

Cabonne Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



Cabonne Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



Cabonne Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	78
On the Financial Statements (Sect 417 [3])	81

Cabonne Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

The attached general purpose financial statements have been prepared in accordance with:


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

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

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

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

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



Kevin Beatty
Mayor
28 September 2021



Jaime Jones
Deputy Mayor
28 September 2021



Bradley Byrnes
General Manager
28 September 2021



Heather Nicholls
Responsible Accounting Officer
28 September 2021

Cabonne Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Income from continuing operations				
14,779	Rates and annual charges	B2-1	14,932	14,295
8,040	User charges and fees	B2-2	6,160	7,423
435	Other revenue	B2-3	484	626
12,697	Grants and contributions provided for operating purposes	B2-4	11,143	11,290
4,758	Grants and contributions provided for capital purposes	B2-4	9,990	8,407
611	Interest and investment income	B2-5	322	888
–	Other income	B2-6	322	4,366
300	Net gains from the disposal of assets	B4-1	725	833
41,620	Total income from continuing operations		44,078	48,128
Expenses from continuing operations				
13,950	Employee benefits and on-costs	B3-1	14,279	12,186
17,029	Materials and services	B3-2	11,736	11,002
121	Borrowing costs	B3-3	94	108
11,138	Depreciation, amortisation and impairment for non-financial assets	B3-4	12,472	11,287
508	Other expenses	B3-5	554	497
42,746	Total expenses from continuing operations		39,135	35,080
(1,126)	Operating result from continuing operations		4,943	13,048
(1,126)	Net operating result for the year attributable to Council		4,943	13,048
(5,884)	Net operating result for the year before grants and contributions provided for capital purposes		(5,047)	4,641

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

Cabonne 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		4,943	13,048
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	3,260	(13,862)
Other comprehensive income – joint ventures and associates		238	363
Total items which will not be reclassified subsequently to the operating result		3,498	(13,499)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		–	(161)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	(161)
Total other comprehensive income for the year		3,498	(13,660)
Total comprehensive income for the year attributable to Council		8,441	(612)

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

Cabonne Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	14,440	9,927
Investments	C1-2	31,000	37,000
Receivables	C1-4	2,787	2,972
Inventories	C1-5	870	987
Contract assets and contract cost assets	C1-6	2,956	3,089
Other		75	86
Total current assets		52,128	54,061
Non-current assets			
Receivables	C1-4	938	1,128
Inventories	C1-5	41	41
Infrastructure, property, plant and equipment	C1-7	576,796	564,418
Intangible Assets	C1-8	173	137
Investments accounted for using the equity method	D2-1	29,548	29,113
Other		282	282
Total non-current assets		607,778	595,119
Total assets		659,906	649,180
LIABILITIES			
Current liabilities			
Payables	C3-1	3,420	5,368
Income received in advance	C3-1	-	83
Contract liabilities	C3-2	4,089	1,086
Borrowings	C3-3	146	137
Employee benefit provisions	C3-4	3,460	3,157
Total current liabilities		11,115	9,831
Non-current liabilities			
Payables	C3-1	60	58
Borrowings	C3-3	1,403	1,549
Provisions	C3-5	2,777	1,632
Total non-current liabilities		4,240	3,239
Total liabilities		15,355	13,070
Net assets		644,551	636,110
EQUITY			
Accumulated surplus	C4-1	386,192	381,011
IPPE revaluation reserve	C4-1	258,359	255,099
Council equity interest		644,551	636,110
Total equity		644,551	636,110

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

Cabonne Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance at 1 July		381,011	255,099	–	636,110	368,292	268,950	161	637,403
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	–	(681)	–	–	(681)
Restated opening balance		381,011	255,099	–	636,110	367,611	268,950	161	636,722
Net operating result for the year		4,943	–	–	4,943	13,048	–	–	13,048
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	3,260	–	3,260	–	(13,862)	–	(13,862)
Joint ventures and associates		238	–	–	238	363	–	–	363
– Other movements		–	–	–	–	(11)	11	(161)	(161)
Other comprehensive income		238	3,260	–	3,498	352	(13,851)	(161)	(13,660)
Total comprehensive income		5,181	3,260	–	8,441	13,400	(13,851)	(161)	(612)
Closing balance at 30 June		386,192	258,359	–	644,551	381,011	255,099	–	636,110

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

Cabonne Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
14,926	Rates and annual charges		14,995	14,767
8,039	User charges and fees		6,640	7,212
611	Investment and interest revenue received		489	1,124
17,454	Grants and contributions		24,117	17,792
–	Bonds, deposits and retention amounts received		200	127
433	Other		6,266	5,860
<i>Payments:</i>				
(13,949)	Employee benefits and on-costs		(11,681)	(12,484)
(12,714)	Materials and services		(16,348)	(8,844)
(94)	Borrowing costs		(94)	(107)
(4,969)	Other		(5,198)	(4,560)
9,737	Net cash flows from operating activities	G1-1	19,386	20,887
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		64,750	81,293
–	Sale of real estate assets		113	57
1,004	Sale of infrastructure, property, plant and equipment		1,403	446
–	Deferred debtors receipts		42	–
<i>Payments:</i>				
–	Purchase of investment securities		(58,750)	(79,008)
(16,449)	Purchase of infrastructure, property, plant and equipment		(22,216)	(21,643)
–	Purchase of intangible assets		(78)	(84)
–	Deferred debtors and advances made		–	(108)
(15,445)	Net cash flows from investing activities		(14,736)	(19,047)
Cash flows from financing activities				
<i>Payments:</i>				
(94)	Repayment of borrowings		(137)	(219)
(94)	Net cash flows from financing activities		(137)	(219)
(5,802)	Net change in cash and cash equivalents		4,513	1,621
11,000	Cash and cash equivalents at beginning of year		9,927	8,306
5,198	Cash and cash equivalents at end of year	C1-1	14,440	9,927
29,000	plus: Investments on hand at end of year	C1-2	31,000	37,000
34,198	Total cash, cash equivalents and investments		45,440	46,927

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

Cabonne Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	14
B1 Functions or activities	14
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
B2 Sources of income	16
B2-1 Rates and annual charges	16
B2-2 User charges and fees	17
B2-3 Other revenue	18
B2-4 Grants and contributions	19
B2-5 Interest and investment income	23
B2-6 Other income	23
B3 Costs of providing services	24
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	25
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
B4 Gains or losses	29
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	29
B5 Performance against budget	30
B5-1 Material budget variations	30
C Financial position	31
C1 Assets we manage	31
C1-1 Cash and cash equivalents	31
C1-2 Financial investments	31
C1-3 Restricted cash, cash equivalents and investments	33
C1-4 Receivables	34
C1-5 Inventories	36
C1-6 Contract assets and Contract cost assets	37
C1-7 Infrastructure, property, plant and equipment	38
C1-8 Intangible assets	41
C2 Leasing activities	42
C2-1 Council as a lessor	42
C3 Liabilities of Council	43
C3-1 Payables	43
C3-2 Contract Liabilities	44
C3-3 Borrowings	45
C3-4 Employee benefit provisions	46
C3-5 Provisions	47
C4 Reserves	49

Cabonne Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

C4-1 Nature and purpose of reserves	49
D Council structure	50
D1 Results by fund	50
D1-1 Income Statement by fund	50
D1-2 Statement of Financial Position by fund	51
D2 Interests in other entities	52
D2-1 Interests in associates	52
D2-2 Unconsolidated structured entities	54
D2-3 Subsidiaries, joint arrangements and associates not recognised	54
E Risks and accounting uncertainties	55
E1-1 Risks relating to financial instruments held	55
E2-1 Fair value measurement	58
E3-1 Contingencies	65
F People and relationships	68
F1 Related party disclosures	68
F1-1 Key management personnel (KMP)	68
F1-2 Councillor and Mayoral fees and associated expenses	69
F1-3 Other related parties	70
F2 Other relationships	71
F2-1 Audit fees	71
G Other matters	72
G1-1 Statement of Cash Flows information	72
G2-1 Commitments	73
G3-1 Events occurring after the reporting date	73
G4 Statement of developer contributions as at 30 June 2021	74
G4-1 Summary of developer contributions	74
G4-2 Developer contributions by plan	74
G5 Statement of performance measures	75
G5-1 Statement of performance measures – consolidated results	75
G5-2 Statement of performance measures by fund	76
H Additional Council disclosures (unaudited)	77
H1-1 Council information and contact details	77

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 22 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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 C1-4b.

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 services

A1-1 Basis of preparation (continued)

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

Council has considered the various forms of volunteer services received and cannot measure the value of the volunteer services reliably. Therefore, volunteer services are not recognised in Other Income and corresponding Other Expenses.

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.

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

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
 AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

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

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

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

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

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

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,

A1-1 Basis of preparation (continued)

- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

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

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

New accounting standards adopted during the year

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

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at G4-1.

COVID-19 Impacts

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

Some additional costs have been incurred in cleaning of Council Facilities.

Rate collections and 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-19. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in the value due to COVID-19.

