water and Sewerage Guidelines*.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 26 October 2021.

Danielle Mulholland
Mayor
26 October 2021

John Burley
Councillor
26 October 2021

Graham Kennett
General Manager
26 October 2021

Glenn Rose
Responsible Accounting Officer
26 October 2021

Kyogle Council

Income Statement of Water Supply business activity

for the year ended 30 June 2021

| \$ '000 | 2021 | 2020 |
|--|---------------|---------------|
| Income from continuing operations | | |
| Access charges | 938 | 886 |
| User charges | 789 | 816 |
| Fees | 9 | 11 |
| Interest | 1 | 1 |
| Grants and contributions provided for non-capital purposes | 35 | 40 |
| Total income from continuing operations | 1,772 | 1,754 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 258 | 331 |
| Borrowing costs | 46 | 56 |
| Materials and services | 692 | 951 |
| Depreciation, amortisation and impairment | 305 | 301 |
| Loss on sale of assets | 105 | 78 |
| Other expenses | 149 | 173 |
| Total expenses from continuing operations | 1,555 | 1,890 |
| Surplus (deficit) from continuing operations before capital amounts | 217 | (136) |
| Grants and contributions provided for capital purposes | 209 | 430 |
| Surplus (deficit) from all operations before tax | 426 | 294 |
| Less: corporate taxation equivalent [based on result before capital] | (56) | – |
| Surplus (deficit) after tax | 370 | 294 |
| Plus opening accumulated surplus | 15,021 | 14,727 |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | – | – |
| – Debt guarantee fees | – | – |
| – Corporate taxation equivalent | 56 | – |
| Less: | | |
| – Tax equivalent dividend paid | – | – |
| – Surplus dividend paid | – | – |
| Closing accumulated surplus | 15,447 | 15,021 |
| Return on capital % | 0.9% | (0.3)% |
| Subsidy from Council | 158 | 2 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 370 | 294 |
| Less: capital grants and contributions (excluding developer contributions) | (209) | (430) |
| Surplus for dividend calculation purposes | 161 | – |
| Potential dividend calculated from surplus | 80 | – |

Kyogle Council

Income Statement of Sewerage business activity

for the year ended 30 June 2021

| \$ '000 | 2021 | 2020 |
|--|--------------|--------------|
| Income from continuing operations | | |
| Access charges | 1,324 | 1,245 |
| User charges | 234 | 217 |
| Liquid trade waste charges | 84 | 55 |
| Interest | 1 | 1 |
| Total income from continuing operations | 1,643 | 1,518 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 252 | 256 |
| Borrowing costs | 59 | 61 |
| Materials and services | 636 | 643 |
| Depreciation, amortisation and impairment | 197 | 192 |
| Loss on sale of assets | 43 | 14 |
| Other expenses | 70 | 71 |
| Total expenses from continuing operations | 1,257 | 1,237 |
| Surplus (deficit) from continuing operations before capital amounts | 386 | 281 |
| Grants and contributions provided for capital purposes | 12 | – |
| Surplus (deficit) from continuing operations after capital amounts | 398 | 281 |
| Surplus (deficit) from all operations before tax | 398 | 281 |
| Less: corporate taxation equivalent [based on result before capital] | (100) | (77) |
| Surplus (deficit) after tax | 298 | 204 |
| Plus opening accumulated surplus | 9,263 | 8,982 |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | 100 | 77 |
| Closing accumulated surplus | 9,661 | 9,263 |
| Return on capital % | 1.5% | 1.2% |
| Subsidy from Council | – | – |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 298 | 204 |
| Less: capital grants and contributions (excluding developer contributions) | (12) | – |
| Surplus for dividend calculation purposes | 286 | 204 |
| Potential dividend calculated from surplus | 143 | 102 |

Kyogle Council

Income Statement of Domestic Waste

for the year ended 30 June 2021

| \$ '000 | 2021 Category 2 | 2020 Category 2 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| Access charges | 1,056 | 1,008 |
| Interest | 1 | 2 |
| Total income from continuing operations | 1,057 | 1,010 |
| Expenses from continuing operations | | |
| Materials and services | 1,102 | 750 |
| Total expenses from continuing operations | 1,102 | 750 |
| Surplus (deficit) from continuing operations before capital amounts | (45) | 260 |
| Grants and contributions provided for capital purposes | - | - |
| Surplus (deficit) from continuing operations after capital amounts | (45) | 260 |
| Surplus (deficit) from all operations before tax | (45) | 260 |
| Less: corporate taxation equivalent [based on result before capital] | - | (72) |
| Surplus (deficit) after tax | (45) | 188 |
| Plus opening accumulated surplus | 45 | (215) |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | - | 72 |
| Closing accumulated surplus | - | 45 |
| Return on capital % | 0.0% | 0.0% |
| Subsidy from Council | 45 | - |

