

Kyogle Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021



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

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.

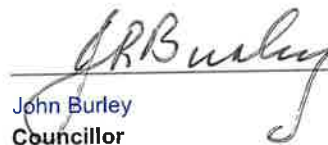
Signed in accordance with a resolution of Council made on 26 October 2021.



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

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.

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	Rates and annual charges		11,100	10,746
6,666	User charges and fees		8,886	6,679
190	Investment and interest revenue received		70	192
18,012	Grants and contributions		21,788	18,786
–	Bonds, deposits and retention amounts received		74	–
6	Other		(468)	(318)
<i>Payments:</i>				
(8,853)	Employee benefits and on-costs		(8,960)	(8,588)
(4,200)	Materials and services		(9,688)	(5,183)
(205)	Borrowing costs		(205)	(175)
–	Bonds, deposits and retention amounts refunded		–	(142)
(2,400)	Other		1,111	(3,675)
20,255	Net cash provided from (or used in) operating activities	G1-1	23,708	18,322
Cash flows from investing activities				
<i>Receipts:</i>				
196	Sale of infrastructure, property, plant and equipment		775	301
<i>Payments:</i>				
(22,561)	Purchase of infrastructure, property, plant and equipment		(26,022)	(20,059)
(22,365)	Net cash provided from (or used in) investing activities		(25,247)	(19,758)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings		–	5,000
–	Bank overdraft		8	108
<i>Payments:</i>				
(734)	Repayment of borrowings		(734)	(489)
(734)	Net cash flow provided from (used in) financing activities		(726)	4,619
(2,844)	Net change in cash and cash equivalents		(2,265)	3,183
–	Cash and cash equivalents at beginning of year		16,394	13,211
(2,844)	Cash and cash equivalents at end of year	C1-1	14,129	16,394

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.

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.

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.

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 ³	2	2,219	2,239	-	-
Payment in advance - future year allocation					
Financial assistance ³	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

(3) \$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

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.

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.

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 expensed	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.

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.

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.

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.

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

C1-3 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 increments / (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 increments / (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

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

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	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	2021	2020	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.

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 Net loss	2021 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.

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

Impact of a 1% movement in interest rates

– Equity / Income Statement

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	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
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).

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
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.

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

(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).

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 relevant 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

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

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

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.

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							

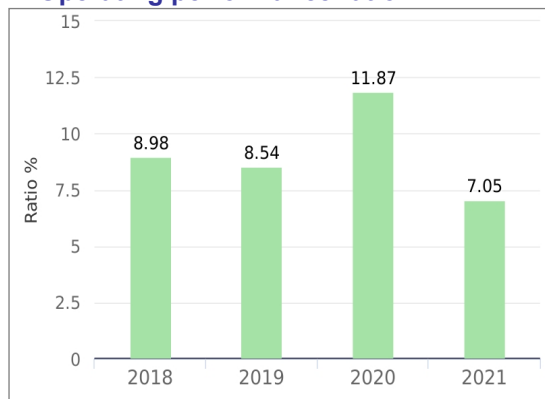
(1) - (2) Refer to Notes at Note 23a above.

(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.

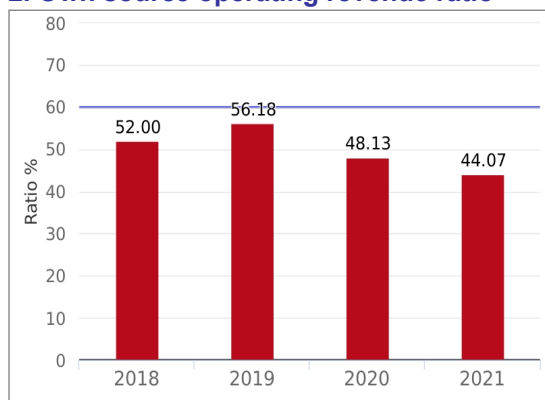
Benchmark: — > 0.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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.