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

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										
Connect Cabonne to each other and the World	15,742	13,953	14,736	13,076	1,006	877	12,205	10,956	400,000	395,900
Build Business and Generate employment	240	168	911	907	(671)	(739)	36	–	350	350
Provide and develop Community facilities	2,340	2,214	5,535	5,793	(3,195)	(3,579)	1,122	818	75,000	74,930
Grow Cabonne Culture and Community	17,880	19,323	9,377	7,144	8,503	12,179	5,319	5,775	70,000	69,000
Manage our Natural Resources	7,876	12,470	8,576	8,160	(700)	4,310	2,451	2,148	114,556	109,000
Total functions and activities	44,078	48,128	39,135	35,080	4,943	13,048	21,133	19,697	659,906	649,180

B1-2 Components of functions or activities

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

Connect Cabonne to each other and the World

To provide a safe, efficient, quality and well maintained Urban and Rural transport system. To ensure that Cabonne's infrastructure meets agricultural needs to get goods to and from market. To ensure everywhere in Cabonne has access to contemporary information and communication technology. To provide a range of transport options in to, out of and around Cabonne. To ensure access to major metropolitan markets to enable growth of tourism.

Build Business and Generate employment

To provide a strong and vibrant local business sector and to increase viable, sustainable and value adding business in Cabonne. To have a co-ordinated tourism product and a thriving visitor industry in Cabonne. To provide jobs for Cabonne people in Cabonne.

Provide and develop Community facilities

To provide preschool, play group, child care and youth facilities within Cabonne. To provide health and aged care facilities that meet the local communities needs. To provide sporting, recreational, council and community facilities and services that are maintained and developed in Cabonne.

Grow Cabonne Culture and Community

To have a successful balance of village and rural living in the Cabonne Shire. To provide a network of viable, relevant and cultural facilities that exist in Cabonne. To provide the community with beautiful towns and villages with historic assets. The community events build visitation, generate investment and strengthen community well being. To ensure that Cabonne is effective and efficient Council which make transparent and accountable decisions.

Manage our Natural Resources

To ensure that all town and villages have a secure and quality water supply. That Cabonne has flood mitigation processes in place to manage stormwater and pollution. That Cabonne has a sustainable solid and liquid waste management practices in place across the Shire. To provide our primary producers with information regarding best practice in regards to noxious weed controls. To ensure that all the natural resources are managed sustainable and in a planned way.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	3,258	3,061
Farmland	5,317	5,115
Mining	1,853	1,782
Business	273	246
Less: pensioner rebates (mandatory)	(144)	(155)
Rates levied to ratepayers	10,557	10,049
Pensioner rate subsidies received	92	80
Total ordinary rates	10,649	10,129
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,292	1,241
Water supply services	516	515
Sewerage services	2,088	2,017
Waste management services (non-domestic)	392	381
Section 611 charges	1	8
Less: pensioner rebates (mandatory)	(166)	(177)
Stormwater levy	74	74
Annual charges levied	4,197	4,059
Pensioner subsidies received:		
– Water	9	15
– Sewerage	22	36
– Domestic waste management	55	56
Total annual charges	4,283	4,166
Total rates and annual charges	14,932	14,295

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	2021	2020
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	550	668
Sewerage services	62	77
Total specific user charges	612	745
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	552	344
Private works – section 67	184	151
Section 603 certificates	38	27
Discretionary fees – other	70	10
Waste management	156	167
Total fees and charges – statutory/regulatory	1,000	699
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	203	165
Cemeteries	69	57
Child care	1,127	1,082
Transport for NSW works (state roads not controlled by Council)	3,139	4,667
Trade waste	10	8
Total fees and charges – other	4,548	5,979
Total user charges and fees	6,160	7,423

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

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

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

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

B2-3 Other revenue

\$ '000	2021	2020
Legal fees recovery – rates and charges (extra charges)	–	107
Commissions and agency fees	18	22
Diesel rebate	127	145
Insurance claims recoveries	29	17
Recycling income (non-domestic)	26	101
Gravel pit restoration	42	45
Rebates received	196	137
Other	46	52
Total other revenue	484	626

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	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	1,453	1,453	–	–
Financial assistance – local roads component	1,025	1,038	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,554	1,538	–	–
Financial assistance – local roads component	1,099	1,101	–	–
Amount recognised as income during current year	5,131	5,130	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Pensioners' rates subsidies:				
Water supplies	–	119	1,124	1,103
Economic development	2	–	–	–
Floodplain management	–	–	23	–
Heritage and cultural	10	–	–	–
Library	92	–	21	–
LIRS subsidy	–	30	–	–
Noxious weeds	140	–	–	–
Recreation and culture	1,215	525	1,551	275
Community services	640	714	–	–
Environment	–	155	1,058	742
Transport and communication	1,841	1,946	6,062	5,774
Street lighting	38	38	–	–
Other specific grants	25	5	–	–
Previously contributions:				
Bushfire services	94	24	30	395
Community services	126	162	–	–
Heritage/cultural	2	–	–	–
Recreation and culture	44	36	20	98
Roads and bridges	–	–	60	–
Transport for NSW contributions (regional roads, block grant)	1,643	1,643	–	–
Sewerage (excl. section 64 contributions)	–	–	41	13
Tourism	24	–	–	–
Water supplies (excl. section 64 contributions)	–	–	–	7
Administration	2	1	–	–
Environment	20	44	–	–
Health	46	44	–	–
Transport and communication	–	496	–	–
Other Contributions	–	10	–	–
Total special purpose grants and non-developer contributions – cash	6,004	5,992	9,990	8,407
Total special purpose grants and non-developer contributions (tied)	6,004	5,992	9,990	8,407
Total grants and non-developer contributions	11,135	11,122	9,990	8,407
Comprising:				
– Commonwealth funding	8,485	8,310	1,331	–
– State funding	364	352	8,659	7,894
– Other funding	2,286	2,460	–	513
	11,135	11,122	9,990	8,407

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4				
Cash contributions					
S 7.11 – contributions towards amenities/services		<u>8</u>	<u>168</u>	<u>–</u>	<u>–</u>
Total developer contributions – cash		<u>8</u>	<u>168</u>	<u>–</u>	<u>–</u>
Total developer contributions		<u>8</u>	<u>168</u>	<u>–</u>	<u>–</u>
Total contributions		<u>8</u>	<u>168</u>	<u>–</u>	<u>–</u>
Total grants and contributions		<u>11,143</u>	<u>11,290</u>	<u>9,990</u>	<u>8,407</u>

B2-4 Grants and contributions (continued)

Unspent Grants and Contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent Grants and Non-Developer Contributions				
Unspent funds at 1 July	2,923	3,045	49	530
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	3,303	2,672	474	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(3,204)	(2,794)	(466)	(481)
Unspent funds at 30 June	3,022	2,923	57	49
Unspent Developer Contributions				
Unspent funds at 1 July	1,624	2,690	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	1,604	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(1,137)	(2,670)	–	–
Unspent contributions at 30 June	487	1,624	–	–

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.

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

B2-4 Grants and contributions (continued)

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	47	91
– Cash and investments	275	746
Dividend income (other)	–	51
Total interest and investment income	322	888
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	28	62
General Council cash and investments	259	736
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1	3
Water fund operations	13	48
Sewerage fund operations	18	28
Domestic waste management operations	3	11
Total interest and investment income	322	888

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			
Other lease income			
Quarry		–	250
Leaseback fees - council vehicles		125	122
Other		–	5
Total Other lease income		125	377
Total rental income	C2-1	125	377
Net share of interests in joint ventures and associates using the equity method			
Associates		197	3,989
Total net share of interests in joint ventures and associates using the equity method	D2-1	197	3,989
Total other income		322	4,366

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	10,396	9,929
Travel expenses	447	430
Employee leave entitlements (ELE)	2,059	1,142
Superannuation	1,210	1,184
Workers' compensation insurance	749	492
Fringe benefit tax (FBT)	104	88
Pre employment medicals	24	16
Protective clothing	87	80
Training costs (other than salaries and wages)	269	113
Other	56	78
Total employee costs	15,401	13,552
Less: capitalised costs	(1,122)	(1,366)
Total employee costs expensed	14,279	12,186
Number of 'full-time equivalent' employees (FTE) at year end	150	160

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		3,119	3,445
– Caretaker fees		303	308
– Cleaning		35	43
– Consultancy costs		217	111
– Licence agreements		509	485
– Service contracts		3,744	2,142
– Valuation fees		57	56
Audit Fees	F2-1	53	54
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	218	216
Advertising		65	67
Bank charges		41	39
Electricity and heating		409	418
Insurance		582	560
Postage		37	43
Printing and stationery		87	89
Street lighting		83	152
Subscriptions and publications		27	24
Telephone and communications		113	121
Commissions paid		17	20
Donations, contributions and assistance to community groups		483	614
External hire		556	850
Other expenses		4	42
Memberships		208	229
Rates expense		498	599
Registrations		159	154
Rent expense		22	19
Service subsidy expense		20	25
Volunteer expenses		21	18
Water / sewer sampling		20	21
Legal expenses:			
– Legal expenses: other		29	38
Total materials and services		11,736	11,002
Total materials and services		11,736	11,002

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		94	107
Total interest bearing liability costs		94	107
Total interest bearing liability costs expensed		94	107
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	C3-5	–	1
Total other borrowing costs		–	1
Total borrowing costs expensed		94	108

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		2,098	2,040
Office equipment		135	105
Furniture and fittings		46	43
Land improvements (depreciable)		190	189
Infrastructure:	C1-7		
– Buildings – non-specialised		145	145
– Buildings – specialised		1,694	1,642
– Other structures		400	399
– Roads		4,951	4,123
– Bridges		465	392
– Footpaths		107	75
– Stormwater drainage		499	409
– Water supply network		631	623
– Sewerage network		766	757
– Swimming pools		141	138
– Other open space/recreational assets		156	155
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	1	1
– Quarry assets	C3-5,C1-7	5	5
Intangible assets	C1-8	42	46
Total gross depreciation and amortisation costs		12,472	11,287
Total depreciation and amortisation costs		12,472	11,287
Total depreciation, amortisation and impairment for non-financial assets		12,472	11,287

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C1-8 for intangible assets.

