

Hay Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021



Hay Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Hay Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

134 Lachlan Street
HAY NSW 2711

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.hay.nsw.gov.au.

Hay Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Hay Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board, and
- 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.



Cr Jenny Dwyer

Mayor


26 October 2021



Cr David Townsend

Councillor

26 October 2021



David Webb

General Manager

26 October 2021



Mark Dowling

Responsible Accounting Officer

26 October 2021

Hay Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
4,620	Rates and annual charges	B2-1	4,553	4,389
879	User charges and fees	B2-2	1,047	985
82	Other revenue	B2-3	62	114
5,722	Grants and contributions provided for operating purposes	B2-4	7,008	5,693
9,094	Grants and contributions provided for capital purposes	B2-4	8,574	2,517
100	Interest and investment income	B2-5	48	133
–	Other income	B2-6	86	101
–	Net gains from the disposal of assets	B4-1	100	73
20,497	Total income from continuing operations		21,478	14,005
	Expenses from continuing operations			
4,224	Employee benefits and on-costs	B3-1	4,241	4,256
2,227	Materials and services	B3-2	4,585	3,697
84	Borrowing costs	B3-3	92	94
3,336	Depreciation, amortisation and impairment for non-financial assets	B3-4	3,628	4,102
1,503	Other expenses	B3-5	278	170
11,374	Total expenses from continuing operations		12,824	12,319
9,123	Operating result from continuing operations		8,654	1,686
9,123	Net operating result for the year attributable to Council		8,654	1,686
29	Net operating result for the year before grants and contributions provided for capital purposes		80	(831)

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

Hay Shire 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		8,654	1,686
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>(11,338)</u>	<u>6,838</u>
Total items which will not be reclassified subsequently to the operating result		(11,338)	6,838
Total other comprehensive income for the year		(11,338)	6,838
Total comprehensive income for the year attributable to Council		(2,684)	8,524

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

Hay Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	11,844	11,677
Receivables	C1-4	4,681	1,338
Inventories	C1-5	99	191
Other	C1-8	28	26
Total current assets		16,652	13,232
Non-current assets			
Inventories	C1-5	74	75
Infrastructure, property, plant and equipment	C1-7	173,437	177,528
Total non-current assets		173,511	177,603
Total assets		190,163	190,835
LIABILITIES			
Current liabilities			
Payables	C3-1	2,373	890
Contract liabilities	C3-2	1,959	1,172
Borrowings	C3-3	234	225
Employee benefit provisions	C3-4	1,514	1,516
Total current liabilities		6,080	3,803
Non-current liabilities			
Borrowings	C3-3	1,840	2,074
Employee benefit provisions	C3-4	33	43
Provisions	C3-5	545	566
Total non-current liabilities		2,418	2,683
Total liabilities		8,498	6,486
Net assets		181,665	184,349
EQUITY			
Accumulated surplus		64,990	56,336
IPPE revaluation reserve		116,675	128,013
Council equity interest		181,665	184,349
Total equity		181,665	184,349

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

Hay Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000							
Opening balance at 1 July		56,336	128,013	184,349	54,938	121,175	176,113
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(288)	–	(288)
Net operating result for the year		8,654	–	8,654	1,686	–	1,686
Restated net operating result for the period		8,654	–	8,654	1,686	–	1,686
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	(11,338)	(11,338)	–	6,838	6,838
Other comprehensive income		–	(11,338)	(11,338)	–	6,838	6,838
Total comprehensive income		8,654	(11,338)	(2,684)	1,686	6,838	8,524
Closing balance at 30 June		64,990	116,675	181,665	56,336	128,013	184,349

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

Hay Shire 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				
Receipts:				
4,549	Rates and annual charges		4,432	4,410
879	User charges and fees		1,168	1,057
100	Investment and interest revenue received		64	146
14,762	Grants and contributions		13,388	9,475
–	Bonds, deposits and retention amounts received		–	38
82	Other		1,101	985
Payments:				
(4,212)	Employee benefits and on-costs		(4,158)	(4,239)
(3,338)	Materials and services		(4,502)	(2,333)
(84)	Borrowing costs		(89)	(102)
–	Bonds, deposits and retention amounts refunded		(2)	–
(278)	Other		(343)	(2,031)
12,460	Net cash flows from operating activities	G1-1a	11,059	7,406
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		108	–
61	Sale of infrastructure, property, plant and equipment		100	111
Payments:				
(12,370)	Purchase of infrastructure, property, plant and equipment		(10,875)	(5,765)
(12,309)	Net cash flows from investing activities		(10,667)	(5,654)
Cash flows from financing activities				
Payments:				
(228)	Repayment of borrowings		(225)	(164)
(228)	Net cash flow provided (or used in) financing activities		(225)	(164)
(77)	Net change in cash and cash equivalents		167	1,588
–	Cash and cash equivalents at beginning of year		11,677	10,089
(77)	Cash and cash equivalents at end of year	C1-1	11,844	11,677

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

Hay Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 26 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Covid -19 Impacts

During the 2021 Financial year Covid-19 (COVID) has continued to cause disruption to Council business practices with a number of staff working remotely from home or at other Council facilities away from the administration building. Whilst this has caused some inconvenience it has not resulted in significant cost.

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

Overall the financial impact has not been significant and is not anticipated to increase in future years. Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

The Trust Fund

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

Trust monies and property subject to Council's control have been included in these reports.

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

A number of Council services are provided by volunteers. These include work in the museums, parks, aged care and community transport. The value of the services received cannot be reliably measured but it is significant.

New accounting standards and interpretations issued not yet effective

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

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

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.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

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	–	–	635	486	(635)	(486)	–	–	–	–
Administration	54	88	976	1,309	(922)	(1,221)	14	2	9,810	8,793
Public Order and Safety	553	634	737	517	(184)	117	539	608	1,880	1,644
Health	7	5	12	6	(5)	(1)	–	–	3,063	3,100
Environment	590	584	1,023	923	(433)	(339)	23	32	12,786	13,306
Community Services and Education	443	446	434	423	9	23	394	373	832	797
Housing and Community Amenities	730	288	1,334	1,217	(604)	(929)	545	78	2,774	3,162
Water Supplies	1,271	1,186	1,483	1,335	(212)	(149)	94	1	19,959	14,013
Sewerage Services	1,192	1,476	1,017	1,136	175	340	176	471	21,458	17,995
Recreation and Culture	1,727	1,133	1,413	1,293	314	(160)	1,706	1,124	19,260	17,873
Mining Manufacturing and Construction	27	34	95	107	(68)	(73)	–	–	–	–
Transport and Communication	8,471	2,302	2,945	3,095	5,526	(793)	8,444	2,301	97,552	109,542
Economic Affairs	629	284	720	472	(91)	(188)	312	57	789	610
General Purpose	5,784	5,545	–	–	5,784	5,545	3,335	3,163	–	–
Total functions and activities	21,478	14,005	12,824	12,319	8,654	1,686	15,582	8,210	190,163	190,835

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 members fees and expenses and meetings of Council.

Administration

Included Corporate Support and other support service, engineering works and policy compliance.

Public Order and Safety

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

Health

Includes immunisation, food control and other health matters.

Environment

Includes noxious plants and vermin control, other environmental protection, solid waste management, sanitation and garbage, street cleaning, drainage and stormwater management.

Community Services and Education

Includes administration and education, community service programs, youth services, aged and disabled person services, childrens' services, community transport and family and children services.

Housing and Community Amenities

Includes cemeteries, public conveniences, street cleaning, town planning, community amenities and housing facilities.

Water Supplies

Operation of Hay Water Services.

Sewerage Services

Operation of Hay Sewerage Service.

Recreation and Culture

Includes Public Libraries, museums, art galleries, community centres and public halls sports grounds and venues, swimming pools, and other sporting recreational and cultural facilities.

Mining Manufacturing and Construction

Includes Building control, quarries and pits.

Transport and Communication

Urban, local and regional sealed and unsealed roads, bridges, footpaths, parking areas and aerodromes.

Economic Affairs

Includes tourism and promotion and other business undertakings.

General Purpose

General purpose revenue including rates and financial assistance grants.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	864	833
Farmland	1,235	1,169
Business	343	321
Less: pensioner rebates (mandatory)	(43)	(43)
Rates levied to ratepayers	2,399	2,280
Pensioner rate subsidies received	24	24
Total ordinary rates	2,423	2,304
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	337	325
Water supply services	669	666
Sewerage services	968	943
Waste management services (non-domestic)	184	177
Less: pensioner rebates (mandatory)	(60)	(59)
Annual charges levied	2,098	2,052
Pensioner subsidies received:		
– Water	11	11
– Sewerage	10	11
– Domestic waste management	11	11
Total annual charges	2,130	2,085
Total rates and annual charges	4,553	4,389

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	2	509	505
Sewerage services	2	46	41
Total specific user charges		555	546
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	55	63
Private works – section 67	2	177	114
Regulatory/ statutory fees	2	16	19
Registration fees	2	4	7
Section 10.7 certificates (EP&A Act)	2	5	7
Section 603 certificates	2	6	6
Tapping fees		1	–
Total fees and charges – statutory/regulatory		264	216
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	19	2
Cemeteries	2	47	53
Library and art gallery	2	2	2
Recycling income (non-domestic)	2	42	55
Sundry sales	2	9	25
Tourism	2	31	23
Aged and disabled care	2	49	55
Public halls	2	7	–
Sportsgrounds	2	13	7
Other	2	9	1
Total fees and charges – other		228	223
Total user charges and fees		1,047	985
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		1,047	985
Total user charges and fees		1,047	985

Accounting policy

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

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

Where an upfront fee is charged such as membership 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 the term of the licence.