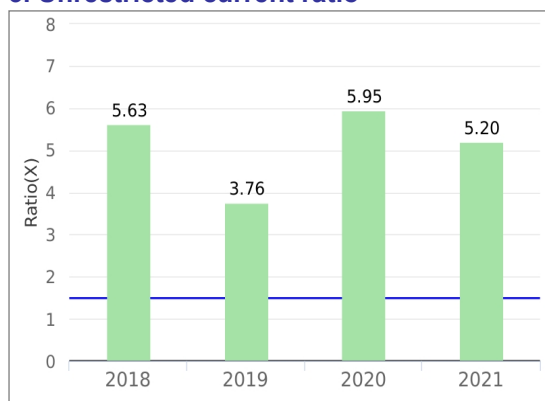
Benchmark: — > 60.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

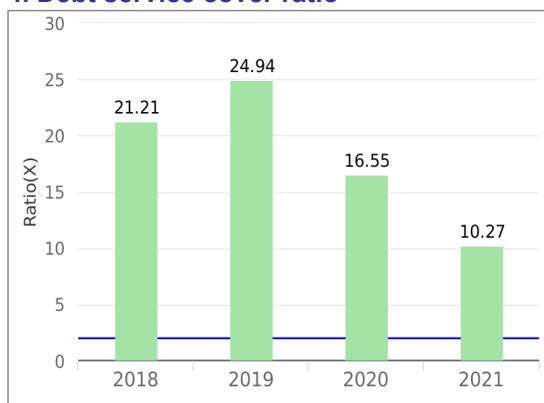
Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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.

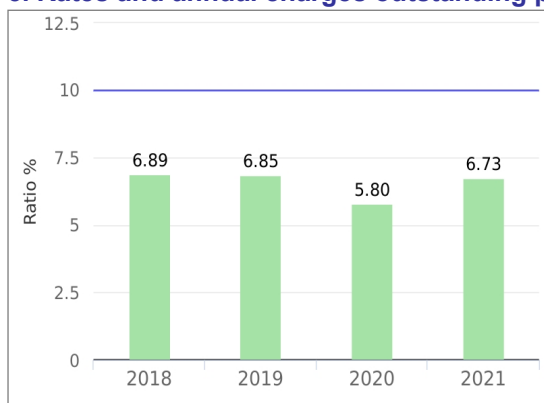
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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.

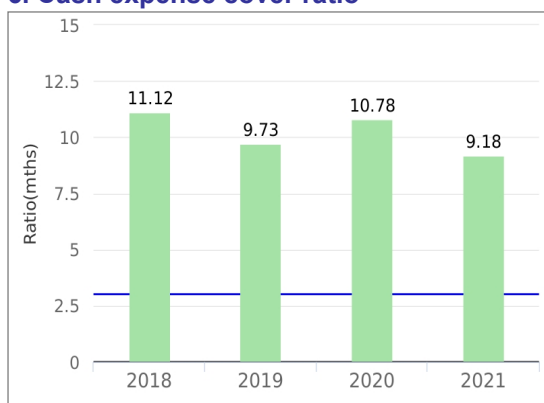
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark



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

To the Councillors of the Kyogle Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

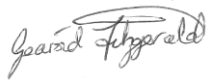
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

27 October 2021
SYDNEY



Cr Danielle Mulholland
Mayor
Kyogle Council
PO Box 11
KYOGLA NSW 2474

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref: D2123564/1749

27 October 2021

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements






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

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

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

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	11.1	10.7	 3.7
Grants and contributions revenue	24.0	19.7	 21.8
Materials and services	8.3	8.1	 2.5
Operating result from continuing operations	13.5	10.6	 27.4
Net operating result before capital grants and contributions	-1.9	0.9	 311.1

The Council’s operating result from continuing operations (\$13.5 million including depreciation and amortisation expense of \$7.63 million) was \$2.9 million higher than the 2019–20 result. The increase is largely attributable to the following:

Rates and annual charges revenue (\$11.1 million) increased by \$0.4 million (3.7 per cent) in 2020–21 due to:

- the IPART approved rate peg, which increased general rates revenue by 2.6 per cent in 2020–21
- an increase in domestic waste management annual charges of 4.6 per cent (\$48 thousand) and wastewater annual charges by 6.2 per cent (\$78 thousand).