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	2021	2020
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	26	22
– NSW fire brigade levy	47	42
– NSW rural fire service levy	459	411
Donations, contributions and assistance to other organisations (Section 356)	22	22
Total other	554	497
Total other expenses	554	497

Accounting policy

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

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	137
Less: carrying amount of property assets sold/written off		(44)	(126)
Gain (or loss) on disposal		(44)	11
Infrastructure, Plant and equipment			
	C1-7		
Proceeds from disposal – infrastructure, plant and equipment		1,403	309
Less: carrying amount of infrastructure, plant and equipment assets sold/written off		(624)	(269)
Gain (or loss) on disposal		779	40
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		113	57
Less: carrying amount of real estate assets sold/written off		(123)	(60)
Gain (or loss) on disposal		(10)	(3)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		58,750	81,293
Less: carrying amount of investments sold/redeemed/matured		(58,750)	(80,508)
Gain (or loss) on disposal		–	785
Net gain (or loss) on disposal of assets		725	833

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 22 June 2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
User charges and fees	8,040	6,160	(1,880)	(23)% U
Council's budget for State Road Ordered works was optimistic of \$3.7m. Many factors affect the outcome of the income received and Council realised \$2.4m for the 2020/2021 financial year.				
Other revenues	435	484	49	11% F
Operating grants and contributions	12,697	11,143	(1,554)	(12)% U
Council received \$11.1m grants in the financial year. Council budgeted for grants that were expected to be completed in the 2020/2021 financial year. Some grant projects outcomes and milestones have been shifted to the new financial year, including major grants for Building Better regions.				
Capital grants and contributions	4,758	9,990	5,232	110% F
The increase in the budgeted grant income is mainly due to unexpected windfalls in councils favour eg. Fixing Local Road funding \$2.7m, Saving Lives on Local road funding \$1.5m.				
Net gains from disposal of assets	300	725	425	142% F
Council had a backlog of heavy plant that was sold during this financial year, boosting the net gains on the disposal of assets.				
Other income	-	322	322	∞ F
Other Income includes Joint Venture income that is not budgeted for in the annual budget process as it is unknown.				

EXPENSES

Materials and services	17,029	11,736	5,293	31% F
The major unfavourable result is due to the anticipated RMS State Road ordered works which can be unpredictable and not as much as council expected in the 2020/2021 financial year. Areas such as toursim expenditure has been down this year due to covid lockdowns and anticipated private works was also unfavourable. Anticipated one off projects have also been delayed and move forward to the next financial year.				

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	2,599	2,810
Cash-equivalent assets		
– Deposits at call	4,841	6,108
– Short-term deposits	7,000	1,009
Total cash and cash equivalents	14,440	9,927

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	14,440	9,927
Balance as per the Statement of Cash Flows	14,440	9,927

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

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Financial assets at amortised cost				
Term deposits	31,000	–	37,000	–
Total	31,000	–	37,000	–
Total financial investments	31,000	–	37,000	–
Total cash assets, cash equivalents and investments	45,440	–	46,927	–

Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in the Other Comprehensive Income Statement.

Financial assets through profit or loss

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	45,440	–	46,927	–

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	4,005	1,086
External restrictions – included in liabilities	4,005	1,086

External restrictions – other

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

Developer contributions – general	999	1,055
Transport for NSW contributions	487	1,624
Specific purpose unexpended grants (recognised as revenue) – general fund	3,079	2,973
Water fund	3,754	4,382
Sewer fund	2,785	2,782
Stormwater management	402	328
Canowindra sports trust	19	23
Canowindra town improvement	1,455	1,227
Domestic waste management	3,899	3,841
External restrictions – other	16,879	18,235
Total external restrictions	20,884	19,321

Internal restrictions

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

Plant and vehicle replacement	1,186	1,569
Infrastructure replacement	1,535	1,607
Employees leave entitlement	1,769	1,645
Carry over works	1,607	1,635
Budget equilization	440	740
Future Innovation	331	652
Capital works	3,168	4,432
Community services	988	756
Environment	126	126
Environmental sustainability	122	138
Gravel pits	420	388
Housing	137	137
Insurance	157	87
Limestone quarry	1,466	1,480
Office equipment	246	576
Recreation and culture	2	2
Canowindra retirement Village	1,186	1,198
Roadworks	7,713	6,804
Sewerage	17	17
Village enhancement	601	1,012
Total internal restrictions	23,217	25,001
Total restrictions	44,101	44,322

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	661	202	570	233
Interest and extra charges	21	54	25	92
User charges and fees	555	217	451	212
Accrued revenues				
– Interest on investments	36	–	161	–
– Other income accruals	715	–	1,381	–
Council private works	22	–	12	–
Deferred debtors	240	465	156	591
Government grants and subsidies	412	–	314	–
NSW Rural Fire Service	104	–	79	–
Other debtors	302	–	104	–
Total	3,068	938	3,253	1,128
Less: provision of impairment				
Rates and annual charges	(157)	–	(157)	–
User charges and fees	(124)	–	(124)	–
Total provision for impairment – receivables	(281)	–	(281)	–
Total net receivables	2,787	938	2,972	1,128

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year	281	303
– amounts already provided for and written off this year	–	(22)
Balance at the end of the year	281	281

C1-4 Receivables (continued)

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

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

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	406	41	529	41
Stores and materials	464	–	458	–
Total inventories at cost	870	41	987	41
Total inventories	870	41	987	41

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		365	–	488	–
Industrial/commercial		41	41	41	41
Total real estate for resale		406	41	529	41

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		186	–	247	–
Development costs		220	41	282	41
Total costs		406	41	529	41
Total real estate for resale		406	41	529	41

Movements:

Real estate assets at beginning of the year		529	41	589	41
– WDV of sales (expense)	B4-1	(123)	–	(60)	–
Total real estate for resale		406	41	529	41

(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	406	529
	406	529

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 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6	2,956	3,089
Total contract assets and contract cost assets		2,956	3,089

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
RMS Revenue	1,167	-	1,042	-
Other Revenue	1,789	-	2,047	-
Total Contract assets at 30 June	2,956	-	3,089	-

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	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	15,621	–	15,621	–	2,190	(140)	–	–	–	–	17,671	–	17,671
Plant and equipment	44,182	(29,438)	14,744	–	1,622	(589)	(2,098)	80	–	–	42,835	(29,076)	13,759
Office equipment	2,959	(2,383)	576	–	206	(35)	(135)	–	–	–	2,558	(1,946)	612
Furniture and fittings	1,173	(840)	333	–	–	–	(46)	–	–	–	1,173	(887)	286
Land:													
– Operational land	7,998	–	7,998	–	33	–	–	–	–	–	8,029	–	8,029
– Community land	9,173	–	9,173	–	–	–	–	–	–	2,833	12,006	–	12,006
Land improvements – non-depreciable	14,830	–	14,830	–	–	–	–	–	–	199	15,032	–	15,032
Land improvements – depreciable	8,399	(2,606)	5,793	–	1,908	–	(190)	–	(1,181)	937	11,244	(3,978)	7,266
Infrastructure:													
– Buildings – non-specialised	5,763	(3,363)	2,400	–	–	(44)	(145)	–	–	–	5,452	(3,240)	2,212
– Buildings – specialised	69,180	(38,418)	30,762	610	75	–	(1,694)	–	–	–	69,864	(40,111)	29,753
– Other structures	11,571	(6,160)	5,411	135	126	–	(400)	–	–	–	11,829	(6,559)	5,270
– Roads	204,932	(73,561)	131,371	9,223	1,102	–	(4,951)	–	–	–	215,257	(78,512)	136,745
– Bridges	69,682	(25,945)	43,737	1,564	98	–	(465)	–	–	–	71,345	(26,410)	44,935
– Footpaths	8,805	(1,675)	7,130	–	474	–	(107)	–	–	–	9,280	(1,783)	7,497
– Bulk earthworks (non-depreciable)	154,045	–	154,045	–	–	–	–	–	–	–	154,045	–	154,045
– Stormwater drainage	74,859	(14,573)	60,286	211	19	–	(499)	–	–	–	75,089	(15,072)	60,017
– Water supply network	45,615	(25,252)	20,363	48	912	–	(631)	–	(238)	420	46,995	(26,121)	20,874
– Sewerage network	47,094	(14,816)	32,278	54	66	–	(766)	–	(143)	433	47,647	(15,726)	31,921
– Swimming pools	9,787	(3,765)	6,022	12	–	–	(141)	(80)	–	–	9,718	(3,906)	5,812
– Other open space/recreational assets	3,417	(1,988)	1,429	57	468	–	(156)	–	–	–	3,942	(2,144)	1,798
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	287	(284)	3	–	–	–	(1)	–	–	–	1,433	(285)	1,148
– Quarry assets	646	(533)	113	–	–	–	(5)	–	–	–	646	(538)	108
Total infrastructure, property, plant and equipment	810,018	(245,600)	564,418	11,914	9,299	(808)	(12,430)	–	(1,562)	4,822	833,090	(256,294)	576,796