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Kyogle Council

Income Statement of Quarries

for the year ended 30 June 2021

| \$ '000 | 2021 Category 2 | 2020 Category 2 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 901 | 1,665 |
| Profit from the sale of assets | 117 | – |
| Total income from continuing operations | 1,018 | 1,665 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 94 | 170 |
| Borrowing costs | 15 | 3 |
| Materials and services | 490 | 915 |
| Depreciation, amortisation and impairment | 122 | 13 |
| Total expenses from continuing operations | 721 | 1,101 |
| Surplus (deficit) from continuing operations before capital amounts | 297 | 564 |
| Grants and contributions provided for capital purposes | – | – |
| Surplus (deficit) from continuing operations after capital amounts | 297 | 564 |
| Surplus (deficit) from all operations before tax | 297 | 564 |
| Less: corporate taxation equivalent [based on result before capital] | (77) | (155) |
| Surplus (deficit) after tax | 220 | 409 |
| Plus opening accumulated surplus | 1,106 | 842 |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | 77 | 155 |
| Less: | | |
| – Dividend paid | (1,077) | (300) |
| Closing accumulated surplus | 326 | 1,106 |
| Return on capital % | 32.3% | 135.3% |
| Subsidy from Council | – | – |

Kyogle Council

Income Statement of Transport for the year ended 30 June 2021

| \$ '000 | 2021 Category 1 | 2020 Category 1 |
|--|--------------------|--------------------|
| Income from continuing operations | | |
| User charges | 5,093 | 5,238 |
| Total income from continuing operations | 5,093 | 5,238 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 621 | 673 |
| Materials and services | 4,254 | 4,165 |
| Total expenses from continuing operations | 4,875 | 4,838 |
| Surplus (deficit) from continuing operations before capital amounts | 218 | 400 |
| Grants and contributions provided for capital purposes | – | – |
| Surplus (deficit) from continuing operations after capital amounts | 218 | 400 |
| Surplus (deficit) from all operations before tax | 218 | 400 |
| Less: corporate taxation equivalent [based on result before capital] | (57) | (110) |
| Surplus (deficit) after tax | 161 | 290 |
| Plus opening accumulated surplus | 1,406 | 1,806 |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | 57 | 110 |
| Less: | | |
| – Dividend paid | (525) | (800) |
| Closing accumulated surplus | 1,099 | 1,406 |
| Return on capital % | 0.0% | 0.0% |
| Subsidy from Council | – | – |

Kyogle Council

Statement of Financial Position of Water Supply business activity

as at 30 June 2021

| \$ '000 | 2021 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 193 | 184 |
| Receivables | 372 | 319 |
| Total current assets | 565 | 503 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 28,222 | 27,855 |
| Total non-current assets | 28,222 | 27,855 |
| Total assets | 28,787 | 28,358 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 136 | 101 |
| Borrowings | 227 | 218 |
| Employee benefit provisions | 105 | 104 |
| Total current liabilities | 468 | 423 |
| Non-current liabilities | | |
| Borrowings | 821 | 1,047 |
| Total non-current liabilities | 821 | 1,047 |
| Total liabilities | 1,289 | 1,470 |
| Net assets | 27,498 | 26,888 |
| EQUITY | | |
| Accumulated surplus | 15,447 | 15,021 |
| Revaluation reserves | 12,051 | 11,867 |
| Total equity | 27,498 | 26,888 |

Kyogle Council

Statement of Financial Position of Sewerage business activity

as at 30 June 2021

| \$ '000 | 2021 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 378 | 448 |
| Receivables | 207 | 190 |
| Total current assets | 585 | 638 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 29,740 | 28,859 |
| Total non-current assets | 29,740 | 28,859 |
| Total assets | 30,325 | 29,497 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 4 | 5 |
| Borrowings | 26 | 24 |
| Employee benefit provisions | 105 | 104 |
| Total current liabilities | 135 | 133 |
| Non-current liabilities | | |
| Borrowings | 761 | 787 |
| Total non-current liabilities | 761 | 787 |
| Total liabilities | 896 | 920 |
| Net assets | 29,429 | 28,577 |
| EQUITY | | |
| Accumulated surplus | 9,661 | 9,263 |
| Revaluation reserves | 19,768 | 19,314 |
| Total equity | 29,429 | 28,577 |