B2-3 Other revenue

\$ '000	Timing	2021	2020
Commissions and agency fees	2	19	31
Insurance claims recoveries	2	17	49
Sales – general	2	20	33
Other	2	6	1
Total other revenue		62	114

Timing of revenue recognition for other revenue

Other revenue recognised at a point in time (2)	62	114
Total other revenue	62	114

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 – general component	2	1,207	1,125	–	–
Financial assistance – local roads component	2	404	410	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,290	1,196	–	–
Financial assistance – local roads component	2	434	432	–	–
Amount recognised as income during current year		3,335	3,163	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	1	94	1	–	–
Sewerage services	1	–	–	176	471
Bushfire and emergency services	2	509	183	29	425
Community care	2	39	33	–	–
Economic development	1	272	34	–	–
Employment and training programs	2	17	2	–	–
Land Management	1	76	–	–	–
Library	2	71	70	–	–
Library – special projects	2	–	–	–	68
Noxious weeds	1	23	32	–	–
Street lighting	2	39	39	–	–
Recreation and culture	1	53	159	2,007	867
Transport (other roads and bridges funding)	1	443	38	5,969	536
Animal shelter	2	–	4	–	–
Aged and disabled care	1	342	338	–	–
Tourism	1	41	22	–	–
Transport (roads to recovery)	1	707	763	–	–
Aerodrome	1	–	–	237	–
Previously contributions:					
Community services	2	–	2	–	–
Recreation and culture	2	–	1	–	–
Transport for NSW contributions (regional roads, block grant)	2	938	809	150	150
Tourism	2	9	–	–	–
Other contributions	2	–	–	6	–
Total special purpose grants and non-developer contributions – cash		3,673	2,530	8,574	2,517
Total special purpose grants and non-developer contributions (tied)		3,673	2,530	8,574	2,517
Total grants and non-developer contributions		7,008	5,693	8,574	2,517
Comprising:					
– Commonwealth funding		4,940	4,407	1,560	–
– State funding		2,068	1,286	7,014	2,517
		7,008	5,693	8,574	2,517

B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Total grants and contributions	7,008	5,693	8,574	2,517
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time (1)	2,051	1,387	8,389	1,874
Grants and contributions recognised at a point in time (2)	4,957	4,306	185	643
Total grants and contributions	7,008	5,693	8,574	2,517

B2-4 Grants and contributions (continued)

Unspent grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	143	171	145	668
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(43)	(28)	(145)	(523)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	–
Unspent funds at 30 June	100	143	–	145

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 evidence of the event taking place or satisfactory achievement of milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

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)	22	37
– Cash and investments	26	96
Total interest and investment income (losses)	48	133
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	–	15
General Council cash and investments	48	64
Restricted investments/funds – external:		
Water fund operations	–	21
Sewerage fund operations	–	29
Domestic waste management operations	–	4
Total interest and investment income	48	133

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.

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		76	87
Total Investment properties		76	87
Other lease income			
External plant and equipment hire		–	1
Leaseback fees - council vehicles		10	13
Total Other lease income		10	14
Total rental income	C2-2	86	101
Total other income		86	101

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	3,576	3,364
Employee leave entitlements (ELE)	523	656
Superannuation	536	524
Workers' compensation insurance	135	117
Fringe benefit tax (FBT)	16	16
Other	16	22
Total employee costs	4,802	4,699
Less: capitalised costs	(561)	(443)
Total employee costs expensed	4,241	4,256
Number of 'full-time equivalent' employees (FTE) at year end	53	52

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		1,046	788
Contractor and consultancy costs		2,011	1,422
Audit Fees	F2-1	48	50
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	111	110
Advertising		20	30
Bank charges		16	15
Electricity and heating		201	274
Fire control expenses		209	135
Insurance		270	243
Postage		12	16
Printing and stationery		55	39
Street lighting		82	82
Subscriptions and publications		28	42
Telephone and communications		57	57
Tourism expenses (excluding employee costs)		148	125
Valuation fees		98	95
Donations, contributions and assistance		53	36
Medical services		22	31
Training costs (other than salaries and wages)		86	92
Other expenses		12	15
Total materials and services		4,585	3,697
Total materials and services		4,585	3,697

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		86	88
Total interest bearing liability costs		86	88
Total interest bearing liability costs expensed		86	88
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	6	6
Total other borrowing costs		6	6
Total borrowing costs expensed		92	94

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 when incurred.

B3-4 Depreciation, amortisation and impairment of IPP&E

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		405	432
Office equipment		14	14
Furniture and fittings		1	1
Land improvements (depreciable)		5	2
Infrastructure:	C1-7		
– Buildings – non-specialised		47	33
– Buildings – specialised		395	364
– Other structures		207	109
– Roads		1,419	1,983
– Stormwater drainage		204	195
– Water supply network		446	442
– Sewerage network		429	578
Other assets:			
– Other		96	15
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	39	37
Total gross depreciation and amortisation costs		3,707	4,205
Less: capitalised costs		(79)	(103)
Total depreciation and amortisation costs		3,628	4,102
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&E		3,628	4,102

Accounting policy for depreciation, amortisation and impairment expenses of IPP&E

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.

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	2021	2020
Other		
Contributions/levies to other levels of government:		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	6	5
– NSW fire brigade levy	30	27
– NSW rural fire service levy	242	138
Total other	278	170
Total other expenses	278	170

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 plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		100	111
Less: carrying amount of plant and equipment assets sold/written off		–	(38)
Gain (or loss) on disposal		100	73
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		108	–
Less: carrying amount of real estate assets sold/written off		(108)	–
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		100	73

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 23/06/2020 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					
Rates and annual charges	4,620	4,553	(67)	(1)%	U
User charges and fees	879	1,047	168	19%	F
Variance largely relates to an increase in Water user charges and private works revenue					
Other revenues	82	62	(20)	(24)%	U
Variance relates to a decrease in expected sales dues to a reduction in activity					
Operating grants and contributions	5,722	7,008	1,286	22%	F
Vaiance is a result of larger than expected government grant funding including Roads to Recovery and Financial Assistance Grant funding.					
Capital grants and contributions	9,094	8,574	(520)	(6)%	U
Interest and investment revenue	100	48	(52)	(52)%	U
Variation is due to a decrease in investment returns caused by lower interest rates					
Net gains from disposal of assets	—	100	100	∞	F
Increase is a result of an increase in revenue from the sale of surplus plant.					
Other income	—	86	86	∞	F
Variance is due to revenue been classified as user charges and fees in the adopted budget					
EXPENSES					
Employee benefits and on-costs	4,224	4,241	(17)	0%	U
Materials and services	2,227	4,585	(2,358)	(106)%	U
Increase is due to an increase in operational business activity and also that the adopted materials budget did not include the items previously classified as other expenses now included in this category.					
Borrowing costs	84	92	(8)	(10)%	U
Depreciation, amortisation and impairment of non-financial assets	3,336	3,628	(292)	(9)%	U
Other expenses	1,503	278	1,225	82%	F
Variance is largely due that the issue that the adopted budget included a number of items now classified as materials and services					

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	12,460	11,059	(1,401)	(11)% U
Variation is caused by an increase in material and service costs				
Cash flows from investing activities	(12,309)	(10,667)	1,642	(13)% F
Variation is due to lower than expected capital expenditure for the year which has been impacted by supply issues.				
Cash flows from financing activities	(228)	(225)	3	(1)% F

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	5,776	5,604
Cash-equivalent assets		
– Short-term deposits	6,068	6,073
Total cash and cash equivalents	11,844	11,677

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	11,844	11,677
Balance as per the Statement of Cash Flows	11,844	11,677

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 Financial investments

Nil

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	11,844	–	11,677	–
attributable to:				
External restrictions	5,263	–	5,338	–
Internal restrictions	4,196	–	3,960	–
Unrestricted	2,385	–	2,379	–
	11,844	–	11,677	–

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	100	288
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External restrictions – included in liabilities	100	288
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External restrictions

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

Water fund	2,693	2,697
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Sewer fund	2,470	2,353
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External restrictions	5,163	5,050
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Total external restrictions	5,263	5,338
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Internal restrictions

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

Plant and vehicle replacement	284	404
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Infrastructure replacement	874	583
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Employees leave entitlement	620	620
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Waste	10	–
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Aerodrome	7	157
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Computer replacement	32	32
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Financial Assistance Grants	1,724	1,627
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HACC reserve	155	155
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Land development	111	4
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LEP - Local Environment Plan	17	17
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Levee bank	325	324
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Library	14	14
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Youth	23	23
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Total internal restrictions	4,196	3,960
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Total restrictions	9,459	9,298
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	627	–	510	–
Interest and extra charges	41	–	53	–
User charges and fees	113	–	83	–
Private works	68	–	106	–
Accrued revenues				
– Interest on investments	–	–	4	–
Government grants and subsidies	3,416	–	427	–
Net GST receivable	416	–	155	–
Less: Provision for impairment expected credit loss allowance	–	–	–	–
Total	4,681	–	1,338	–
Total net receivables	4,681	–	1,338	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	267	–	207	–
– Other	69	–	–	–
Sewerage services				
– Rates and availability charges	122	–	102	–
Total external restrictions	458	–	309	–
Unrestricted receivables	4,223	–	1,029	–
Total net receivables	4,681	–	1,338	–

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

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.

