

**FEDERATION COUNCIL**

# **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2021**



# Federation Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Federation Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

100 Edward Street  
COROWA NSW 2646

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website [www.federationcouncil.nsw.gov.au](http://www.federationcouncil.nsw.gov.au).

# Federation Council

## General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

**Federation Council**

**General Purpose Financial Statements**

for the year ended 30 June 2021

**Understanding Council's Financial Statements (continued)**

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

## Federation Council

### General Purpose Financial Statements

for the year ended 30 June 2021

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- 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 19 October, 2021



Patrick Bourke  
Mayor  
19 October, 2021



Shaun Whitechurch  
Councillor  
19 October, 2021



Adrian Butler  
General Manager  
19 October, 2021



Shane Norman  
Responsible Accounting Officer  
19 October, 2021



## Federation Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Net operating result for the year – from Income Statement</b>		<b>(3,514)</b>	<b>(928)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>721</u>	<u>56,314</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>721</b>	<b>56,314</b>
<b>Total other comprehensive income for the year</b>		<b>721</b>	<b>56,314</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>(2,793)</b>	<b>55,386</b>

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

## Federation Council

### Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	8,393	15,587
Investments	C1-2	20,038	13,904
Receivables	C1-4	6,979	8,763
Inventories	C1-5	2,382	3,290
Other		119	132
<b>Total current assets</b>		<b>37,911</b>	<b>41,676</b>
<b>Non-current assets</b>			
Investments	C1-2	10,008	–
Receivables	C1-4	60	60
Inventories	C1-5	44	44
Infrastructure, property, plant and equipment	C1-7	592,047	589,259
Intangible Assets	C1-8	232	293
<b>Total non-current assets</b>		<b>602,391</b>	<b>589,656</b>
<b>Total assets</b>		<b>640,302</b>	<b>631,332</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C2-1	3,860	5,647
Contract liabilities	C2-2	8,685	–
Borrowings	C2-3	517	368
Employee benefit provisions	C2-4	2,796	2,527
Provisions	C2-5	432	432
<b>Total current liabilities</b>		<b>16,290</b>	<b>8,974</b>
<b>Non-current liabilities</b>			
Borrowings	C2-3	10,593	6,092
Employee benefit provisions	C2-4	377	431
Provisions	C2-5	709	709
<b>Total non-current liabilities</b>		<b>11,679</b>	<b>7,232</b>
<b>Total liabilities</b>		<b>27,969</b>	<b>16,206</b>
<b>Net assets</b>		<b>612,333</b>	<b>615,126</b>
<b>EQUITY</b>			
Accumulated surplus	C3-1	502,913	506,427
IPPE revaluation reserve	C3-1	109,420	108,699
<b>Council equity interest</b>		<b>612,333</b>	<b>615,126</b>
<b>Total equity</b>		<b>612,333</b>	<b>615,126</b>

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

## Federation Council

### Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		506,427	108,699	615,126	507,355	52,385	559,740
<b>Restated opening balance</b>		<b>506,427</b>	<b>108,699</b>	<b>615,126</b>	<b>507,355</b>	<b>52,385</b>	<b>559,740</b>
Net operating result for the year		(3,514)	–	(3,514)	(928)	–	(928)
<b>Net operating result for the period</b>		<b>(3,514)</b>	<b>–</b>	<b>(3,514)</b>	<b>(928)</b>	<b>–</b>	<b>(928)</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	721	721	–	56,314	56,314
<b>Other comprehensive income</b>		<b>–</b>	<b>721</b>	<b>721</b>	<b>–</b>	<b>56,314</b>	<b>56,314</b>
<b>Total comprehensive income</b>		<b>(3,514)</b>	<b>721</b>	<b>(2,793)</b>	<b>(928)</b>	<b>56,314</b>	<b>55,386</b>
<b>Closing balance at 30 June</b>		<b>502,913</b>	<b>109,420</b>	<b>612,333</b>	<b>506,427</b>	<b>108,699</b>	<b>615,126</b>