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Kyogle Council

Statement of Financial Position of Domestic Waste

as at 30 June 2021

| \$ '000 | 2021 Category 2 | 2020 Category 2 |
|----------------------------------|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Receivables | 116 | 153 |
| Total current assets | 116 | 153 |
| Total assets | 116 | 153 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdraft | 116 | 108 |
| Total current liabilities | 116 | 108 |
| Total liabilities | 116 | 108 |
| Net assets | - | 45 |
| EQUITY | | |
| Accumulated surplus | - | 45 |
| Total equity | - | 45 |

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Kyogle Council

Statement of Financial Position of Quarries

as at 30 June 2021

| \$ '000 | 2021 Category 2 | 2020 Category 2 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 789 | 1,226 |
| Inventories | 427 | 503 |
| Total current assets | 1,216 | 1,729 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 966 | 419 |
| Total non-current assets | 966 | 419 |
| Total assets | 2,182 | 2,148 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Employee benefit provisions | 1,397 | 585 |
| Total non-current liabilities | 1,397 | 585 |
| Total liabilities | 1,397 | 585 |
| Net assets | 785 | 1,563 |
| EQUITY | | |
| Accumulated surplus | 326 | 1,106 |
| Revaluation reserves | 459 | 457 |
| Total equity | 785 | 1,563 |

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Kyogle Council

Statement of Financial Position of Transport

as at 30 June 2021

| \$ '000 | 2021 Category 1 | 2020 Category 1 |
|----------------------------------|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 304 | – |
| Receivables | 795 | 1,852 |
| Total current assets | 1,099 | 1,852 |
| Total assets | 1,099 | 1,852 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdraft | – | 446 |
| Total current liabilities | – | 446 |
| Total liabilities | – | 446 |
| Net assets | 1,099 | 1,406 |
| EQUITY | | |
| Accumulated surplus | 1,099 | 1,406 |
| Total equity | 1,099 | 1,406 |

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Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

In accordance with Pricing and Costing for Council Businesses A Guide to Competitive Neutrality, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Transport

Contract Road Construction and Maintenance

Category 2

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

a. Water

Water Supply

b. Sewer

Sewerage Services

Note – Significant Accounting Policies (continued)

c. Domestic Waste

Domestic Waste Management

d. Quarries

Quarrying Operations

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 26% (2019/20 : 27.5%)

Land tax – the first \$755,000 of combined land values attracts 0%. For the combined land values in excess of \$755,001 up to \$4,616,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.

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

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26%. (2019/20 : 27.5%)

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

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

The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Note – Significant Accounting Policies (continued)

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Kyogle Council

Special Purpose Financial Statements
for the year ended 30 June 2021

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Kyogle Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Kyogle Council

Special Schedules

for the year ended 30 June 2021

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Kyogle Council

Permissible income for general rates

| \$ '000 | Notes | Calculation 2020/21 | Calculation 2021/22 |
|---|-------------------------|------------------------|------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 7,322 | 7,547 |
| Plus or minus adjustments ² | b | 50 | 14 |
| Notional general income | c = a + b | 7,372 | 7,561 |
| Permissible income calculation | | | |
| Or rate peg percentage | e | 2.60% | 2.00% |
| Or plus rate peg amount | i = e x (c + g) | 192 | 151 |
| Sub-total | k = (c + g + h + i + j) | 7,564 | 7,712 |
| Plus (or minus) last year's carry forward total | l | 18 | 35 |
| Sub-total | n = (l + m) | 18 | 35 |
| Total permissible income | o = k + n | 7,582 | 7,747 |
| Less notional general income yield | p | 7,547 | 7,754 |
| Catch-up or (excess) result | q = o - p | 35 | (7) |
| Carry forward to next year ⁶ | t = q + r + s | 35 | (7) |