C1-4 Receivables (continued)

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	1	–	109	–
Stores and materials	98	–	82	–
Loose tools	–	74	–	75
Total inventories at cost	99	74	191	75
Total inventories	99	74	191	75
Externally restricted assets				
\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Water				
Stores and materials	–	4	–	4
Total water	–	4	–	4
Sewerage				
Stores and materials	–	3	–	3
Total sewerage	–	3	–	3
Total externally restricted assets	–	7	–	7
Total internally restricted assets	–	–	–	–
Total unrestricted assets	99	67	191	68
Total inventories	99	74	191	75

C1-5 Inventories (continued)

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		1	–	109	–
Total real estate for resale		1	–	109	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1	–	109	–
Total costs		1	–	109	–
Total real estate for resale		1	–	109	–
Movements:					
Real estate assets at beginning of the year		109	–	109	–
– WDV of sales (expense)	B4-1	(108)	–	–	–
Total real estate for resale		1	–	109	–

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

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

\$ '000	2021	2020
Real estate for resale	–	88
	–	88

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Non-current assets classified as held for sale

Council did not classify any non-current assets or disposal groups as 'held for sale'.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Depreciation expense	WIP transfers	Re-measurement of asset remediation provision	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	1,236	–	1,236	168	4,019	–	(960)	–	–	–	4,463	–	4,463
Plant and equipment	8,817	(6,638)	2,179	508	–	(405)	127	–	–	–	9,142	(6,734)	2,408
Office equipment	698	(587)	111	23	–	(14)	–	–	–	–	721	(601)	120
Furniture and fittings	280	(238)	42	5	–	(1)	–	–	–	–	285	(239)	46
Land:													
– Operational land	1,710	–	1,710	–	–	–	–	–	–	–	1,709	–	1,709
– Community land	1,557	–	1,557	–	–	–	–	–	–	–	1,557	–	1,557
Land improvements – depreciable	69	(21)	48	19	–	(5)	–	–	–	–	89	(26)	63
Infrastructure:													
– Buildings – non-specialised	1,690	(170)	1,520	–	–	(47)	–	–	–	–	1,690	(217)	1,473
– Buildings – specialised	28,142	(8,202)	19,940	1,011	430	(395)	365	–	–	–	29,947	(8,596)	21,351
– Other structures	8,026	(3,181)	4,845	106	471	(207)	–	–	–	–	8,604	(3,388)	5,216
– Roads, bridges and footpaths	128,522	(27,855)	100,667	3,383	–	(1,419)	468	–	(20,228)	–	107,193	(24,322)	82,871
– Stormwater drainage	17,619	(5,473)	12,146	–	–	(204)	–	–	(654)	–	19,396	(8,109)	11,287
– Water supply network	25,587	(14,604)	10,983	140	–	(446)	–	–	–	6,130	26,289	(9,481)	16,808
– Sewerage network	22,880	(7,608)	15,272	383	–	(429)	–	–	–	3,414	23,478	(4,839)	18,639
Other assets:													
– Library books	106	(106)	–	–	–	–	–	–	–	–	106	(106)	–
– Other	7,618	(2,749)	4,869	314	–	(96)	–	–	–	–	7,932	(2,844)	5,088
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	549	(146)	403	–	–	(39)	–	(26)	–	–	523	(185)	338
Total infrastructure, property, plant and equipment	255,106	(77,578)	177,528	6,060	4,920	(3,707)	–	(26)	(20,882)	9,544	243,124	(69,687)	173,437

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period					At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Capital work in progress	6,464	–	6,464	–	–	–	(5,228)	–	1,236	–	1,236
Plant and equipment	8,282	(6,591)	1,691	1,086	(38)	(432)	(127)	–	8,817	(6,638)	2,179
Office equipment	672	(573)	99	25	–	(14)	–	–	698	(587)	111
Furniture and fittings	275	(238)	37	5	–	(1)	–	–	280	(238)	42
Land:											
– Operational land	1,707	–	1,707	3	–	–	–	–	1,710	–	1,710
– Community land	1,218	–	1,218	–	–	–	–	339	1,557	–	1,557
Land improvements – depreciable	62	(18)	44	7	–	(2)	–	–	69	(21)	48
Infrastructure:											
– Buildings – non-specialised	1,647	(136)	1,511	43	–	(33)	–	–	1,690	(170)	1,520
– Buildings – specialised	27,193	(7,837)	19,356	995	–	(364)	(47)	–	28,142	(8,202)	19,940
– Other structures	4,081	(2,317)	1,764	889	–	(109)	520	1,781	8,026	(3,181)	4,845
– Roads	127,103	(25,872)	101,231	2,163	–	(1,983)	(744)	–	128,522	(27,855)	100,667
– Stormwater drainage	17,605	(5,278)	12,327	14	–	(195)	–	–	17,619	(5,473)	12,146
– Water supply network	25,119	(14,025)	11,094	228	–	(442)	–	103	25,587	(14,604)	10,983
– Sewerage network	21,661	(12,777)	8,884	806	–	(578)	6,016	144	22,880	(7,608)	15,272
Other assets:											
– Library books	106	(106)	–	–	–	–	–	–	106	(106)	–
– Other	1,421	(657)	764	38	–	(15)	(390)	4,471	7,618	(2,749)	4,869
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):											
– Tip assets	559	(110)	449	–	–	(37)	(9)	–	549	(146)	403
Total infrastructure, property, plant and equipment	245,175	(76,535)	168,640	6,302	(38)	(4,205)	(9)	6,838	255,106	(77,578)	177,528

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

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

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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.

Increases in the carrying amounts arising on revaluation are credited to the asset 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.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 *Land Under Roads*.

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

Crown reserves

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

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

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						
Land						
– Operational land	111	–	111	111	–	111
Infrastructure	26,289	9,481	16,808	25,587	14,604	10,983
Total water supply	26,400	9,481	16,919	25,698	14,604	11,094
Sewerage services						
Land						
– Operational land	180	–	180	180	–	180
Infrastructure	23,671	4,986	18,685	23,072	7,740	15,332
Total sewerage services	23,851	4,986	18,865	23,252	7,740	15,512
Total restricted infrastructure, property, plant and equipment	50,251	14,467	35,784	48,950	22,344	26,606

C1-8 Other

Other assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Prepayments	28	–	26	–
Total other assets	28	–	26	–

Current other assets not anticipated to be settled within the next 12 months

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

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	28	–	26	–
Total other assets	28	–	26	–

C2 Leasing activities

C2-1 Council as a lessee

Council currently does not lease any Land, Buildings Vehicles or Equipment.

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Sporting facilities
- child care centres

The leases have a range of tenures and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that 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 .

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.

C2-2 Council as a lessor

(a) Operating leases

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

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

\$ '000	2021	2020
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Council currently does not have any investment properties for lease.

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

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of a Medical centre, child care, dwellings, and self care units, the table below relates to operating leases on assets disclosed in C1-7.

Lease income (excluding variable lease payments not dependent on an index or rate)	86	101
Total income relating to operating leases for Council assets	86	101

Amount of IPPE leased out by Council under operating leases

Council leases buildings to assist service provision in the community in the areas of Medical, Childcare, Specialist and Self care accommodation.

Reconciliation of IPPE assets leased out as operating leases

\$ '000	Specialist Buildings Childcare & Medical 2021	Specialist Buildings Childcare & Medical 2020	Non-specialist - Building & Residential 2021	Non-specialist - Building & Residential 2020
Opening balance as at 1 July	3,547	3,602	1,520	1,510
Additions renewals	—	—	(47)	43
Depreciation expense	(59)	(55)	—	(33)
Closing balance as at 30 June	3,488	3,547	1,473	1,520

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

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

C2-2 Council as a lessor (continued)

(b) Finance leases

Council has sub-leased some properties which are on Crown land to community organisations and has classified these as finance leases since the sub-lease is for the remaining life of the Council's lease to the Crown.

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	1,971	–	645	–
Accrued expenses:				
– Borrowings	13	–	15	–
– Salaries and wages	203	–	75	–
– Other expenditure accruals	37	–	–	–
Security bonds, deposits and retentions	47	–	49	–
Prepaid rates	102	–	106	–
Total payables	2,373	–	890	–
Total payables	2,373	–	890	–

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Sewer	9	–	10	–
Payables relating to externally restricted assets	9	–	10	–
Total payables relating to restricted assets	9	–	10	–
Total payables relating to unrestricted assets	2,364	–	880	–
Total payables	2,373	–	890	–

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

Nil

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)	1,402	–	896	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	557	–	276	–

C3-2 Contract Liabilities (continued)

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total grants received in advance	1,959	–	1,172	–
Total contract liabilities	1,959	–	1,172	–

Notes

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

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

Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	1,772	–	1,172	–
Contract liabilities relating to externally restricted assets	1,772	–	1,172	–
Total contract liabilities relating to restricted assets	1,772	–	1,172	–
Total contract liabilities relating to unrestricted assets	187	–	–	–
Total contract liabilities	1,959	–	1,172	–

Significant changes in contract liabilities

There has been a significant increase in Government grant funding paid in advance during the year.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	234	1,840	225	2,074
Total borrowings	234	1,840	225	2,074

(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
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C3-3 Borrowings (continued)

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Sewer	117	858	113	975
Borrowings relating to externally restricted assets	117	858	113	975
Total borrowings relating to restricted assets	117	858	113	975
Total borrowings relating to unrestricted assets	117	982	112	1,099
Total borrowings	234	1,840	225	2,074

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

The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	2,299	(225)	–	–	–	–	2,074
Total liabilities from financing activities	2,299	(225)	–	–	–	–	2,074

	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	2,463	(164)	–	–	–	–	2,299
Total liabilities from financing activities	2,463	(164)	–	–	–	–	2,299

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Credit cards/purchase cards	12	17
Total financing arrangements	12	17
Undrawn facilities		
– Credit cards/purchase cards	12	17
Total undrawn financing arrangements	12	17

Additional financing arrangements information

Breaches and defaults

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

Security of loans

Loans are secured over future cash flows.