(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	Additions new assets	Carrying value of disposals	Depreciation expense	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	14,087	–	14,087	–	1,534	–	–	–	–	15,621	–	15,621
Plant and equipment	40,774	(27,738)	13,036	–	4,002	(253)	(2,040)	–	–	44,182	(29,438)	14,744
Office equipment	2,766	(2,336)	430	–	269	(18)	(105)	–	–	2,959	(2,383)	576
Furniture and fittings	1,056	(798)	258	–	118	–	(43)	–	–	1,173	(840)	333
Land:												
– Operational land	7,731	–	7,731	–	348	(82)	–	–	–	7,998	–	7,998
– Community land	9,173	–	9,173	–	–	–	–	–	–	9,173	–	9,173
Land improvements – non-depreciable	14,832	–	14,832	–	–	–	–	–	–	14,830	–	14,830
Land improvements – depreciable	7,645	(2,416)	5,229	–	755	–	(189)	–	–	8,399	(2,606)	5,793
Infrastructure:												
– Buildings – non-specialised	5,763	(3,218)	2,545	–	–	–	(145)	–	–	5,763	(3,363)	2,400
– Buildings – specialised	68,016	(36,791)	31,225	734	490	(44)	(1,642)	–	–	69,180	(38,418)	30,762
– Other structures	11,552	(5,760)	5,792	–	17	–	(399)	–	–	11,571	(6,160)	5,411
– Roads	217,756	(65,573)	152,183	3,001	9,582	–	(4,123)	(29,272)	–	204,932	(73,561)	131,371
– Bridges	58,817	(12,269)	46,548	86	–	–	(392)	(2,505)	–	69,682	(25,945)	43,737
– Footpaths	7,177	(2,011)	5,166	–	298	–	(75)	–	1,740	8,805	(1,675)	7,130
– Bulk earthworks (non-depreciable)	148,409	–	148,409	–	–	–	–	–	5,636	154,045	–	154,045
– Stormwater drainage	63,336	(12,750)	50,586	63	–	–	(409)	–	10,046	74,859	(14,573)	60,286
– Water supply network	45,039	(24,391)	20,648	133	15	–	(623)	–	190	45,615	(25,252)	20,363
– Sewerage network	46,617	(13,920)	32,697	34	–	–	(757)	–	303	47,094	(14,816)	32,278
– Swimming pools	9,621	(3,628)	5,993	165	–	–	(138)	–	–	9,787	(3,765)	6,022
– Other open space/recreational assets	3,416	(1,834)	1,582	–	–	–	(155)	–	–	3,417	(1,988)	1,429
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	288	(283)	5	–	–	–	(1)	–	–	287	(284)	3
– Quarry assets	646	(528)	118	–	–	–	(5)	–	–	646	(533)	113
Total infrastructure, property, plant and equipment	784,517	(216,244)	568,273	4,216	17,428	(397)	(11,241)	(31,777)	17,915	810,018	(245,600)	564,418

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 35
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	33 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	60
Bores	30	Culverts	60
Reticulation pipes: PVC	40 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	10 to 70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	30	Swimming pools	70
Sealed roads: structure	75	Other open space/recreational assets	15 to 110
Unsealed roads	40	Other infrastructure	15 to 110
Bridge: concrete	150		
Bulk earthworks	Infinite		
Kerb, gutter, footpaths	100		

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

Land under roads

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

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

Crown reserves

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

C1-7 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".

Council has no care or control over the purchase or sale of plant and equipment or other fire fighting equipment, nor does Council receive any proceeds from their disposal.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for Council owned land and buildings only.

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	601	517
Accumulated amortisation	(464)	(418)
Net book value – opening balance	137	99
Movements for the year		
Purchases	78	84
Amortisation charges	(42)	(46)
Closing values at 30 June		
Gross book value	628	601
Accumulated amortisation	(455)	(464)
Total software – net book value	173	137
Total intangible assets – net book value	173	137

Accounting policy

IT development and software

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

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

\$ '000	2021	2020
(ii) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	125	377
Total income relating to operating leases for Council assets	125	377

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	2,017	–	3,666	–
Accrued expenses:				
– Borrowings	3	–	3	–
Prepaid rates	489	–	366	–
Salaries and wages	106	–	480	–
Other expenditure accruals	271	–	510	–
Security bonds, deposits and retentions	477	60	279	58
ATO – net GST payable	–	–	8	–
Other	57	–	56	–
Total payables	3,420	60	5,368	58
Income received in advance				
Payments received in advance	–	–	83	–
Total income received in advance	–	–	83	–
Total payables	3,420	60	5,451	58

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)	4,005	-	844	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	-	-	242	-
Total grants received in advance		4,005	-	1,086	-
User fees and charges received in advance:					
Other		84	-	-	-
Total user fees and charges received in advance		84	-	-	-
Total Contract liabilities at 30 June		4,089	-	1,086	-

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.

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	3,351	524
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,351	524

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		2020	
	Current	Non-current	Current	Non-current
Loans – secured ¹	146	1,403	137	1,549
Total borrowings	146	1,403	137	1,549

(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 E1-1c.

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.

Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,686	(137)	–	–	–	–	1,549
Total liabilities from financing activities	1,686	(137)	–	–	–	–	1,549

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,905	(219)	–	–	–	–	1,686
Total liabilities from financing activities	1,905	(219)	–	–	–	–	1,686

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	1,373	–	884	–
Long service leave	2,087	–	2,273	–
Total employee benefit provisions	3,460	–	3,157	–

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	3,228	3,010
	3,228	3,010

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,777	–	1,632
Sub-total – asset remediation/restoration	–	2,777	–	1,632
Total provisions	–	2,777	–	1,632

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.

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	1,632	1,632
Other	1,145	1,145
Total other provisions at end of year	2,777	2,777
2020		
At beginning of year	1,631	1,631
Unwinding of discount	1	1
Total other provisions at end of year	1,632	1,632

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

C3-5 Provisions (continued)

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

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.

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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	12,362	507	2,063
User charges and fees	5,544	540	76
Interest and investment revenue	292	13	17
Other revenues	476	8	–
Grants and contributions provided for operating purposes	11,143	–	–
Grants and contributions provided for capital purposes	8,816	1,133	41
Net gains from disposal of assets	725	–	–
Other income	322	–	–
Total income from continuing operations	39,680	2,201	2,197
Expenses from continuing operations			
Employee benefits and on-costs	13,207	531	541
Materials and services	10,337	591	808
Borrowing costs	–	–	94
Depreciation, amortisation and impairment of non-financial assets	10,933	668	871
Other expenses	78	109	367
Total expenses from continuing operations	34,555	1,899	2,681
Operating result from continuing operations	5,125	302	(484)
Net operating result for the year	5,125	302	(484)
Net operating result attributable to each council fund	5,125	302	(484)
Net operating result for the year before grants and contributions provided for capital purposes	(3,691)	(831)	(525)

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	7,901	3,754	2,785
Investments	31,000	–	–
Receivables	1,402	445	940
Inventories	870	–	–
Contract assets and contract cost assets	2,521	435	–
Other	75	–	–
Total current assets	43,769	4,634	3,725
Non-current assets			
Receivables	692	66	180
Inventories	41	–	–
Infrastructure, property, plant and equipment	498,756	37,862	40,178
Investments accounted for using the equity method	29,548	–	–
Intangible assets	173	–	–
Other	282	–	–
Total non-current assets	529,492	37,928	40,358
TOTAL ASSETS	573,261	42,562	44,083
LIABILITIES			
Current liabilities			
Payables	3,167	210	43
Contract liabilities	4,089	–	–
Borrowings	1	–	145
Employee benefit provision	3,460	–	–
Total current liabilities	10,717	210	188
Non-current liabilities			
Payables	60	–	–
Borrowings	–	–	1,403
Provisions	2,777	–	–
Total non-current liabilities	2,837	–	1,403
TOTAL LIABILITIES	13,554	210	1,591
Net assets	559,707	42,352	42,492
EQUITY			
Accumulated surplus	336,286	26,045	23,861
Revaluation reserves	223,421	16,307	18,631
Council equity interest	559,707	42,352	42,492
Total equity	559,707	42,352	42,492

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Associates	29,548	29,113
Total net share of interests in joint ventures and associates using the equity method – assets	29,548	29,113
Total Council's share of net assets	29,548	29,113

D2-1 Interests in associates

Net carrying amounts – Council's share

\$ '000	Nature of relationship	Place of business	Interest in ownership			
			2021	2020	2021	2020
Central Tablelands Water	Associate	Blayney	33%	33%	29,548	29,113
Total carrying amounts – material associates					29,548	29,113

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share. Central Tablelands Water financial data is in fact from their Audited 2019/2020 financial statements, which are the most recent audited financial statements available.