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Kyogle Council

Report on infrastructure assets as at 30 June 2021

| Asset Class | Asset Category | Estimated cost to bring assets to satisfactory standard \$ '000 | Estimated cost to bring to the agreed level of service set by Council \$ '000 | 2020/21 Required maintenance ^a \$ '000 | 2020/21 Actual maintenance \$ '000 | Net carrying amount \$ '000 | Gross replacement cost (GRC) \$ '000 | Assets in condition as a percentage of gross replacement cost | | | | |
|----------------------------------|----------------------|--|--|--|---------------------------------------|--------------------------------|---|---|--------------|--------------|-------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Buildings | 442 | 442 | 99 | 132 | 15,814 | 31,133 | 21.3% | 62.9% | 14.3% | 1.5% | 0.0% |
| | Sub-total | 442 | 442 | 99 | 132 | 15,814 | 31,133 | 21.3% | 62.9% | 14.3% | 1.5% | 0.0% |
| Other structures | Other structures | 34 | 34 | 122 | 64 | 4,552 | 7,843 | 47.2% | 30.0% | 22.3% | 0.4% | 0.1% |
| | Sub-total | 34 | 34 | 122 | 64 | 4,552 | 7,843 | 47.2% | 30.0% | 22.3% | 0.4% | 0.1% |
| Roads | Sealed roads | 10,102 | 10,102 | 1,762 | 2,919 | 145,757 | 196,664 | 50.0% | 34.1% | 10.9% | 4.4% | 0.6% |
| | Unsealed roads | 7,366 | 7,366 | 1,855 | 1,286 | 33,136 | 57,295 | 26.1% | 51.3% | 15.6% | 5.7% | 1.3% |
| | Bridges | 16,477 | 16,477 | 488 | 389 | 114,864 | 194,111 | 49.0% | 20.0% | 22.1% | 8.5% | 0.4% |
| | Footpaths | 109 | 109 | 93 | 46 | 3,032 | 3,828 | 58.3% | 19.8% | 18.3% | 3.2% | 0.4% |
| | Bulk earthworks | – | – | – | – | 15,046 | 15,046 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 34,054 | 34,054 | 4,198 | 4,640 | 311,835 | 466,944 | 48.3% | 29.1% | 15.8% | 6.1% | 0.6% |
| Water supply network | Water supply network | 18 | 18 | 279 | 388 | 27,456 | 33,401 | 62.6% | 13.9% | 23.4% | 0.1% | 0.0% |
| | Sub-total | 18 | 18 | 279 | 388 | 27,456 | 33,401 | 62.6% | 13.9% | 23.4% | 0.1% | 0.0% |
| Sewerage network | Sewerage network | 607 | 607 | 214 | 305 | 29,726 | 34,799 | 67.5% | 13.9% | 15.9% | 2.1% | 0.6% |
| | Sub-total | 607 | 607 | 214 | 305 | 29,726 | 34,799 | 67.5% | 13.9% | 15.9% | 2.1% | 0.6% |
| Stormwater drainage | Stormwater drainage | 1,179 | 1,179 | 47 | 40 | 25,941 | 29,513 | 91.4% | 0.8% | 2.9% | 0.8% | 4.1% |
| | Sub-total | 1,179 | 1,179 | 47 | 40 | 25,941 | 29,513 | 91.4% | 0.8% | 2.9% | 0.8% | 4.1% |
| Open space / recreational assets | Swimming pools | – | – | 62 | 80 | 2,122 | 5,656 | 0.0% | 80.3% | 19.7% | 0.0% | 0.0% |
| | Sub-total | – | – | 62 | 80 | 2,122 | 5,656 | 0.0% | 80.3% | 19.7% | 0.0% | 0.0% |
| Total – all assets | | 36,334 | 36,334 | 5,021 | 5,649 | 417,446 | 609,289 | 50.4% | 28.3% | 15.7% | 4.9% | 0.7% |

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

Infrastructure asset condition assessment 'key'

| | |
|-----------------------|---------------------------------------|
| 1 Excellent/very good | No work required (normal maintenance) |
| 2 Good | Only minor maintenance work required |
| 3 Satisfactory | Maintenance work required |

| |
|-------------|
| 4 Poor |
| 5 Very poor |

Renewal required
Urgent renewal/upgrading required

Kyogle Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2021 | Indicator 2021 | 2020 | Indicators 2019 | 2018 | Benchmark |
|--|-----------------|-------------------|---------|--------------------|---------|------------|
| Buildings and infrastructure renewals ratio | | | | | | |
| Asset renewals ¹ | 19,844 | | | | | |
| Depreciation, amortisation and impairment | 16,119 | 123.11% | 108.86% | 210.93% | 318.22% | >= 100.00% |
| Infrastructure backlog ratio | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 36,334 | | | | | |
| Net carrying amount of infrastructure assets | 408,572 | 8.89% | 5.83% | 2.86% | 4.30% | < 2.00% |
| Asset maintenance ratio | | | | | | |
| Actual asset maintenance | 5,649 | | | | | |
| Required asset maintenance | 5,021 | 112.51% | 102.53% | 109.26% | 95.81% | > 100.00% |
| Cost to bring assets to agreed service level | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 36,334 | 5.96% | 4.19% | 2.03% | 3.05% | |
| Gross replacement cost | 609,289 | | | | | |