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 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	364	–	403	–
Sick leave	329	–	306	–
Long service leave	821	33	807	43
Total employee benefit provisions	1,514	33	1,516	43

Employee benefit provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

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	1,457	1,248
	1,457	1,248

Description of and movements in provisions

\$ '000	ELE provisions			
	Annual leave	Sick leave	Long service leave	Total
2021				
At beginning of year	403	306	850	1,559
Additional provisions	226	166	78	470
Amounts used (payments)	(265)	(143)	(75)	(483)
Additional provisions amounts used (payments)	–	–	1	1
Total ELE provisions at end of year	364	329	854	1,547
2020				
At beginning of year	372	290	751	1,413
Additional provisions	309	148	157	614
Amounts used (payments)	(278)	(132)	(58)	(468)
Total ELE provisions at end of year	403	306	850	1,559

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

C3-4 Employee benefit provisions (continued)

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)	—	545	—	566
Sub-total – asset remediation/restoration	—	545	—	566
Total provisions	—	545	—	566
Provisions relating to restricted assets				
Total provisions relating to restricted assets	—	—	—	—
Total provisions relating to unrestricted assets	—	545	—	566
Total provisions	—	545	—	566

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

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

C3-5 Provisions (continued)

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	566	566
Unwinding of discount	5	5
Remeasurement effects	(26)	(26)
Total other provisions at end of year	545	545
2020		
At beginning of year	570	570
Unwinding of discount	(4)	(4)
Total other provisions at end of year	566	566

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

Asset remediation

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

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.

C3-5 Provisions (continued)

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within 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	2,896	686	971
User charges and fees	491	510	46
Interest and investment revenue	29	8	11
Other revenues	62	—	—
Grants and contributions provided for operating purposes	6,893	105	10
Grants and contributions provided for capital purposes	8,398	—	176
Net gains from disposal of assets	100	—	—
Other income	86	—	—
Total income from continuing operations	18,955	1,309	1,214
Expenses from continuing operations			
Employee benefits and on-costs	3,870	217	154
Materials and services	3,391	802	392
Borrowing costs	58	—	34
Depreciation, amortisation and impairment of non-financial assets	2,738	446	444
Other expenses	253	25	—
Total expenses from continuing operations	10,310	1,490	1,024
Operating result from continuing operations	8,645	(181)	190
Net operating result for the year	8,645	(181)	190
Net operating result attributable to each council fund	8,645	(181)	190
Net operating result for the year before grants and contributions provided for capital purposes	247	(181)	14

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	6,681	2,693	2,470
Receivables	4,223	336	122
Inventories	99	—	—
Other	28	—	—
Total current assets	11,031	3,029	2,592
Non-current assets			
Inventories	67	4	3
Infrastructure, property, plant and equipment	137,653	16,919	18,865
Total non-current assets	137,720	16,923	18,868
TOTAL ASSETS	148,751	19,952	21,460
LIABILITIES			
Current liabilities			
Payables	2,364	—	9
Contract liabilities	1,959	—	—
Borrowings	117	—	117
Employee benefit provision	1,514	—	—
Total current liabilities	5,954	—	126
Non-current liabilities			
Borrowings	982	—	858
Employee benefit provision	33	—	—
Provisions	545	—	—
Total non-current liabilities	1,560	—	858
TOTAL LIABILITIES	7,514	—	984
Net assets	141,237	19,952	20,476
EQUITY			
Accumulated surplus	43,516	7,183	14,291
Revaluation reserves	97,721	12,769	6,185
Council equity interest	141,237	19,952	20,476
Total equity	141,237	19,952	20,476

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2021	2021
		Net profit	Net assets
Western Riverina Library Services	Provision of library services to member local government areas	—	—

Reasons for non-recognition

Council holds 7% equity share in Western Riverina Library Service, and has assessed this as not material, hence not recognised.

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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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 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) '**available-for-sale**' – 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.

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 its 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.
- **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 guarantee.

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
<p>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.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	60	60
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

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

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	64	283	139	117	24	627
2020						
Gross carrying amount	55	229	93	108	25	510

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	3,922	31	45	22	34	4,054
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—
2020						
Gross carrying amount	719	27	17	26	39	828
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

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

(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 (refer to Note C2-1(b) for 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: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	47	2,223	–	–	2,270	2,271
Loans and advances	3.86%	–	312	1,248	862	2,422	2,074
Total financial liabilities		47	2,535	1,248	862	4,692	4,345
2020							
Trade/other payables	0.00%	49	735	–	–	784	784
Loans and advances	3.85%	–	312	1,248	1,174	2,734	2,299
Total financial liabilities		49	1,047	1,248	1,174	3,518	3,083

Loan agreement breaches

There were no breaches to loan agreements during the reporting year.

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	C1-7								
Plant and equipment		30/06/21	30/06/20	–	–	2,408	2,179	2,408	2,179
Office equipment		30/06/21	30/06/20	–	–	120	111	120	111
Furniture and fittings		30/06/21	30/06/20	–	–	46	42	46	42
Operational land		30/06/18	30/06/18	–	–	1,709	1,710	1,709	1,710
Community land		30/06/20	30/06/20	–	–	1,557	1,557	1,557	1,557
Land improvements depreciable		30/06/20	30/06/20	–	–	63	48	63	48
Buildings – non-specialised		30/06/18	30/06/18	1,473	1,520	–	–	1,473	1,520
Buildings specialised		30/06/18	30/06/18	–	–	21,351	19,940	21,351	19,940
Other structures		30/06/20	30/06/20	–	–	5,216	4,845	5,216	4,845
Roads bridges and footpaths		30/06/21	30/06/19	–	–	82,871	100,667	82,871	100,667
Stormwater drainage		30/06/21	30/06/19	–	–	11,287	12,146	11,287	12,146
Water supply network		30/06/21	30/06/17	–	–	16,808	10,983	16,808	10,983
Sewer network		30/06/21	30/06/17	–	–	18,639	15,272	18,639	15,272
Other assets		30/06/20	30/06/20	–	–	5,088	4,869	5,088	4,869
Tip assets		30/06/21	30/06/20	–	–	338	403	338	403
Total infrastructure, property, plant and equipment				1,473	1,520	167,501	174,772	168,974	176,292

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 and equipment, office equipment and furniture and 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, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

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

Operational and community land

Community Land valuations are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational and Community Land is based on valuations from an external valuer APV Valuers and Asset Management. Community Land was valued by APV Valuers in 2020. As land values were based on unit rates and as such there was not considered to be observable market evidence so they have been classified as level 3.

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

Buildings – non-specialised and specialised

Council engaged APV Asset Valuers and Asset Management to value all buildings in 2018. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset.

The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. Since most of these inputs require judgement and are unobservable for specialised buildings, that asset class has been classified as Level 3. Valuation techniques remained the same for the reporting period.

Other structures

Other Structures comprise of Sundry Recreational assets, irrigation systems and fencing etc. Depreciated replacement cost has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

These assets were valued externally in 2020 by APV valuers

Roads, bridges and footpaths

Roads including all road assets, Bridges and Footpaths were valued in 2021 by APV. Depreciated replacement cost using level 3 inputs was used to value this asset class. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

The cost approach was utilised to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, valuation profiles, asset condition and useful life requiring significant professional judgement which impacted significantly on the final determination of fair value.

Drainage infrastructure

Assets within this class comprise pits and pipes. All assets were revalued in 2021 by APV.

E2-1 Fair value measurement (continued)

The Depreciated replacement cost 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, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Water supply network

Assets within this class comprise reservoirs, pumping stations and pipelines. All assets were valued by APV valuers in 2021

The Depreciated replacement cost 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, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Sewerage network

Assets within this class comprise treatment works, pumping stations and, sewerage mains. All assets were valued by APV valuers in 2021.

The Depreciated Replacement cost 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, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water

Other assets

Assets within this class comprise aerodrome lighting, pavement and fencing . All assets in Other assets were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

These assets were valued externally in 2020 by APV valuers

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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	2,179	1,690	111	99	42	37	1,710	1,707
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	127	(127)	–	–	–	–	–	–
Purchases (GBV)	508	1,086	23	25	5	5	–	3
Disposals (WDV)	–	(38)	–	–	–	–	–	–
Depreciation and impairment	(405)	(432)	(14)	(14)	(1)	(1)	–	–
Rounding adjustment	(1)	–	–	1	–	1	(1)	–
Closing balance	2,408	2,179	120	111	46	42	1,709	1,710

\$ '000	Community Land		Land improvements depreciable		Building specialised		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	1,557	1,218	48	44	19,940	19,356	4,845	1,764
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	–	–	–	365	(47)	–	520
Purchases (GBV)	–	–	19	7	1,441	995	577	889
Disposals (WDV)	–	–	–	–	–	–	–	–
Depreciation and impairment	–	–	(5)	(2)	(395)	(364)	(207)	(109)
Revaluation	–	339	–	–	–	–	–	1,781
Rounding adjustment	–	–	1	(1)	–	–	1	–
Closing balance	1,557	1,557	63	48	21,351	19,940	5,216	4,845

E2-1 Fair value measurement (continued)

\$ '000	Roads, bridges, footpaths		Water supply network		Sewerage network		Tip asset	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	100,667	101,231	10,983	11,094	15,272	8,884	403	449
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	468	(744)	–	–	–	6,016	(26)	(9)
Purchases (GBV)	3,383	2,163	140	228	383	806	–	–
Disposals (WDV)	–	–	–	–	–	–	–	–
Depreciation and impairment	(1,419)	(1,983)	(446)	(442)	(429)	(578)	(39)	(37)
Revaluation	(20,228)	–	6,130	103	3,414	144	–	–
Rounding adjustment	–	–	1	–	(1)	–	–	–
Closing balance	82,871	100,667	16,808	10,983	18,639	15,272	338	403

\$ '000	Stormwater		Other assets		Total	
	2021	2020	2021	2020	2021	2020
Opening balance	12,146	12,327	4,869	764	174,772	160,664
Transfers from/(to) another asset class	–	–	–	(390)	934	5,219
Purchases (GBV)	–	14	314	38	6,793	6,259
Disposals (WDV)	–	–	–	–	–	(38)
Depreciation and impairment	(204)	(195)	(96)	(15)	(3,660)	(4,172)
Revaluation	(654)	–	–	4,471	(11,338)	6,838
Rounding adjustment	(1)	–	1	1	–	2
Closing balance	11,287	12,146	5,088	4,869	167,501	174,772

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 \$89,335.38. The last valuation of the Scheme was performed by Richard Boyfield FIAA on 30 June 2021.