Details

	Principal activity	Measurement method
Central Tablelands Water	Supply Water	Equity

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Central Tablelands Water	33%	33%	33%	33%

D2-1 Interests in associates (continued)

Summarised financial information for associates

\$ '000	Central Tablelands Water	
	2021	2020
Statement of financial position		
Current assets		
Cash and cash equivalents	1,615	2,029
Other current assets	6,301	5,216
Non-current assets	83,099	83,110
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	532	497
Other current liabilities	1,412	1,556
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	430	945
Net assets	88,641	87,357
Statement of comprehensive income		
Income	7,600	18,666
Interest income	120	195
Depreciation and amortisation	(2,803)	(2,761)
Interest expense	(83)	(114)
Other expenses	(4,243)	(4,019)
Profit/(loss) from continuing operations	591	11,967
Profit/(loss) for period	591	11,967
Other comprehensive income	710	1,082
Total comprehensive income	1,301	13,049
Share of income – Council (%)	33%	33%
Profit/(loss) – Council (\$)	197	3,989
Total comprehensive income – Council (\$)	434	4,349
Summarised Statement of cash flows		
Cash flows from operating activities	3,224	3,228
Cash flows from investing activities	(3,141)	(1,550)
Cash flows from financing activities	(497)	(466)
Net increase (decrease) in cash and cash equivalents	(414)	1,212
Reconciliation of the carrying amount		
Opening net assets (1 July)	87,340	74,291
Profit/(loss) for the period	591	11,967
Gains on revaluation of I,PP&E	710	1,082
Closing net assets	88,641	87,340
Council's share of net assets (%)	33%	33%
Council's share of net assets (\$)	29,548	29,113

Accounting policy

Interests in associates are accounted for using the equity method where the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If Council's share of losses of an associate equals or exceeds its interest in the associate, Council discontinues recognising its share of further losses.

Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

D2-1 Interests in associates (continued)

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

D2-2 Unconsolidated structured entities

Council did not consolidate the following structured entities:

D2-3 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
Section 355 Committees of Council	Management control and care of Council property	247	2,637

Reasons for non-recognition

Council auspice a number of Section 355 Committees and due to their immaterial value and nature have been excluded from recognition.

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.

Financial assets

Measured at amortised cost

Fair value is determined as follows:

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

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

Council 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 guarantees.

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

(a) Market risk – interest rate and price risk

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

Impact of a 1% movement in interest rates

– Equity / Income Statement	454	370
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(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.

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.

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	661	202	–	–	–	863
2020						
Gross carrying amount	570	233	–	–	–	803

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	2,957	2,302	42	3	788	6,092
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	15.74%	2.04%
ECL provision	–	–	–	–	124	124
2020						
Gross carrying amount	–	2,589	25	68	896	3,578
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.00%	0.25%
ECL provision	–	–	–	–	9	9

continued on next page ...

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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	537	2,454	–	–	2,991	2,991
Loans and advances	5.76%	–	232	1,443	–	1,675	1,549
Total financial liabilities		537	2,686	1,443	–	4,666	4,540
2020							
Trade/other payables	0.00%	337	4,722	–	–	5,059	5,060
Loans and advances	5.76%	–	232	1,675	–	1,907	1,686
Total financial liabilities		337	4,954	1,675	–	6,966	6,746

E2-1 Fair value measurement

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

- Financial assets
- 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).

Recurring fair value measurements

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Infrastructure, property, plant and equipment	C1-7						
Capital works in progress		–	–	17,671	15,621	17,671	15,621
Plant and equipment		–	–	13,759	14,744	13,759	14,744
Office equipment		–	–	612	576	612	576
Furniture and fittings		–	–	286	333	286	333
Operational land		8,029	7,998	–	–	8,029	7,998
Community land		–	–	12,006	9,173	12,006	9,173
Land improvements non depreciable		–	–	15,032	14,830	15,032	14,830
Land Improvements depreciable		–	–	7,266	5,793	7,266	5,793
Building non specialised		–	–	2,212	2,400	2,212	2,400
Building specialised		–	–	29,753	30,762	29,753	30,762
Other structures		–	–	5,270	5,411	5,270	5,411
Roads		–	–	136,745	131,371	136,745	131,371
Bridges		–	–	44,935	43,737	44,935	43,737
Footpaths		–	–	7,497	7,130	7,497	7,130
Bulk earthworks		–	–	154,045	154,045	154,045	154,045
Stormwater drainage		–	–	60,017	60,286	60,017	60,286
Water supply network		–	–	20,874	20,363	20,874	20,363
Sewer network		–	–	31,921	32,278	31,921	32,278
Swimming pools		–	–	5,812	6,022	5,812	6,022
Tip assets		–	–	1,148	3	1,148	3
Quarry assets		–	–	108	113	108	113
Open Space/recreational assets		–	–	1,798	1,429	1,798	1,429
Total infrastructure, property, plant and equipment		8,029	7,998	568,767	556,420	576,796	564,418

Valuation techniques

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

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

E2-1 Fair value measurement (continued)

Financial assets

Financial assets are exposed to financial risk such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictability of financial markets. The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

Infrastructure, property, plant and equipment (IPPE)

Capital Works in Progress – Uncompleted capital projects

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Operational Land

Valuation Techniques: 'Market approach'

Inputs Used (Level 2): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land.

Councils Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Councils Valuer Scott Fullarton Valuations P/L analysed sales of land throughout Cabonne Shire and surrounding Council areas and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

Community Land

Valuation Techniques: 'Market approach - with adjustments and limitations on land use'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 1 July 2019)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and

E2-1 Fair value measurement (continued)

- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Non Depreciable land Improvements

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Non Depreciable Land Improvements were valued as at 30 June 2021. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Cordells Commercial Building cost guide 2021'.

Depreciable Land Improvements – Gardens/softfall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates

Depreciable Land Improvements were valued as at 30 June 2021. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Cordells Commercial Building cost guide 2021'.

Buildings (Specialised/Non Specialised) – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2018 in accordance with Compiled Accounting Standard AASB116 Property, Plant and Equipment, the guidance contained in the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2018. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

SFV estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is significant in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

Other Structures

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Other Structures were valued as at 30 June 2017. Valuations are based on unit rates derived from historical costs and from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Swimming pools were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Open space/recreational assets

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

E2-1 Fair value measurement (continued)

Open Spaces were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued by Shepherd Services on 30 June 2020. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter

Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road chainages were taken as the measure of Cabonne Council's road asset length. Seal widths (sealed roads) were taken from full condition assessment undertaken by Shepherd Services.

Rates were verified against recent actual rates from Cabonne Council road works.

Condition Assessment data was established on all of Cabonne Councils road network.

Kerb and Gutter

Kerb & Gutter assets were valued by Shepherd Services as at 30 June 2020.

Asset register was developed by completing an inspection of the Kerb & Gutter Network. Unit rates were established from historical data and also tested against recent construction costs. Condition assessment for Kerb and Gutter was collected at time of inspection along with the material used in the construction.

Bridges

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Bridges assets were valued by Shepherd Services as at 30 June 2020.

Asset register was developed by completing an inspection of all Council Bridges. Necessary data including components, condition rating and bridge dimensions were collected at inspection. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Asset register was developed by inspection of all Council's footpaths. Necessary data including condition rating and dimensions were collected at inspection. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths assets were valued by Shepherd Services as at 30 June 2020.

Stormwater Drainage – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Asset register was developed by inspection of all Council's stormwater drainage. Necessary data including condition rating and dimensions were collected at inspection. Unit rates were established from historical data and also tested against recent construction costs.

Stormwater drainage assets were valued by Shepherd Services as at 30 June 2020.

Water Supply Network

Valuation Techniques: 'Cost approach'

E2-1 Fair value measurement (continued)

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Water Network was revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets. Valuations and inspections were conducted by way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network were revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Valuations and inspections were conducted way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Tip and Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

\$ '000	Fair value 2021	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Buildings Specialised	29,753	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Buildings Non Specialised	2,212	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Capital Works in Progress	17,671	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost
Plant & Equipment	13,759	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Office Equipment	612	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Furniture & Fittings	286	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Land Improvements Non-Depreciable	15,032	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Land Improvements Depreciable	7,266	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Other structures	5,270	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Roads	136,745	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Bridges	44,935	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Footpaths	7,497	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Bulk Earthworks	154,045	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Terrain rating
Stormwater Drainage	60,017	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Water Supply Network	20,874	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Sewer Network	31,921	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Swimming Pools	5,812	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Open Space/Recreational Assets	1,798	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Tip Assets	1,148	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows
Quarry Assets	108	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows

E2-1 Fair value measurement (continued)

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

\$ '000	Total	
	2021	2020
Opening balance	564,418	568,273
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	3,260	–
Other movements		
Purchases (GBV)	21,207	21,643
Disposals (WDV)	(807)	(398)
Depreciation and impairment	(12,430)	(11,237)
Other movement	1,148	(13,863)
Closing balance	576,796	564,418

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 for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) 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 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.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

E3-1 Contingencies (continued)

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 \$ 211,402.47. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$44,402.47. Council's expected contribution to the plan for the next annual reporting period is \$188,427.48.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.35%

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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	732	999
Post-employment benefits	65	90
Other long-term benefits	14	24
Termination benefits	-	341
Total	811	1,454

Other transactions with KMP and their related parties

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

- 1 A KMP of Council has a relative who is an employee of Cabonne Council.