Grants and contributions revenue (\$24.0 million) increased by \$4.3 million (21.8 per cent) in 2020–21 due to:

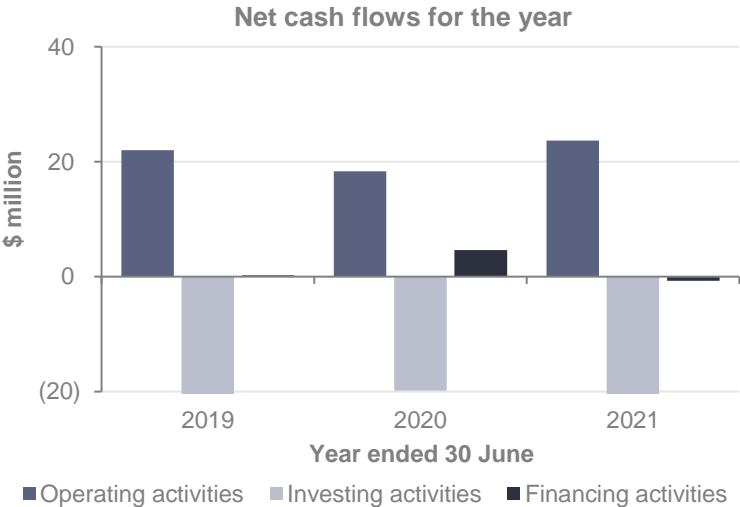
- \$5.0 million increase in transport (other roads and bridges) funding
- \$0.4 million decrease in community projects funding

Expenses from continuing operations (\$29.4 million) increased by \$1.6 million (5.8 per cent) in 2020–21 due to:

- \$0.3 million increase in materials and services expense
- \$1.4 million increase in net losses from the disposal of assets.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$5.4 million. This is largely due Council’s improved operating result and an increase in grants and contributions received during the year.
- Net cash used in investing activities increased by \$5.5 million. Most of this increase relates to additional purchases of infrastructure, property, plant and equipment (\$5.9m)
- Financing activities decreased by \$5.3m as there were no further proceeds from borrowings in 2020–21.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	14.1	16.4	• Externally restricted cash and investments has increased by \$2.9 million. This is represented by the increase in specific purpose unexpended grants.
Restricted cash and investments:			

• External restrictions	4.9	2.0
• Internal restrictions	9.2	11.5

• Internally restricted cash and investments has decreased by \$2.4 million. Carry over works (\$1.8m) and quarries (\$0.4m) were notable decreases.

PERFORMANCE

Performance measures

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

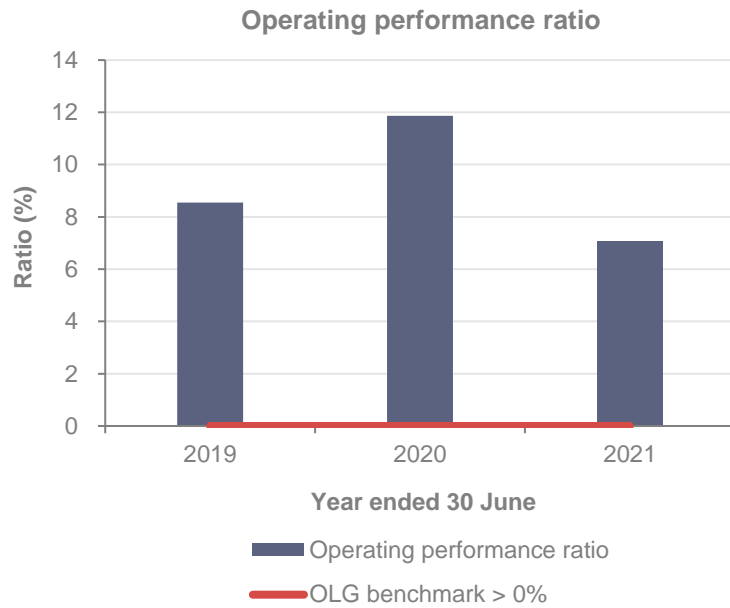
Operating performance ratio

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

The Council exceeded OLG benchmark for the current reporting period.