E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$94,961.28 based on a past services liabilities methodology. The share of the deficit that can be attributed to Council is 0.16%. It is estimated that there are \$65,300 past service contributions remaining.

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

Defined Benefit 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 Surplus that is broadly attributed to Council is estimated to be in the order of \$280,000 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 June 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) Potential land acquisitions due to planning restrictions imposed by Council

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	497	758
Post-employment benefits	44	52
Other long-term benefits	24	70
Total	565	880

Other transactions with KMP and their related parties

Nature of the transaction		Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref					
2021						
Electrical maintenance work	3	46	–	30 day terms on invoices	–	–
Gravel Royalty	4	–	–	30 day terms on invoices	–	–
Engineering Supplies & Maintenance, Supply and Hire of Equipment	1	177	–	30 day terms on invoices	–	–
Office and Aged Care service supplies and consumables	2	5	–	30 day terms on invoices	–	–
Remuneration of close family members	5	75	–	Fortnightly payroll system	–	–
Building Maintenance		2	–	30 day terms on invoices	–	–
2020						
Electrical maintenance work	3	51	–	30 day terms on invoices	–	–
Gravel Royalty	4	–	–	30 day terms on invoices	–	–
Engineering Supplies & Maintenance, Supply and Hire of Equipment	1	31	–	30 day terms on invoices	–	–
Office and Aged Care service supplies and consumables	2	8	–	30 day terms on invoices	–	–
Remuneration of close family members	5	76	–	Fortnightly payroll system	–	–
Building Maintenance		1	–	30 day terms on invoices	–	–

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

Council has engaged with KMP or their related parties to acquire the above transactions which are on normal business terms

- 1 This expenditure relates to the procurement of services and materials from an engineering firm of which a Councillor has an interest.
- 2 This expenditure relates to the procurement of materials from a retail firm of which a Councillor has an interest
- 3 This expenditure relates to the procurement of services and materials from an electrical company of which a Councillor has an interest.
- 4 This expenditure relates to the payment for gravel from a Councillors quarry.
- 5 Close family members of KMP have been employed in operational and administrative positions which they have received remuneration.

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	7	15
Councillors' fees	83	78
Other Councillors' expenses (including Mayor)	21	17
Total	111	110

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	36	37
Remuneration for audit and other assurance services	36	37
Total Auditor-General remuneration	36	37
(i) Audit and other assurance services		
Internal Audit fees	12	13
Remuneration for audit and other assurance services	12	13
Total remuneration of non NSW Auditor-General audit firms	12	13
Total audit fees	48	50

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	8,654	1,686
Adjust for non-cash items:		
Depreciation and amortisation	3,628	4,102
Net losses/(gains) on disposal of assets	(100)	(73)
Non-cash capital grants and contributions	–	(425)
Adoption of AASB 15/1058	–	(288)
Unwinding of discount rates on reinstatement provisions	5	(4)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(3,343)	738
Decrease/(increase) in inventories	(15)	38
Decrease/(increase) in other current assets	(2)	–
Increase/(decrease) in payables	1,326	364

continued on next page ...

G1-1 Statement of Cash Flows information (continued)

\$ '000	2021	2020
Increase/(decrease) in accrued interest payable	(2)	(4)
Increase/(decrease) in other accrued expenses payable	165	(190)
Increase/(decrease) in other liabilities	(6)	144
Increase/(decrease) in contract liabilities	787	1,172
Increase/(decrease) in provision for employee benefits	(12)	146
Increase/(decrease) in other provisions	(26)	—
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	11,059	7,406

(b) Non-cash investing and financing activities

Nil

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		
Sewer Treatment Plant	63	258
Stronger Country Projects	–	676
Drought Funding Projects	211	1,282
Maude Bridge	3,451	7,746
Jerilderie Road	–	787
Showgrounds	273	96
Splash Park	669	–
Sandy Creek Bridge	750	–
High Street (Lachlan Street)	334	–
Fixing Local Roads Round 2 - Cemetery Road and Town Streets	323	–
Boating Now	235	–
Roundabout	427	–
Airport	172	–
Local Roads and Community Infrastructure Round 2	416	–
Total commitments	7,324	10,845
These expenditures are payable as follows:		
Within the next year	7,324	10,845
Total payable	7,324	10,845
Sources for funding of capital commitments:		
Sewer Funds	–	–
Grants	7,324	10,845
Total sources of funding	7,324	10,845

Details of capital commitments

The commitments relate to the following projects: replacement of the Hay Sewer Treatment Plant, Drought Funding, Maude Bridge, Showgrounds, Splash Park, Sandy Creek Bridge, High Street, Cemetery Road, Town Streets, Boating Now, Roundabout, Airport, and Local Roads and Community Infrastructure Round 2.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

G4 Changes from prior year statements

G4-1 Correction of errors

Council made no correction of errors during the current reporting period.

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(20)	(0.16)%	(7.92)%	(2.81)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	12,804				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	5,796	27.11%	41.07%	36.28%	> 60.00%
Total continuing operating revenue ¹	21,378				
3. Unrestricted current ratio					
Current assets less all external restrictions	10,931	4.01x	5.95x	5.60x	> 1.50x
Current liabilities less specific purpose liabilities	2,725				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3,700	11.67x	12.76x	12.70x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	317				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	668	13.00%	11.48%	9.62%	< 10.00%
Rates and annual charges collectable	5,138				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	11,844	15.25 mths	15.80 mths	13.56 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	777				

(1) Excludes fair value adjustments, reversal of revaluation decrements and net gain on sale of assets.

(2) Excludes impairment/revaluation decrements and net loss on sale of assets.

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	1.41%	(7.31)%	(13.83)%	(9.65)%	1.35%	(11.30)%	> 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	18.90%	31.17%	91.98%	99.02%	84.68%	67.82%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.01x	5.95x	∞	∞	20.57x	19.96x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10.40x	22.11x	∞	∞	14.47x	3.50x	> 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	19.19%	11.24%	0.00%	15.18%	0.00%	9.62%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.60	8.97	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths					mths

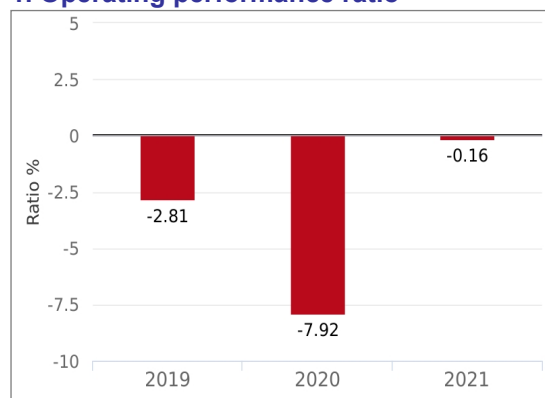
(1) - (2) Refer to Notes at Note 24a above.

(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 (0.16)%

Operating performance ratio result is considered satisfactory for a small rural Council and an improvement from the previous year.

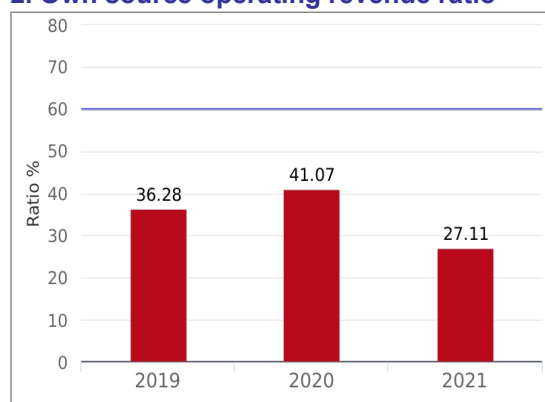
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 27.11%

Own source revenue ratio has reduced considerable due to a large increase in Capital and Operational Grants.

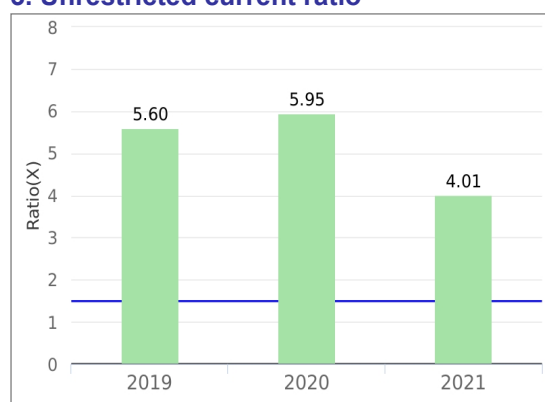
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 4.01x

Unrestricted ratio is considered satisfactory and well above the minimum benchmark.