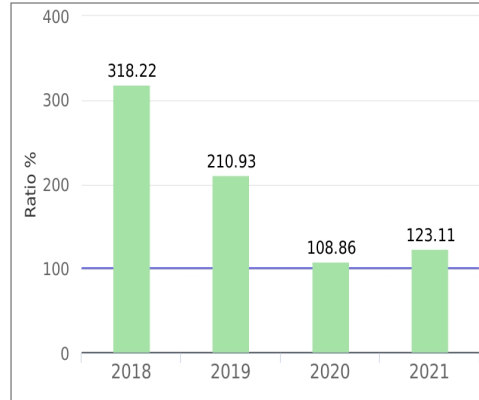
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Kyogle Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

20/21 ratio 123.11%

This ratio continues to track above the required benchmark. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve the long term management of Council's infrastructure assets.

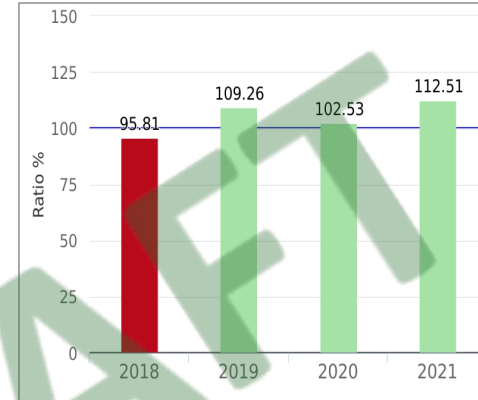
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

20/21 ratio 112.51%

This ratio continues to track within the required benchmark. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve the long term management of Council's infrastructure assets.

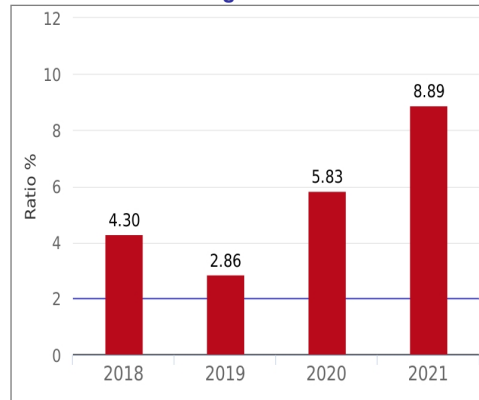
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

20/21 ratio 8.89%

Council acknowledges its Infrastructure Backlog Ratio is outside Tcorp's benchmark. Council is continually focusing on asset renewal expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Recent floods have impacted this ratio.

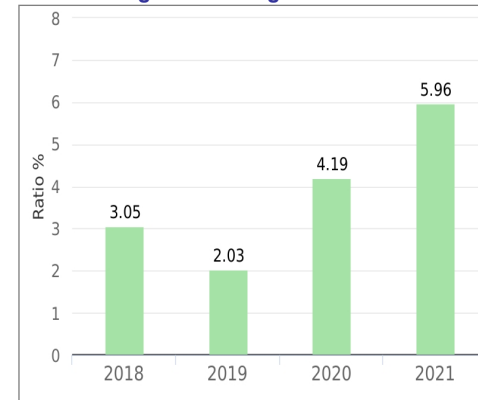
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

20/21 ratio 5.96%

Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Council will continue to focus on this area of expenditure.

Kyogle Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

| \$ '000 | General fund | | Water fund | | Sewer fund | | Benchmark |
|--|----------------|---------|----------------|---------|----------------|---------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| Buildings and infrastructure renewals ratio | | | | | | | |
| Asset renewals ¹ | 121.81% | 113.48% | 72.79% | 41.53% | 304.06% | 0.00% | >= 100.00% |
| Depreciation, amortisation and impairment | | | | | | | |
| Infrastructure backlog ratio | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 9.74% | 6.17% | 0.07% | 0.07% | 2.04% | 4.13% | < 2.00% |
| Net carrying amount of infrastructure assets | | | | | | | |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | 109.45% | 95.00% | 139.07% | 196.36% | 142.52% | 140.76% | > 100.00% |
| Required asset maintenance | | | | | | | |
| Cost to bring assets to agreed service level | | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 6.60% | 4.52% | 0.05% | 0.05% | 1.74% | 3.47% | |
| Gross replacement cost | | | | | | | |

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