- 2 A KMP of Council has an ownership stake in the Molong Express with whom the Council advertises from time to time.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
<p>The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:</p>		
Mayoral fee	27	26
Councillors' fees	146	145
Other Councillors' expenses (including Mayor)	45	45
Total	218	216

F1-3 Other related parties

\$ '000	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
2021					
Central Tablelands Water	176	-		-	-
2020					
Central Tablelands Water	237	-		-	-

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
<p>During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms</p> <p>Auditors of the Council - NSW Auditor-General:</p>		
(i) Audit and other assurance services		
Audit and review of financial statements	53	54
Remuneration for audit and other assurance services	53	54
Total Auditor-General remuneration	53	54
Non NSW Auditor-General audit firms		
Total audit fees	53	54

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	4,943	13,048
Adjust for non-cash items:		
Depreciation and amortisation	12,472	11,287
Net losses/(gains) on disposal of assets	(725)	(833)
Adoption of AASB 15/1058	–	(681)
Unwinding of discount rates on reinstatement provisions	–	1
Share of net (profits)/losses of associates/joint ventures using the equity method	(197)	(3,989)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	333	2,959
Increase/(decrease) in provision for impairment of receivables	–	(22)
Decrease/(increase) in inventories	(6)	(74)
Decrease/(increase) in other current assets	11	18
Decrease/(increase) in contract assets	133	(3,089)
Increase/(decrease) in payables	(1,649)	912
Increase/(decrease) in other accrued expenses payable	(613)	479
Increase/(decrease) in other liabilities	233	283
Increase/(decrease) in contract liabilities	3,003	1,086
Increase/(decrease) in provision for employee benefits	303	(498)
Increase/(decrease) in other provisions	1,145	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	19,386	20,887

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		
Sewerage and water infrastructure	646	–
Buildings	264	392
Plant and equipment	1,145	254
Roads, Bridges & Footpaths	816	99
Other structures	177	62
Other	484	866
Total commitments	3,532	1,673
These expenditures are payable as follows:		
Within the next year	3,532	1,673
Total payable	3,532	1,673
Sources for funding of capital commitments:		
Unrestricted general funds	1,999	306
Future grants and contributions	1,198	951
Externally restricted reserves	29	–
Internally restricted reserves	306	416
Total sources of funding	3,532	1,673

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	849	-	-	1	-	-	850	-
Other	206	7	-	-	(64)	-	149	-
S7.11 contributions – under a plan	1,055	7	-	1	(64)	-	999	-
Total S7.11 and S7.12 revenue under plans	1,055	7	-	1	(64)	-	999	-
Total contributions	1,055	7	-	1	(64)	-	999	-

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 1 – SMALL RURAL HOLDINGS								
Roads	47	-	-	-	-	-	47	-
Total	47	-	-	-	-	-	47	-
CONTRIBUTION PLAN NUMBER – GENERAL RURAL ZONE								
Roads	802	-	-	1	-	-	803	-
Total	802	-	-	1	-	-	803	-
CONTRIBUTION PLAN NUMBER – BUSHFIRE EQUIPMENT								
Other	206	7	-	-	(64)	-	149	-
Total	206	7	-	-	(64)	-	149	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,969)	(18.00)%	(0.52)%	(3.15)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	33,166				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	22,023	51.03%	54.52%	49.63%	> 60.00%
Total continuing operating revenue ¹	43,156				
3. Unrestricted current ratio					
Current assets less all external restrictions	29,018	8.33x	6.02x	7.04x	> 1.50x
Current liabilities less specific purpose liabilities	3,484				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,597	28.56x	34.29x	29.44x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	231				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	781	4.96%	4.93%	6.46%	< 10.00%
Rates and annual charges collectable	15,742				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	45,440	16.30	21.48	19.76	> 3.00
Monthly payments from cash flow of operating and financing activities	2,788	mths	mths	mths	mths

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(15.41)%	2.85%	(77.81)%	(46.14)%	(24.35)%	(20.65)%	> 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	48.50%	52.33%	48.52%	50.28%	98.13%	98.03%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	8.33x	6.02x	22.07x	44.54x	19.81x	19.82x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	46.13x	48.30x	∞	∞	4.68x	5.19x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	5.93%	5.88%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	15.91 mths	20.69 mths	20.56 mths	39.60 mths	17.32 mths	18.25 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

99 -101 Bank Street
Molong NSW 2866

Mailing Address:

PO Box 17
Molong NSW 2866

Telephone: 02 6392 3200

Facsimile: 02 6392 3260

Opening hours:

9:00am - 5:00pm
Monday to Friday

Internet: www.cabonne.nsw.gov.au

Email: council@cabonne.nsw.gov.au

Officers

General Manager

Bradley Byrnes

Responsible Accounting Officer

Heather Nicholls

Public Officer

Jolene Pearson

Auditors

Audit Office of NSW
Level 15, 1 Margaret Street
SYDNEY NSW 2001

Elected members

Mayor

Kevin Beatty

Councillors

Anthony Durkin
Gregory Treavers
Peter Batten
Cheryl Newson
Kevin Walker
Paul Mullins
Jennifer Weaver
Marlene Nash
Elizabeth Oldham
Ian Davison
Jamie Jones

Other information

ABN: 419 929 192 00



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

To the Councillors of the Cabonne Council

Opinion

I have audited the accompanying financial statements of Cabonne 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.



Karen Taylor
Delegate of the Auditor-General for New South Wales

22 October 2021
SYDNEY



Councillor Kevin Beatty
Mayor
Cabonne Shire Council
PO Box 17
MOLONG NSW 2866

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2122779/1704

22 October 2021

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Cabonne 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.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	14.9	14.3	4.2
Grants and contributions revenue	21.1	19.7	7.1
Operating result from continuing operations	4.9	13.1	62.6
Net operating result before capital grants and contributions	(5.0)	4.6	208.7

Rates and annual charges revenue (\$14.9 million) increased by \$0.6 million (4.2 per cent) in 2020–21 due to approved rate pegging of 2.6 per cent and previous year was reduced by \$0.2 million for rates abandoned.

Grants and contributions revenue (\$21.1 million) increased by \$1.4 million in 2020–21. This increase was solely in capital grants and non-developer contributions mainly \$1.2 million increase in Drought Communities and Stronger Country Communities programs.

The Council's operating result from continuing operations (\$4.9 million including depreciation and amortisation expense of \$12.5 million) was \$8.2 million lower than the 2019–20 result.

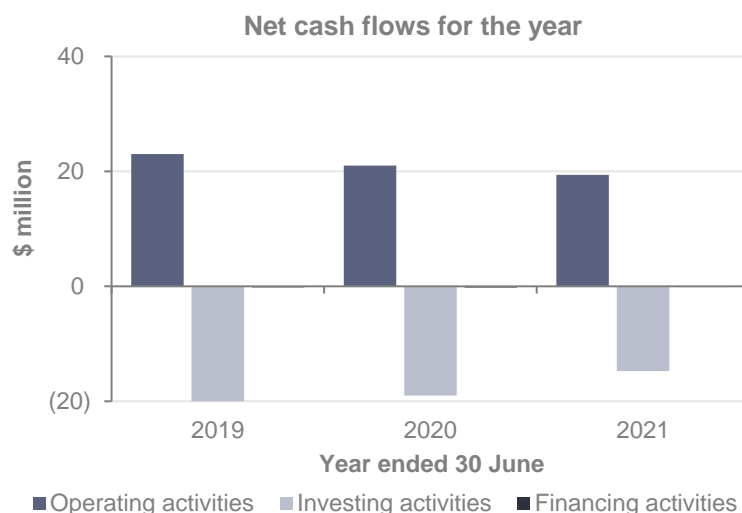
The net operating result before capital grants and contributions (-\$5.0 million) was \$9.6 million lower than the 2019–20 result. This is mainly due to decreases in:

- the net share of interests in joint ventures and associates of \$4.0 million
- user charges and fees including \$1.5 million less in funding for Transport for NSW works.

STATEMENT OF CASH FLOWS

Increased receipts from cash grants and contributions were offset by an increase in materials and services during the 2020–21 financial year leading to the lower level of cash flows from operating activities compared to the prior year.

Council did not take out any new borrowings during the year ended 30 June 2021.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	45.4	46.9	Externally restricted balances include unexpended developer contributions, water, sewer and domestic waste management charges.
Restricted cash and investments:			
• External restrictions	20.9	19.3	Balances are internally restricted due to Council policy or decisions for forward plans including work programs
• Internal restrictions	23.2	25.0	

Debt

Council has an approved overdraft facility of \$0.45 million. At 30 June 2021, Council' had utilised none of its approved overdraft facility.

PERFORMANCE

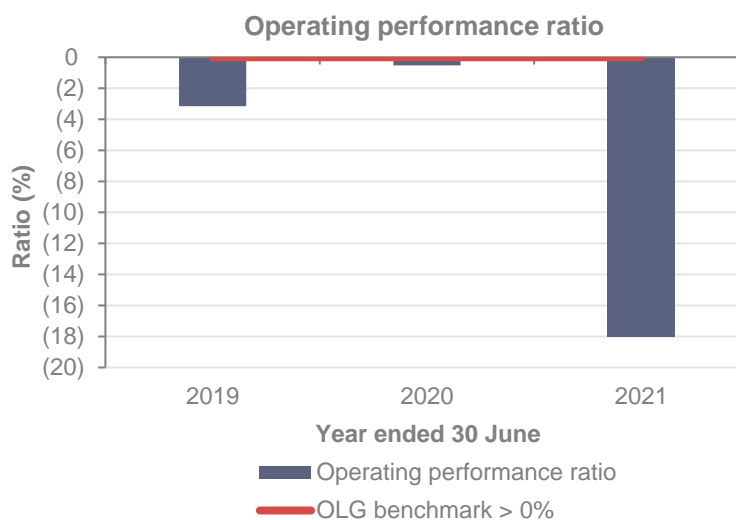
Performance measures

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

Council's result is indicative of the extent to which capital grants and contributions supplement Council's operations.