Benchmark: — > 1.50x

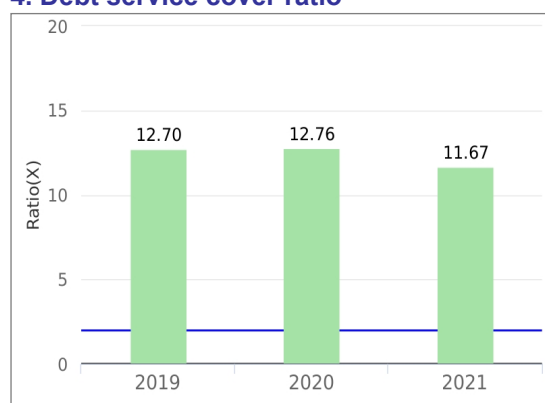
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 11.67x

Debt service ratio is very satisfactory and well above benchmark.

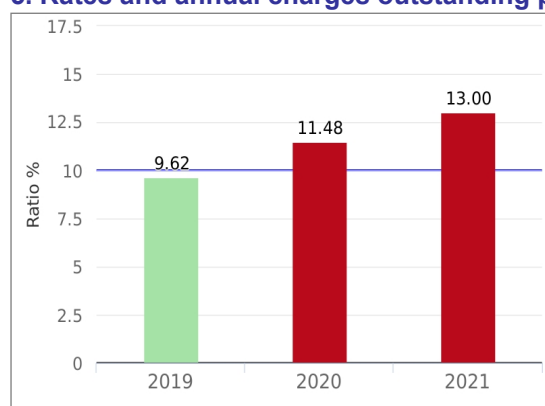
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 13.00%

Rates and annual Charges outstanding ratio has risen due to the economic downturn in the local economy. The impact of the ratio is not considered significant given the level of own source revenue.

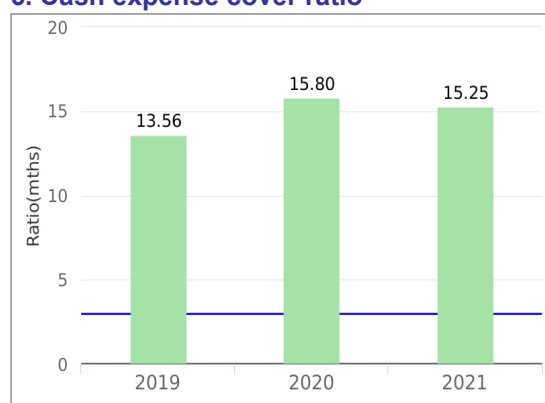
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 15.25 mths

Ratio continues to be satisfactory.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Hay Shire Council

To the Councillors of the Hay Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY



Cr Jenny Dwyer
Mayor
Hay Shire Council
PO Box 141
HAY NSW 2711

Contact: Chariee Bultitude
Phone no: (02) 9275 7104
Our ref: D2123949/1738

29 October 2021

Dear Mayor

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

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

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





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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I confirm no significant audit issues or observations were noted during my audit of the Council's financial statements.

INCOME STATEMENT

Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	4.55	4.39	 3.74
Grants and contributions revenue	15.58	8.21	 89.79
Operating result from continuing operations	8.66	1.69	 413.35
Net operating result before capital grants and contributions	0.08	(0.83)	 109.75

The Council's operating result from continuing operations (\$8.66 million including depreciation and amortisation expense of \$3.63 million) was \$6.97 million higher than the 2019-20 result. This was driven by the \$6.01 million increase in grants and contributions provided for capital purposes, which increased from \$2.52 million in 2019-20 to \$8.57 million in 2020-21.

The net operating result before capital grants and contributions (\$0.08 million) was \$0.91 million higher than the 2019-20 result. The increase is due to moderate increases in rates and annual charges and user charges and fees and a reduction in depreciation, amortisation and impairment for non-financial assets.

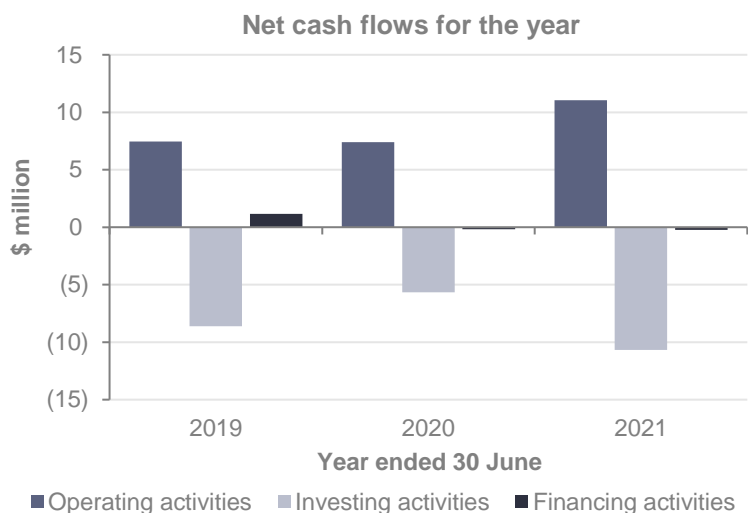
Rates and annual charges revenue (\$4.55 million) increased by \$0.16 million (3.74 per cent) in 2020-21 due to the Council's approved Special Rate Variation, which increased general rates revenue by 2.6 per cent.

Grants and contributions revenue (\$15.58 million) increased by \$7.37 million (89.79 per cent) in 2020-21 due to:

- \$2.06 million of 2020–21 recreation and cultural grants received
- \$6.41 million of transport grants for roads and bridges received during the year.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$11.84 million at 30 June 2021 (\$11.68 million at 30 June 2020). There was a net increase in cash and cash equivalents of \$0.16 million during 2020-21 financial year.
- Net cash provided by operating activities has increased by \$3.65 million. This is mainly due to the increase in cash receipts from grants and contributions of \$3.91 million.
- Net cash used in investing activities has increased by \$5.01 million, which is driven by the increase in purchase of infrastructure, property, plant and equipment.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	11.84	11.68	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. This has remained stable from 2019-20 to 2020-21 financial years. • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. This has remained stable at \$4.196 million. (\$3.960 million at 30 June 2020). • Unrestricted cash and investments was \$2.385 million, which is available to provide liquidity for day-to-day operations of the Council. This has remained stable from 2019-20 to 2020-21 financial years.
Restricted cash and investments:			
• External restrictions	5.26	5.34	
• Internal restrictions	4.19	3.96	
• Unrestricted	2.39	2.38	

PERFORMANCE

Performance measures

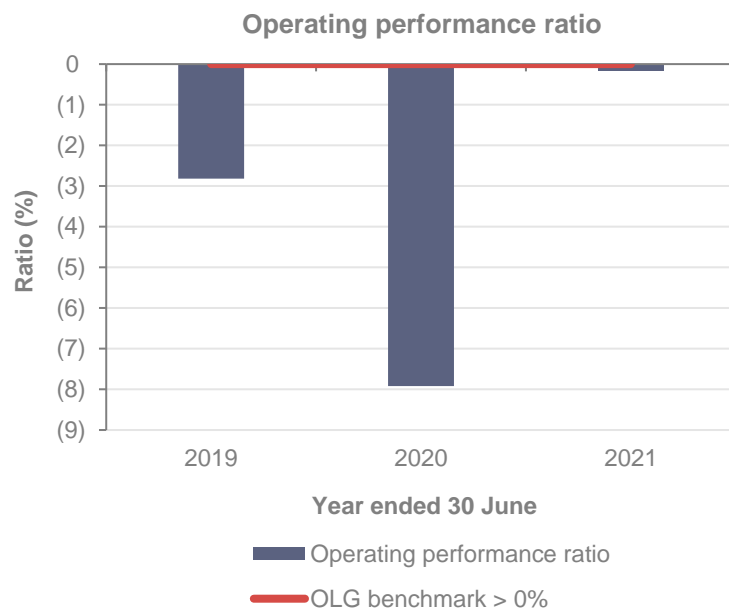
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

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

The operating performance ratio increased to (0.16%) (2020: (7.92%)), due to delivery of various grant funded programs.

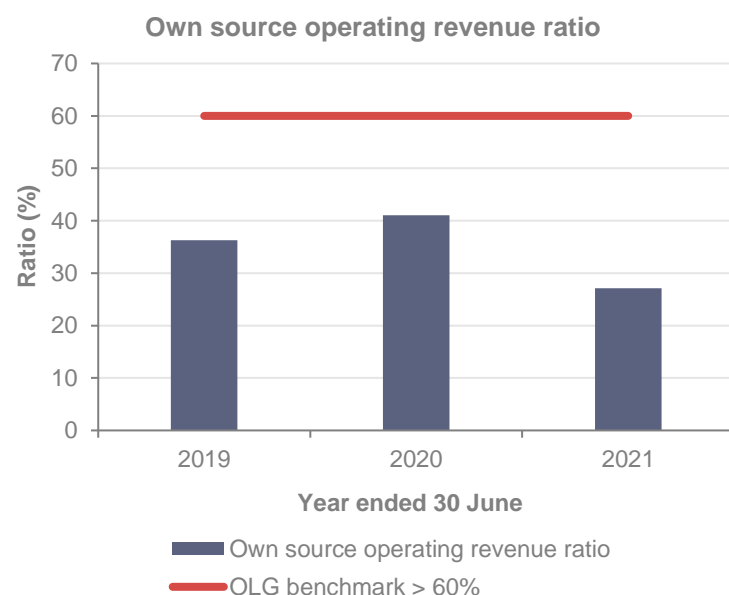


Own source operating revenue ratio

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

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

This indicates that the Council is more reliant on external funding sources, such as grants and contributions. The increased level in grants and contributions received by Council in 2021, (predominantly orientated to capital grant funding for transport assets) compared to the 2020 and 2019 levels, has a direct impact on this ratio and the overall trend analysis.