A decrease in Councils 2020–21 operating result (before all capital items) led to a decreased operating performance ratio from the prior year.

General funds’ operating performance ratio for 2020–21 is 4.9 per cent.



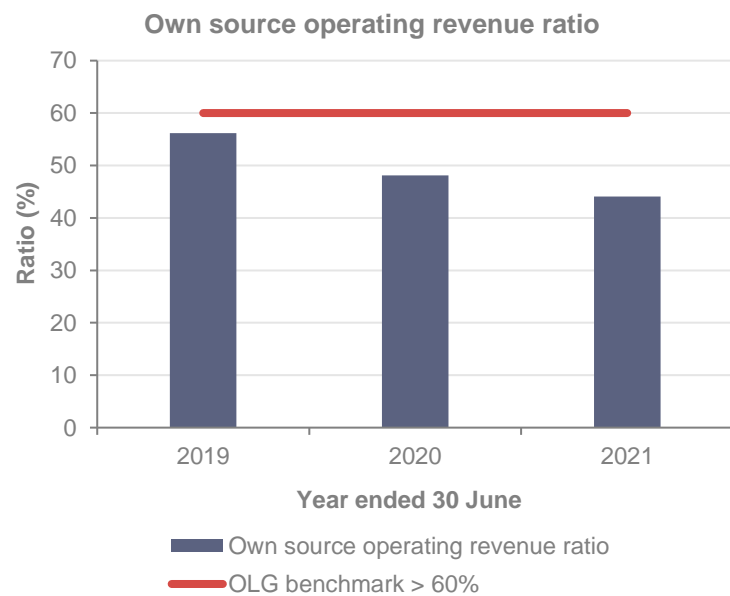
Own source operating revenue ratio

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

The Council has not met the OLG benchmark for the last three years.

The ratio has been negatively impacted due to higher levels of capital grants and contributions during this period.

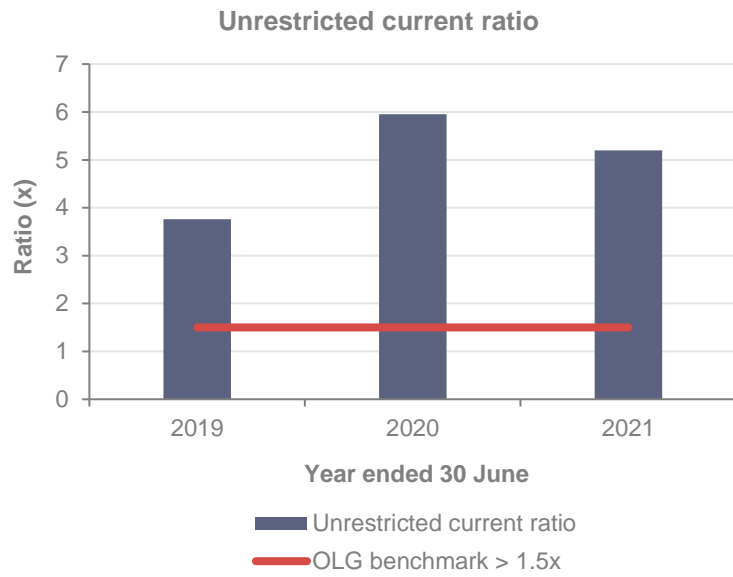
General funds’ own source operating revenue ratio for 2020–21 is 39.6 per cent.