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.

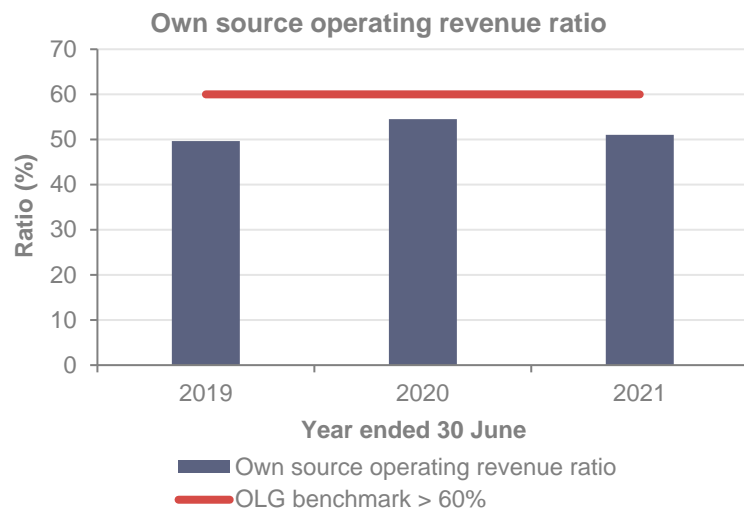


Own source operating revenue ratio

The proportionately high level of grants and contributions received by Council and indeed by most small rural councils, has seen this ratio continue to remain below the benchmark.

Council's own source operating has remained consistent in terms of dollar value.

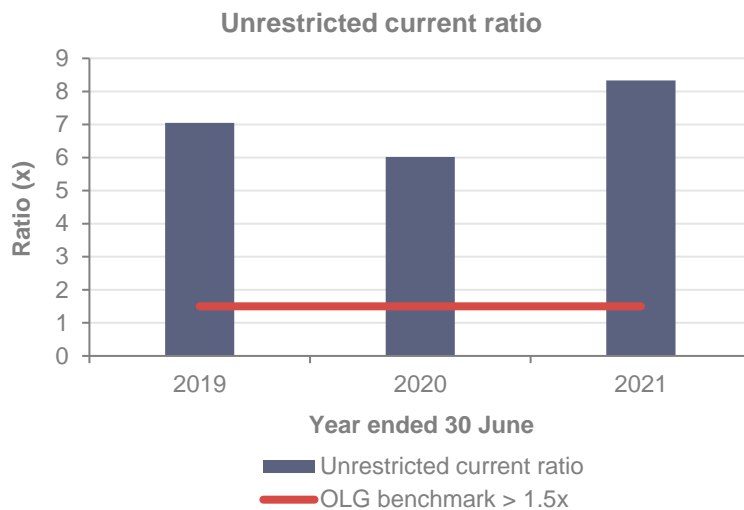
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continued to exceed the benchmark for the current reporting period.

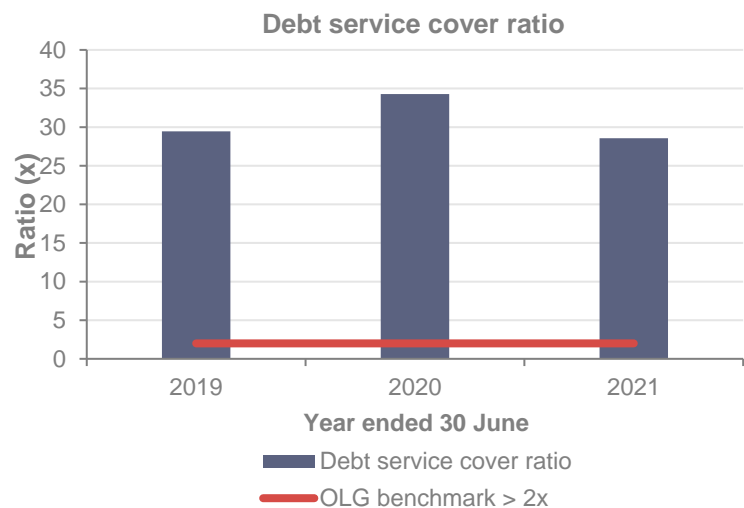
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continued to exceed the benchmark for the current reporting period.

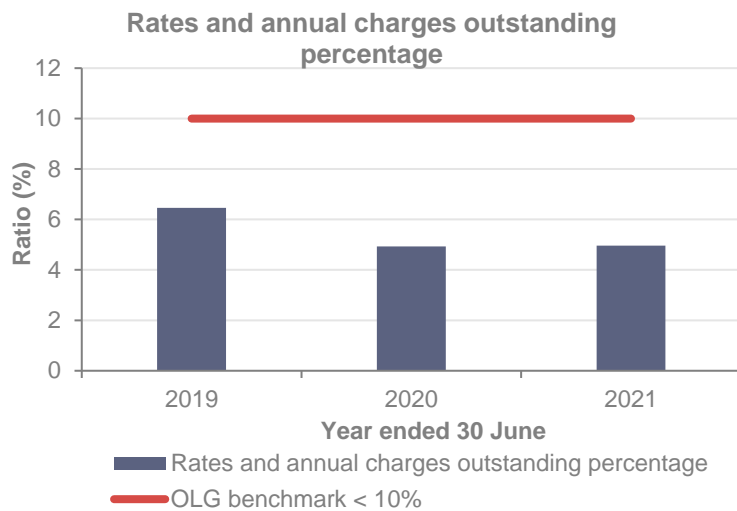
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio was within the benchmark for rural councils over the past three years.

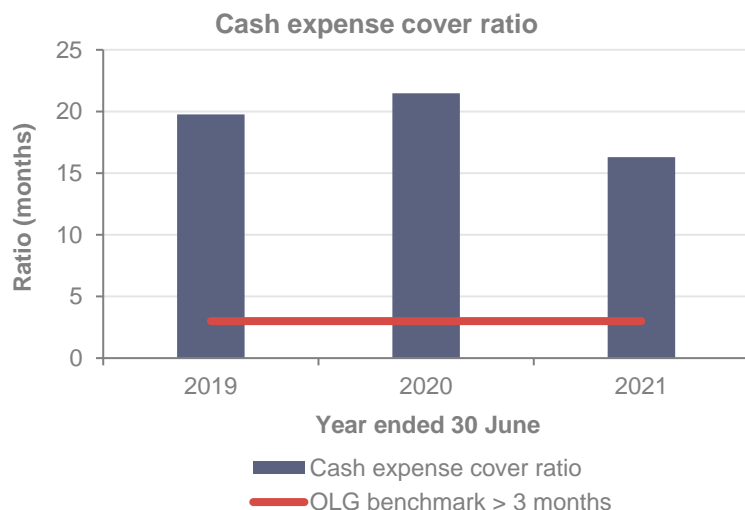
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council continued to exceed the benchmark for the current reporting period.

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.



Infrastructure, property, plant and equipment renewals

Council has renewed \$11.9 million of assets in the 2020–21 year compared to \$4.2m in the 2019–20 year. As in prior years, the majority of this (2021: \$9.2 million, 2020: \$3.0 million) was spent on renewing roads infrastructure.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors

The Council assessed the impact of adopting AASB 1059 Service Concession Arrangements and determined that it did not have any arrangements in place that fell within the scope of the new Standard.

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.



Karen Taylor

Delegate of the Auditor-General for New South Wales

Cabonne Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
Statement of Financial Position of sewerage business activity	7
Note – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

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).

Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

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



Kevin Beatty
Mayor
28 September 2021



Jaimie Jones
Deputy Mayor
28 September 2021



Bradley Byrnes
General Manager
28 September 2021



Heather Nicholls
Responsible Accounting Officer
28 September 2021

Cabonne Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	507	505
User charges	540	674
Interest	13	59
Grants and contributions provided for non-capital purposes	–	118
Other income	8	5
Total income from continuing operations	1,068	1,361
Expenses from continuing operations		
Employee benefits and on-costs	531	527
Materials and services	591	673
Depreciation, amortisation and impairment	668	661
Other expenses	109	128
Total expenses from continuing operations	1,899	1,989
Surplus (deficit) from continuing operations before capital amounts	(831)	(628)
Grants and contributions provided for capital purposes	1,133	1,111
Surplus (deficit) from continuing operations after capital amounts	302	483
Surplus (deficit) from all operations before tax	302	483
Surplus (deficit) after tax	302	483
Plus accumulated surplus	25,743	25,260
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	26,045	25,743
Return on capital %	(2.2)%	(1.7)%
Subsidy from Council	1,395	952
Calculation of dividend payable:		
Surplus (deficit) after tax	302	483
Less: capital grants and contributions (excluding developer contributions)	(1,133)	(1,111)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Cabonne Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	2,063	1,993
User charges	71	100
Fees	5	–
Interest	17	47
Grants and contributions provided for non-capital purposes	–	30
Total income from continuing operations	2,156	2,170
Expenses from continuing operations		
Employee benefits and on-costs	541	548
Borrowing costs	94	107
Materials and services	808	673
Depreciation, amortisation and impairment	871	896
Other expenses	367	394
Total expenses from continuing operations	2,681	2,618
Surplus (deficit) from continuing operations before capital amounts	(525)	(448)
Grants and contributions provided for capital purposes	41	13
Surplus (deficit) from continuing operations after capital amounts	(484)	(435)
Surplus (deficit) from all operations before tax	(484)	(435)
Surplus (deficit) after tax	(484)	(435)
Plus accumulated surplus	24,345	24,780
Closing accumulated surplus	23,861	24,345
Return on capital %	(1.1)%	(0.9)%
Subsidy from Council	1,030	693
Calculation of dividend payable:		
Surplus (deficit) after tax	(484)	(435)
Less: capital grants and contributions (excluding developer contributions)	(41)	(13)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Cabonne Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Contract assets and contract cost assets	435	11
Cash and cash equivalents	3,754	4,382
Receivables	445	595
Total current assets	4,634	4,988
Non-current assets		
Receivables	66	77
Infrastructure, property, plant and equipment	37,862	36,780
Total non-current assets	37,928	36,857
Total assets	42,562	41,845
LIABILITIES		
Current liabilities		
Payables	210	112
Total current liabilities	210	112
Total liabilities	210	112
Net assets	42,352	41,733
EQUITY		
Accumulated surplus	26,045	25,743
Revaluation reserves	16,307	15,990
Total equity	42,352	41,733