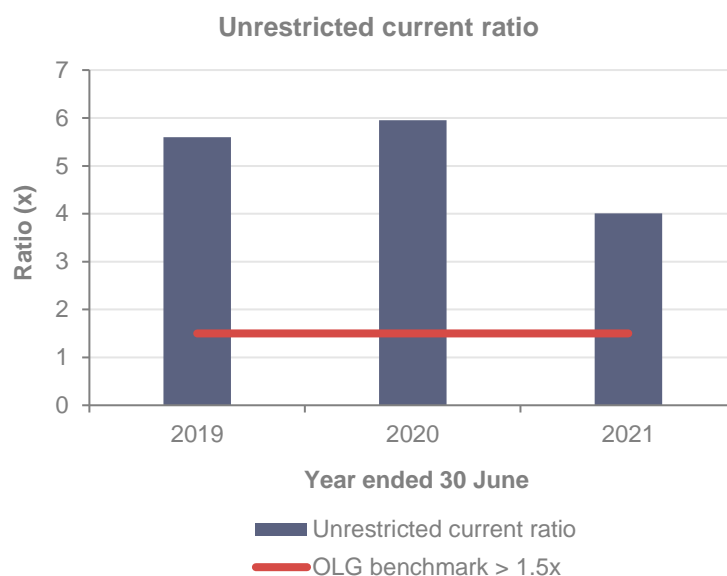


Unrestricted current ratio

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 met the OLG benchmark for the current reporting period.

The Council's liquidity ratio of 4.01 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

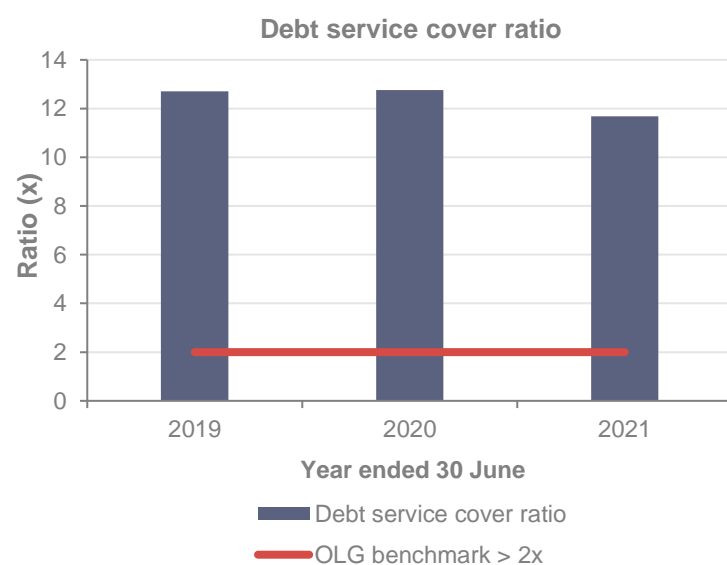


Debt service cover ratio

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 met the OLG benchmark for the current reporting period.

The Council's debt service cover ratio of 11.67 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.



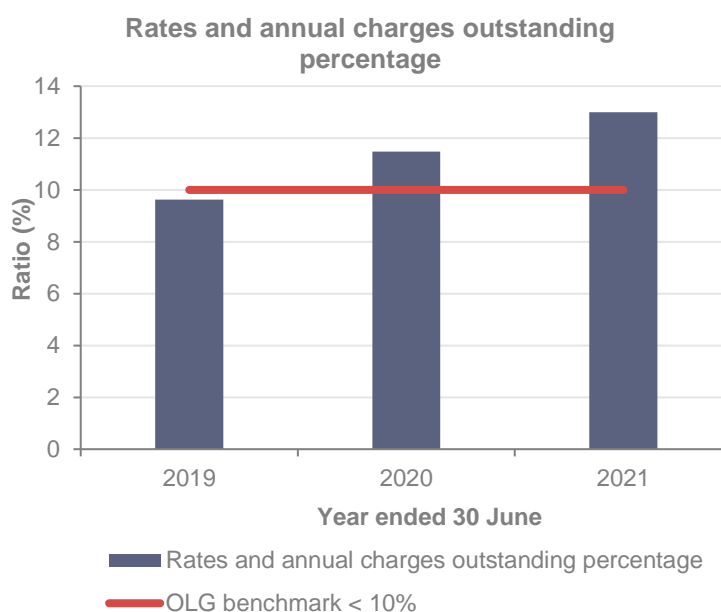
Rates and annual charges outstanding percentage

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

The Council's rates and annual charges outstanding ratio of 13.0 per cent is not within the industry benchmark of less than 10 per cent for regional and rural councils.

The rates and annual charges outstanding percentage has slightly increased from prior year, which is indicative of an area requiring further focus from Council in future years.

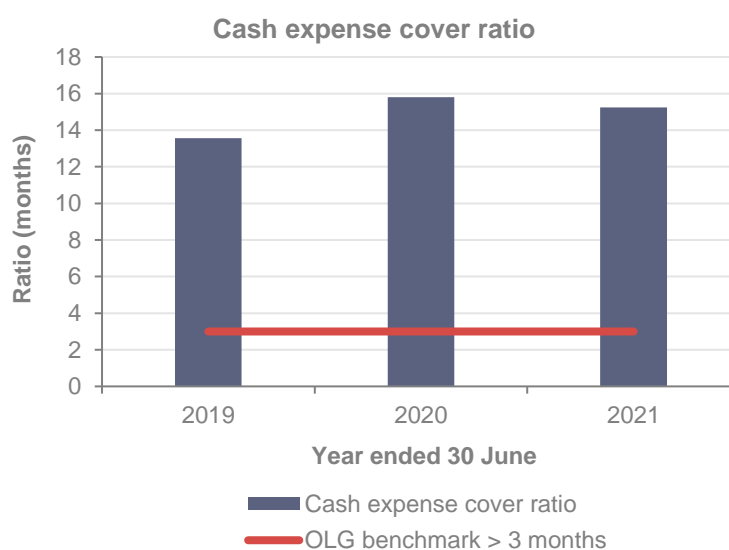


Cash expense cover ratio

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 met the OLG benchmark for the current reporting period.

The Council's cash expense cover ratio was 15.2 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 15.2 months of operating cash expenditure without additional cash inflows at 30 June 2021.



Infrastructure, property, plant and equipment renewals

The Council renewed \$6.06 million of assets in the 2020-21 financial year, compared to \$6.3 million of assets in the 2019-20 financial year. The 2020-21 renewals predominately related to:

- \$3.38 million in direct renewals for roads
- \$0.5 million of direct renewals for plant and equipment
- \$1.09 million of direct renewals for specialised buildings.

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.



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

cc: David Webb, General Manager
Mark Dowling, Director of Corporate and Community
Rick Warren, Chair of Audit, Risk and Improvement Committee
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Hay Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



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).

Hay Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

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



Cr Jenny Dwyer

Mayor

26 October 2021



Cr David Townsend

Councillor

26 October 2021



David Webb

General Manager

26 October 2021



Mark Dowling

Responsible Accounting Officer

26 October 2021

Hay Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	686	685
User charges	510	505
Interest	8	21
Grants and contributions provided for non-capital purposes	105	12
Total income from continuing operations	1,309	1,223
Expenses from continuing operations		
Employee benefits and on-costs	217	230
Materials and services	802	644
Depreciation, amortisation and impairment	446	442
Water purchase charges	25	25
Total expenses from continuing operations	1,490	1,341
Surplus (deficit) from continuing operations before capital amounts	(181)	(118)
Surplus (deficit) from continuing operations after capital amounts	(181)	(118)
Surplus (deficit) from all operations before tax	(181)	(118)
Surplus (deficit) after tax	(181)	(118)
Plus accumulated surplus	7,364	7,482
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	7,183	7,364
Return on capital %	(1.1)%	(1.1)%
Subsidy from Council	433	216
Calculation of dividend payable:		
Surplus (deficit) after tax	(181)	(118)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Hay Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	971	946
User charges	46	39
Fees	–	2
Interest	11	29
Grants and contributions provided for non-capital purposes	10	11
Total income from continuing operations	1,038	1,027
Expenses from continuing operations		
Employee benefits and on-costs	154	133
Borrowing costs	34	38
Materials and services	392	380
Depreciation, amortisation and impairment	444	592
Total expenses from continuing operations	1,024	1,143
Surplus (deficit) from continuing operations before capital amounts	14	(116)
Grants and contributions provided for capital purposes	176	471
Surplus (deficit) from continuing operations after capital amounts	190	355
Surplus (deficit) from all operations before tax	190	355
Less: corporate taxation equivalent [based on result before capital]	(4)	–
Surplus (deficit) after tax	186	355
Plus accumulated surplus	14,101	13,746
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	4	–
Closing accumulated surplus	14,291	14,101
Return on capital %	0.3%	(0.5)%
Subsidy from Council	233	215
Calculation of dividend payable:		
Surplus (deficit) after tax	186	355
Less: capital grants and contributions (excluding developer contributions)	(176)	(471)
Surplus for dividend calculation purposes	10	–
Potential dividend calculated from surplus	5	–

Hay Shire 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	2,693	2,697
Receivables	336	207
Total current assets	3,029	2,904
Non-current assets		
Inventories	4	4
Infrastructure, property, plant and equipment	16,919	11,094
Total non-current assets	16,923	11,098
Total assets	19,952	14,002
Net assets	19,952	14,002
EQUITY		
Accumulated surplus	7,183	7,364
Revaluation reserves	12,769	6,638
Total equity	19,952	14,002

Hay Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	2,470	2,353
Receivables	122	102
Total current assets	2,592	2,455
Non-current assets		
Inventories	3	3
Infrastructure, property, plant and equipment	18,865	15,512
Total non-current assets	18,868	15,515
Total assets	21,460	17,970
LIABILITIES		
Current liabilities		
Payables	9	10
Borrowings	117	113
Total current liabilities	126	123
Non-current liabilities		
Borrowings	858	975
Total non-current liabilities	858	975
Total liabilities	984	1,098
Net assets	20,476	16,872
EQUITY		
Accumulated surplus	14,291	14,101
Revaluation reserves	6,185	2,771
Total equity	20,476	16,872

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)

Council has no Category 1 business activities

Category 2

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

a. Water supply operations

Supply of water to the town of Hay

b. Sewerage service operations

Supply of sewerage services to the town of Hay

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):

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – 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 DoI – Water 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 DoI – 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 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 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

Note – Significant Accounting Policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of IPP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(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 Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30/6/2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Hay Shire Council

To the Councillors of the Hay Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- water supply
- sewerage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in dark ink, appearing to read 'C. Bultitude', with a stylized, flowing script.