Unrestricted current ratio

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

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

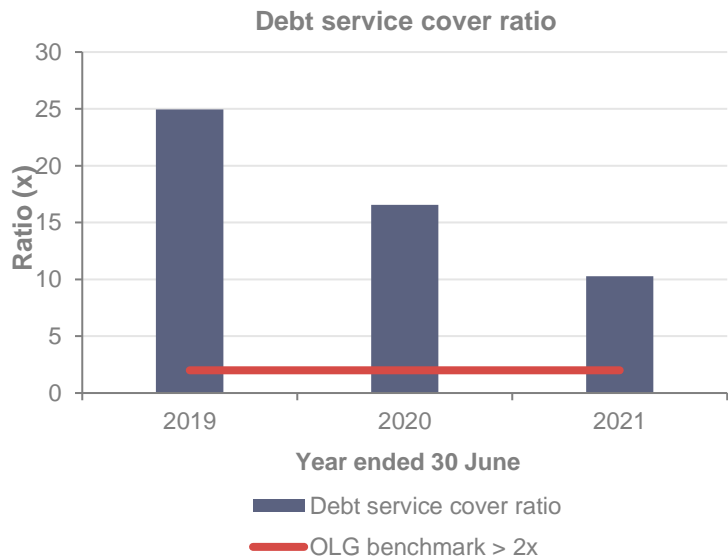


Debt service cover ratio

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

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

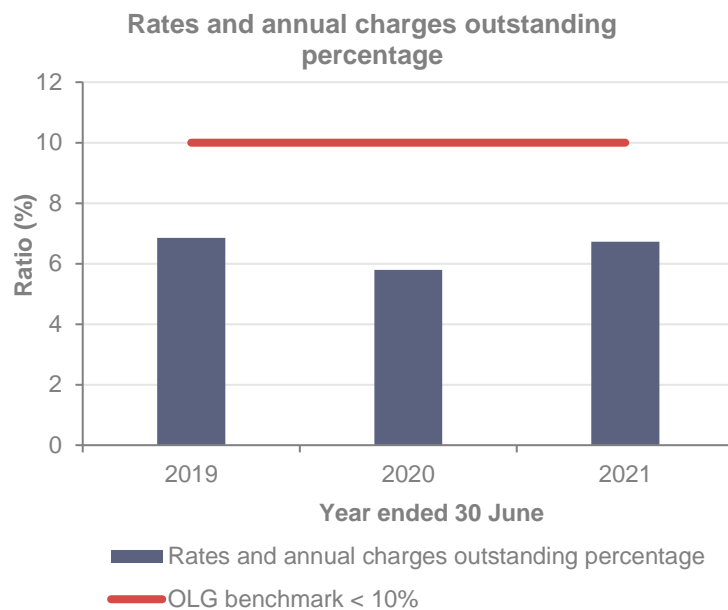
During 2020–21 there was an increase in loan principal payments of \$0.7million.



Rates and annual charges outstanding percentage

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

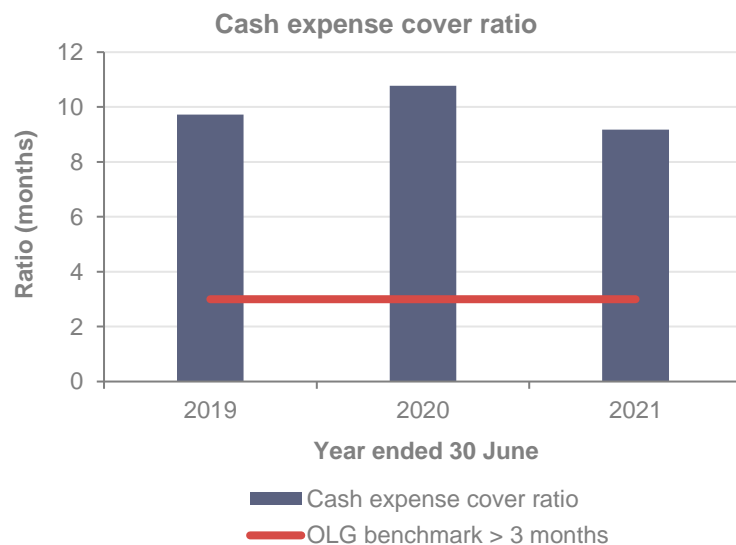
The Council met the OLG benchmark for the last three years.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

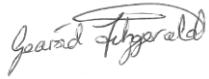
Council's asset renewal expenditure in the 2020–21 year was \$22.6 million (2019–20: \$15.6 million). In 2021 there was a major road renewal program including Clarence Way, Tabulam Road, Lions Road as well as a number of bridge renewals. Renewals are expected to increase over the next two years as a result of Council's timber bridge replacement program.