Cabonne Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	2,785	2,782
Receivables	940	885
Total current assets	3,725	3,667
Non-current assets		
Receivables	180	187
Infrastructure, property, plant and equipment	40,178	40,027
Total non-current assets	40,358	40,214
Total assets	44,083	43,881
LIABILITIES		
Current liabilities		
Payables	43	47
Borrowings	145	138
Total current liabilities	188	185
Non-current liabilities		
Borrowings	1,403	1,549
Total non-current liabilities	1,403	1,549
Total liabilities	1,591	1,734
Net assets	42,492	42,147
EQUITY		
Accumulated surplus	23,861	24,345
Revaluation reserves	18,631	17,802
Total equity	42,492	42,147

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)

Cabonne Council Combined Sewerage Supplies

Sewerage reticulation and treatment operations servicing the towns of Molong, Eugowra, Canowindra, Cudal, Yeoval, Cumnock and Manildra.

These are reported under two special rate funds:

- Cabonne Sewer Fund, servicing the towns of Molong, Canowindra and Eugowra, and
- Small Town Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval

Category 2

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

Cabonne Council Combined Water Supplies

Water supply operations servicing the towns of Molong, Yeoval and Cumnock, established as a combined special rate fund.

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.

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – **26%**

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 26% (19/20 27.5%).

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

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

The rate applied of 26% is not 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'.

Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the 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 June 2021 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
Cabonne Council

To the Councillors of the Cabonne Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cabonne 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.



Karen Taylor

Delegate of the Auditor-General for New South Wales

22 October 2021
SYDNEY

Cabonne Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

“Cabonne Council is committed to providing sustainable local government to our rural communities through consultation and sound financial management which will ensure equitable resource allocation.”



Cabonne Council

Special Schedules

for the year ended 30 June 2021

Contents

Page

Special Schedules:

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2021 7

Cabonne 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	10,418	10,707
Plus or minus adjustments ²	b	13	25
Notional general income	c = a + b	10,431	10,732
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	271	215
Sub-total	k = (c + g + h + i + j)	10,702	10,947
Plus (or minus) last year's carry forward total	l	2	(3)
Sub-total	n = (l + m)	2	(3)
Total permissible income	o = k + n	10,704	10,944
Less notional general income yield	p	10,707	10,941
Catch-up or (excess) result	q = o - p	(3)	3
Carry forward to next year ⁶	t = q + r + s	(3)	3

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

Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cabonne 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.



Karen Taylor

Delegate of the Auditor-General for New South Wales

22 October 2021
SYDNEY

Cabonne Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	17,511	5,837	262	211	31,965	75,316	26.0%	12.0%	32.0%	29.0%	1.0%
	Sub-total	17,511	5,837	262	211	31,965	75,316	26.0%	12.0%	32.0%	29.0%	1.0%
Other structures	Other structures	1,893	59	–	–	5,270	11,829	14.0%	24.0%	60.0%	2.0%	0.0%
	Sub-total	1,893	59	–	–	5,270	11,829	14.0%	24.0%	60.0%	2.0%	0.0%
Roads	Roads (inc K & G)	13,454	6,458	3,841	3,950	136,745	215,257	69.0%	18.0%	5.0%	4.0%	4.0%
	Bridges	5,351	2,140	9	1	44,934	71,345	40.0%	42.0%	8.0%	8.0%	2.0%
	Footpaths	441	70	58	40	7,497	9,280	49.0%	35.0%	13.0%	3.0%	0.0%
	Bulk earthworks	–	–	–	–	154,045	154,045	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	19,246	8,668	3,908	3,991	343,222	449,927	74.6%	16.0%	3.9%	3.2%	2.2%
Water supply network	Water supply network	9,586	3,955	861	573	20,874	46,995	0.0%	0.0%	51.0%	38.0%	11.0%
	Sub-total	9,586	3,955	861	573	20,874	46,995	0.0%	0.0%	51.0%	38.0%	11.0%
Sewerage network	Sewerage network	11,054	3,431	1,472	1,245	31,921	47,647	0.0%	0.0%	64.0%	27.0%	9.0%
	Sub-total	11,054	3,431	1,472	1,245	31,921	47,647	0.0%	0.0%	64.0%	27.0%	9.0%
Stormwater drainage	Stormwater drainage	2,440	–	–	–	60,017	75,089	80.0%	14.0%	2.0%	1.0%	3.0%
	Sub-total	2,440	–	–	–	60,017	75,089	80.0%	14.0%	2.0%	1.0%	3.0%
Open space / recreational assets	Swimming pools	2,745	–	649	655	5,812	9,718	8.0%	15.0%	41.0%	36.0%	0.0%
	Open Spaces	483	18	–	–	1,798	3,942	10.0%	43.0%	45.0%	2.0%	0.0%
	Sub-total	3,228	18	649	655	7,610	13,660	8.6%	23.1%	42.2%	26.2%	0.0%
Total – all assets		64,958	21,968	7,152	6,675	500,879	720,463	58.0%	13.5%	15.4%	10.0%	3.1%

(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

Cabonne Council

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

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Cabonne Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	11,916	119.70%	47.60%	58.26%	>= 100.00%
Depreciation, amortisation and impairment	9,955				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	64,958	12.53%	10.29%	11.79%	< 2.00%
Net carrying amount of infrastructure assets	518,550				
Asset maintenance ratio					
Actual asset maintenance	6,675	93.33%	100.00%	96.24%	> 100.00%
Required asset maintenance	7,152				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	21,968	3.05%	2.27%	2.78%	
Gross replacement cost	720,463				

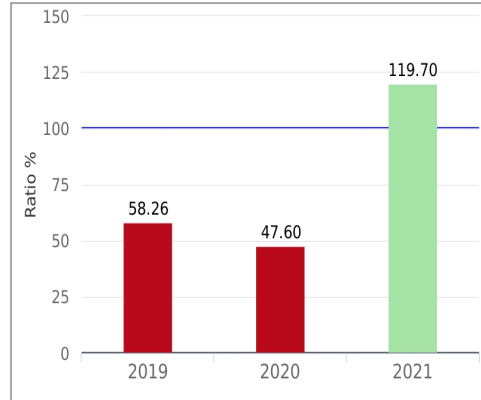
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Cabonne 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	119.70%
This pleasing result of 119.7% is a result of council focusing on the renewals of road infrastructure in particular local road upgrades, gravel resheeting, heavy patching, culvert & bridge replacements. Council will continue to ensure that assets are being renewed to the rate to which they are depreciating.	

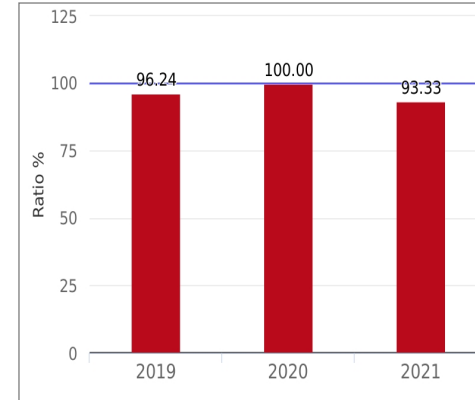
Benchmark: — $\geq 100.00\%$

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	93.33%
Council will continue to review its Strategic Asset Management Plan and establish a risk based maintenance management system to quantify any shortfalls in maintenance expenditure.	

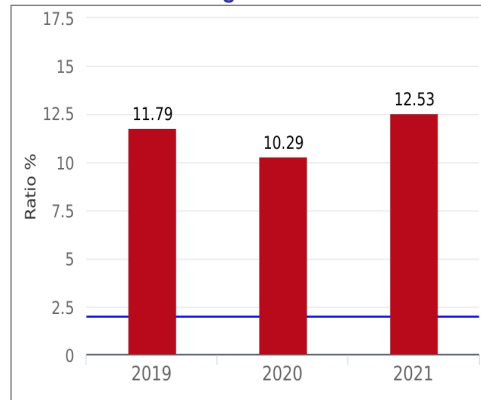
Benchmark: — $> 100.00\%$

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	12.53%
Council continues to have a high backlog ratio in particular water and sewer network assets that are in poor condition. Council has adopted a new Strategic Asset Management plan which will help in the identification of asset conditions and strategies to improve this ratio.	

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
20/21 ratio	3.05%
Council will continue to review its Strategic Asset Management Plans to ensure that council provides assets to an agreed level of service that is satisfactory to the community.	