Chariee Bultitude
Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

Hay Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Hay Shire Council

Special Schedules

for the year ended 30 June 2021

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Hay Shire 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	2,424	2,483
Plus or minus adjustments ²	b	8	12
Notional general income	$c = a + b$	2,432	2,495
Permissible income calculation			
Or rate peg percentage	e	4.89%	2.00%
Or plus rate peg amount	$i = e \times (c + g)$	119	50
Sub-total	$k = (c + g + h + i + j)$	2,551	2,545
Plus (or minus) last year's carry forward total	l	(1)	67
Sub-total	$n = (l + m)$	(1)	67
Total permissible income	$o = k + n$	2,550	2,612
Less notional general income yield	p	2,483	2,567
Catch-up or (excess) result	$q = o - p$	67	45
Carry forward to next year ⁶	$t = q + r + s$	67	45

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

Hay Shire Council

To the Councillors of Hay Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

Hay Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	20	44	1,473	1,690	0.0%	20.0%	80.0%	0.0%	0.0%
	Emergency Services	–	–	10	3	1,099	1,262	0.0%	0.0%	100.0%	0.0%	0.0%
	Council Offices	–	–	25	10	1,289	1,971	0.0%	0.0%	100.0%	0.0%	0.0%
	Council Works Depot	–	–	20	7	684	931	0.0%	0.0%	100.0%	0.0%	0.0%
	Council Public Halls	250	–	30	5	2,694	4,697	20.0%	0.0%	60.0%	20.0%	0.0%
	Libraries	–	–	20	4	2,670	3,032	100.0%	0.0%	0.0%	0.0%	0.0%
	Cultural Facilities	200	–	40	31	2,994	5,485	0.0%	30.0%	60.0%	10.0%	0.0%
	Tourist Centre	–	–	20	5	659	748	0.0%	100.0%	0.0%	0.0%	0.0%
	Other Specialised Buildings	–	–	80	24	3,241	4,129	4.0%	28.0%	68.0%	0.0%	0.0%
	Aerodrome	–	–	10	8	1,047	1,268	0.0%	80.0%	20.0%	0.0%	0.0%
	Showground	–	–	20	26	2,072	3,063	0.0%	0.0%	100.0%	0.0%	0.0%
	Medical Centre	–	–	20	6	2,902	3,361	0.0%	60.0%	20.0%	20.0%	0.0%
	Sub-total	450	–	315	173	22,824	31,637	13.1%	21.9%	58.2%	6.8%	0.0%
Other structures	Other structures	500	–	20	62	5,216	8,604	10.0%	40.0%	25.0%	25.0%	0.0%
	Other	40	–	30	25	5,088	7,932	10.0%	40.0%	25.0%	25.0%	0.0%
	Sub-total	540	–	50	87	10,304	16,536	10.0%	40.0%	25.0%	25.0%	0.0%
Roads	Rural Sealed roads	–	–	500	361	43,470	54,690	70.0%	26.0%	4.0%	0.0%	0.0%
	Unsealed roads	–	–	500	340	17,059	18,899	65.0%	30.0%	5.0%	0.0%	0.0%
	Bridges	–	–	50	8	2,550	4,906	55.0%	11.0%	10.0%	24.0%	0.0%
	Urban Streets	–	–	150	139	12,145	15,567	54.0%	16.0%	30.0%	0.0%	0.0%
	Footpaths	–	–	50	18	3,349	5,543	54.0%	16.0%	30.0%	0.0%	0.0%
	Kerb and Gutter	–	–	40	12	3,498	6,156	54.0%	16.0%	30.0%	0.0%	0.0%
	Other road assets	–	–	50	22	800	1,432	0.0%	50.0%	50.0%	0.0%	0.0%
	Sub-total	–	–	1,340	900	82,871	107,193	63.4%	23.8%	11.7%	1.1%	0.0%
Water supply network	Intake Works	–	–	50	35	782	1,745	0.0%	50.0%	50.0%	0.0%	0.0%
	Mains	500	–	80	107	9,062	14,119	0.0%	50.0%	40.0%	10.0%	0.0%
	Reservoirs	–	–	30	34	3,749	5,125	0.0%	75.0%	25.0%	0.0%	0.0%
	Treatment	–	–	100	51	3,015	5,300	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	500	–	260	227	16,808	26,289	0.0%	65.0%	29.7%	5.4%	0.0%

Hay Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Sewerage network	Mains	700	—	80	73	9,940	13,343	0.0%	50.0%	40.0%	10.0%	0.0%
	Pumping Station	100	—	70	51	1,754	3,190	0.0%	50.0%	40.0%	10.0%	0.0%
	Treatment	—	—	50	48	6,945	6,945	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	800	—	200	172	18,639	23,478	29.6%	35.2%	28.2%	7.0%	0.0%
Stormwater drainage	Stormwater drainage	—	—	50	31	11,287	19,396	8.0%	86.0%	6.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	50	31	11,287	19,396	8.0%	86.0%	6.0%	0.0%	0.0%
Total – all assets		2,290	—	2,215	1,590	162,733	224,529	36.6%	36.1%	22.6%	4.7%	0.0%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Hay Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	5,337	169.59%	245.71%	87.00%	>= 100.00%
Depreciation, amortisation and impairment	3,147				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	2,290	1.41%	5.55%	3.90%	< 2.00%
Net carrying amount of infrastructure assets	162,108				
Asset maintenance ratio					
Actual asset maintenance	1,590	71.78%	76.51%	68.27%	> 100.00%
Required asset maintenance	2,215				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	–	0.00%	3.98%	2.71%	
Gross replacement cost	224,529				

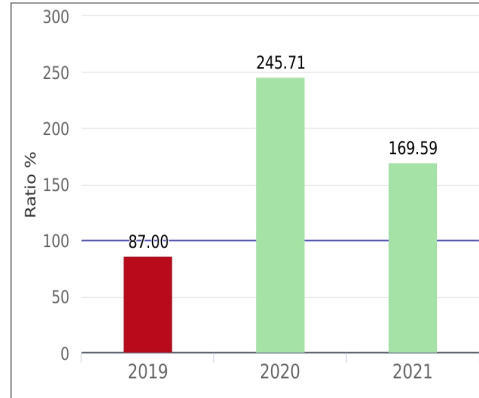
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Hay Shire 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 169.59%

Ratio is above benchmark primarily due to level of capital grant funding received.

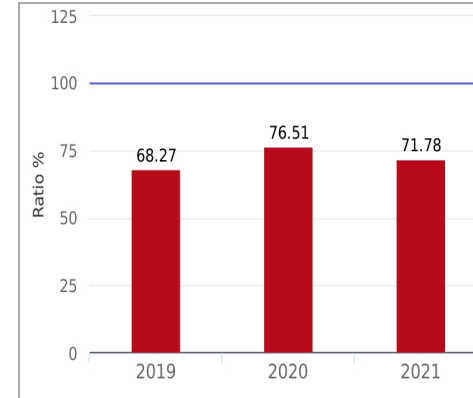
Benchmark: — $\geq 100.00\%$

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 71.78%

Council is reviewing its asset management plans which will include the reassessment of maintenance requirements.

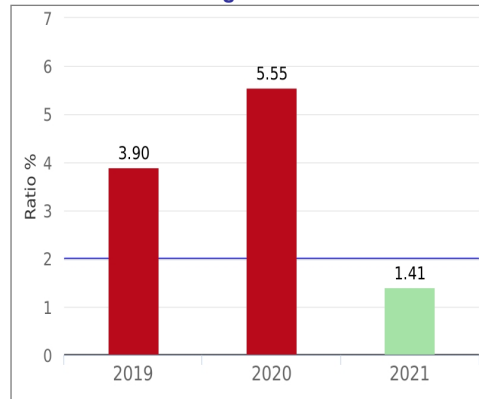
Benchmark: — $> 100.00\%$

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 1.41%

The ratio has reduced due to the construction of the new Maude Bridge which was Council's largest backlog asset need.

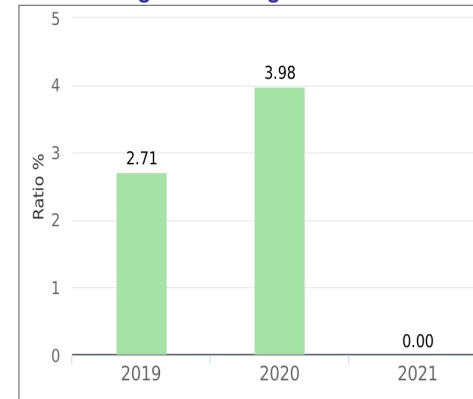
Benchmark: — $< 2.00\%$

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 0.00%

Council has assessed its assets and is of the opinion that it does not have any assets that are not able to meet the required service levels.

Hay Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	234.90%	76.45%	0.00%	51.36%	0.00%	1,180.28%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.78%	5.66%	2.97%	4.55%	4.29%	5.24%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	67.86%	76.05%	87.31%	94.62%	86.00%	57.00%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.00%	4.32%	0.00%	1.95%	0.00%	3.50%	

(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.