OTHER MATTERS

Legislative compliance

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Graham Kennett, General Manager
Andrew Stevens, Chair of the Internal Audit Committee
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

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

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	–

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

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

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

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

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.



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

To the Councillors of the Kyogle Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Domestic waste
- Quarries
- Transport.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

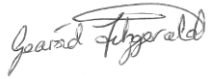
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

27 October 2021
SYDNEY

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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Kyogle Council

To the Councillors of Kyogle Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

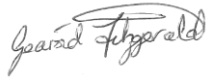
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

27 October 2021
SYDNEY

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	Renewal required
5 Very poor	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					

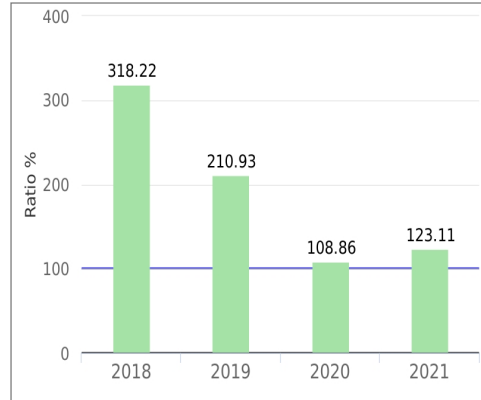
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.	

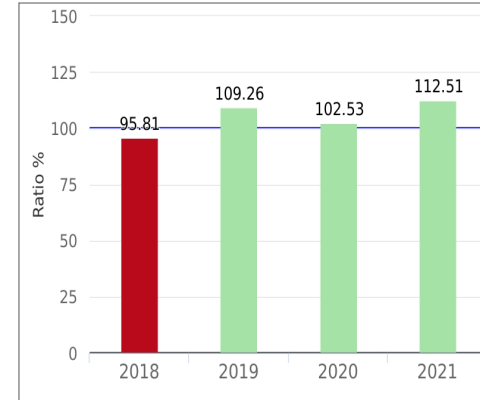
Benchmark: — $\geq 100.00\%$

■ 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.	

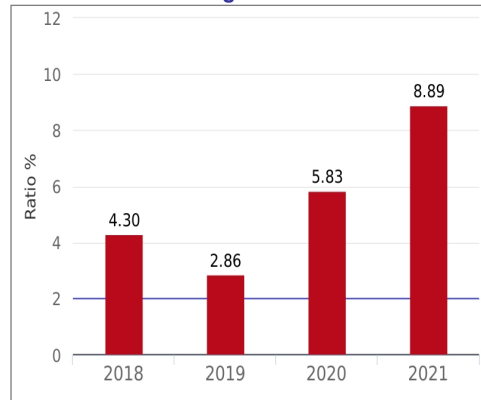
Benchmark: — $> 100.00\%$

■ 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.	

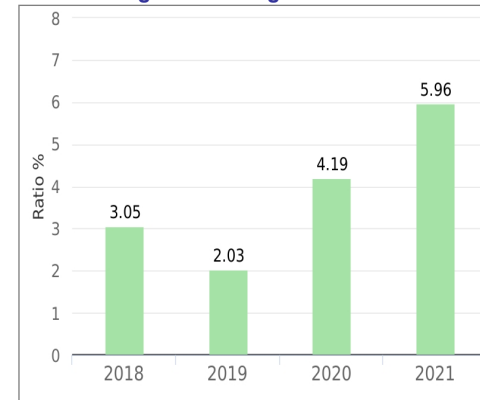
Benchmark: — $< 2.00\%$

■ 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.