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

## Federation Council

### Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
16,897	Rates and annual charges		15,200	14,888
10,894	User charges and fees		8,797	8,501
457	Investment and interest revenue received		382	681
16,888	Grants and contributions		32,587	23,555
–	Bonds, deposits and retention amounts received		31	–
443	Other		1,511	284
<i>Payments:</i>				
(14,897)	Employee benefits and on-costs		(14,392)	(13,934)
(15,356)	Materials and services		(15,775)	(15,671)
(486)	Borrowing costs		(367)	(271)
–	Bonds, deposits and retention amounts refunded		–	(7)
(433)	Other		(617)	(3,540)
14,407	<b>Net cash flows from operating activities</b>	G1-1	<b>27,357</b>	<b>14,486</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investment securities		–	786
–	Redemption of term deposits		22,595	16,963
278	Sale of real estate assets		875	1,647
1,378	Sale of infrastructure, property, plant and equipment		597	710
–	Deferred debtors receipts		–	10
<i>Payments:</i>				
–	Acquisition of term deposits		(38,737)	(15,341)
(21,172)	Purchase of infrastructure, property, plant and equipment		(24,528)	(29,381)
–	Purchase of intangible assets		(3)	(5)
(19,516)	<b>Net cash flows used in investing activities</b>		<b>(39,201)</b>	<b>(24,611)</b>
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
5,135	Proceeds from borrowings		5,090	2,700
<i>Payments:</i>				
(492)	Repayment of borrowings		(440)	(108)
4,643	<b>Net cash flows from financing activities</b>		<b>4,650</b>	<b>2,592</b>
(466)	<b>Net change in cash and cash equivalents</b>		<b>(7,194)</b>	<b>(7,533)</b>
19,952	Cash and cash equivalents at beginning of year	G1-1	15,587	23,120
19,486	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>8,393</b>	<b>15,587</b>
–	plus: Investments on hand at end of year	C1-2	30,046	13,904
19,486	<b>Total cash, cash equivalents and investments</b>		<b>38,439</b>	<b>29,491</b>

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

# Federation Council

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# Federation Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 19 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 financial statements are set out below.

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

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

Council is a not for-profit entity.

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

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, 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 C1-8
- (ii) estimated tip remediation provisions – refer Note C2-5
- (iii) employee benefit provisions – refer Note C2-4.

#### 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 C1-4.

#### COVID-19 Impacts

COVID-19 has caused a range of disruptions to Council's business practices. Additional measures have been put in place to protect the health of staff and the community. Numerous staff have worked remotely from home or at other council facilities away from their usual work location, to minimise risk of transmission and to comply with public health orders. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Costs have been incurred to provide Council services to the community in a COVID-safe manner. This includes the purchase of additional equipment, additional PPE, such as hand sanitiser and masks, hire of additional plant and vehicles and in some instances, staff salaries for employees required to isolate.

A redirection of Council's resources to COVID-19 response activities has resulted in a delay in some projects or improvement activities planned by Council. These will be re-prioritised with plans for 2021/22.

## A1-1 Basis of preparation (continued)

The service level of some Council services has also reduced at times in response to public health orders.

### (c) Monies and other assets received by Council

#### (i) The Consolidated Fund

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

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

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

- General purpose operations
- Water service
- Sewerage service

#### (ii) The Trust Fund

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

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

### (d) 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.

### (e) New accounting standards and interpretations issued not yet effective

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

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

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

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

#### New accounting standards adopted during the year

During the year Council adopted 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

## A1-1 Basis of preparation (continued)

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- 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

These newly adopted standards had no material impact on Council's reported financial position.

## 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
<b>Functions or activities</b>										
Built Federation	29,908	28,803	44,904	35,814	(14,996)	(7,011)	14,726	13,462	586,281	585,923
Economic Federation	1,138	3,533	987	5,243	151	(1,710)	1,161	3,498	7,448	5,050
Natural Federation	124	125	344	400	(220)	(275)	96	73	8	7
Social Federation	876	563	1,760	1,274	(884)	(711)	424	505	–	–
Well-Governed Federation	15,928	15,785	3,337	2,460	12,591	13,325	7,014	7,363	46,565	40,352
Amalgamation	–	405	156	4,951	(156)	(4,546)	–	224	–	–
<b>Total functions and activities</b>	<b>47,974</b>	<b>49,214</b>	<b>51,488</b>	<b>50,142</b>	<b>(3,514)</b>	<b>(928)</b>	<b>23,421</b>	<b>25,125</b>	<b>640,302</b>	<b>631,332</b>

## B1-2 Components of functions or activities

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

### Built Federation

Council aim to maintain and improve infrastructure that meets the needs of residents and industry by providing the following services:

- Asset inspection - road, stormwater and sewer
- Road management - construction, maintenance and renewal
- Storm water - construction, maintenance and renewal
- Water and sewerage reticulation - construction, maintenance and renewal
- Development assessment
- Building control and planning
- Environmental health
- Building inspections
- Strategic land use planning
- Development contributions planning
- Swimming pool management
- Traffic and parking services
- Fleet management and maintenance
- Waste management

### Economic Federation

Growing, progressive and prosperous communities that build on sustainable manufacturing, agriculture and tourism, close proximity to other centres, on both sides of the Murray River and affordability by providing the following services:

- Visitor Information Centre
- Marketing and promotion
- Economic development
- Events and events sponsorship
- Business support
- Product development and grant applications
- Training facilitation and promotion
- Saleyard management and maintenance

### Natural Federation

Sustainable rural landscapes and waterways offering tranquillity and attractive recreational spaces by providing the following services:

- Animal compliance
- Local laws
- Street cleaning
- Waste collection
- Weed management
- Pest control
- Roadside vegetation management
- Community facilities management
- Tree management
- Caravan park management
- Park reserve management
- Emergency management

### Social Federation

Close-knit and welcoming communities where people come together and support each other by providing the following services:

- Library services
- Community/ civic events
- Art space
- Community facilities
- Cultural services
- Community support
- Youth services
- Disability services
- Volunteer services
- Ageing well services
- Community grants
- Road safety

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

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### Well-Governed Federation

Strong civic leadership and governance supporting equity across communities and effective communication with residents by providing the following services:

- Financial management
- IT support hardware software and systems
- Records management
- Geographic information system
- Lease management
- Customer service
- Policy development
- Internal and external audits
- Risk and compliance
- Workforce management
- Performance reporting
- Council and committee support
- GIPA (Access to Information)
- Asset management

### Amalgamation

Federation Council was proclaimed on 12 May 2016, following the amalgamation of the former Corowa Shire and Urana Shire Councils. With the merger, the new Council received significant funding to deliver community projects (\$15million) and to establish itself as a new robust entity (\$5million). These funds were received in 2016 and 2018. Projects have continued in this financial year with expenditure totalling \$156,000. Final projects will be completed in 2021/22.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	3,847	3,699
Farmland	3,608	3,536
Business	658	619
Less: pensioner rebates (mandatory)	(242)	(244)
<b>Rates levied to ratepayers</b>	<b>7,871</b>	<b>7,610</b>
Pensioner rate subsidies received	131	136
<b>Total ordinary rates</b>	<b>8,002</b>	<b>7,746</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	2,039	1,950
Water supply services	825	755
Sewerage services	4,171	4,011
Environmental	20	21
Waste levy	441	359
Less: pensioner rebates (mandatory)	(393)	(390)
<b>Annual charges levied</b>	<b>7,103</b>	<b>6,706</b>
Pensioner subsidies received:		
– Water	65	67
– Sewerage	68	69
– Domestic waste management	80	81
<b>Total annual charges</b>	<b>7,316</b>	<b>6,923</b>
<b>Total rates and annual charges</b>	<b>15,318</b>	<b>14,669</b>

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

#### Accounting policy

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

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

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

## B2-2 User charges and fees

\$ '000	Timing	2021	2020
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	3,564	3,568
Sewerage services	1	649	607
Waste management services (non-domestic)	2	252	233
Other	2	142	5
Non potable water	1	11	27
<b>Total specific user charges</b>		<b>4,618</b>	<b>4,440</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	2	222	199
Inspection services	2	1	8
Planning and building regulation	2	258	216
Private works – section 67	2	233	88
Regulatory/ statutory fees	2	6	4
Registration fees	2	21	10
Section 10.7 certificates (EP&A Act)	2	53	33
Section 603 certificates	2	68	57
Tapping fees	2	81	44
Other	2	2	–
Sewer/drainage diagrams fee	2	35	28
Water meter readings fee	2	2	1
<b>Total fees and charges – statutory/regulatory</b>		<b>982</b>	<b>688</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	2	39	23
Caravan park	1	342	330
Cemeteries	2	134	148
Child care	2	4	2
Community centres	2	26	31
Leaseback fees – Council vehicles	1	142	158
Transport for NSW (state roads not controlled by Council)	2	850	967
Saleyards	2	952	1,055
Swimming centres	2	38	6
Tourism	2	18	51
Waste disposal tipping fees	2	200	140
Rent and hire of non-investment property	2	190	228
Other	2	18	32
<b>Total fees and charges – other</b>		<b>2,953</b>	<b>3,171</b>
<b>Total user charges and fees</b>		<b>8,553</b>	<b>8,299</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		8,553	8,299
<b>Total user charges and fees</b>		<b>8,553</b>	<b>8,299</b>

### Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service 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.

## B2-2 User charges and fees (continued)

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

## B2-3 Other revenue

\$ '000	Timing	2021	2020
Legal fees recovery – rates and charges (extra charges)	2	13	51
Commissions and agency fees	2	184	169
Diesel rebate	2	92	95
Insurance claims recoveries	2	44	11
Sales – general	2	–	2
Workers compensation incentive rebate	2	44	66
Sales of Water	2	–	26
Other	2	120	98
<b>Total other revenue</b>		<b>497</b>	<b>518</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	497	518
<b>Total other revenue</b>		<b>497</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	2,272	2,386	–	–
Financial assistance – local roads component	2	1,109	1,119	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	2,430	2,502	–	–
Financial assistance – local roads component	2	1,190	1,213	–	–
<b>Amount recognised as income during current year</b>		<b>7,001</b>	<b>7,220</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
Bushfire and emergency services	2	387	253	30	98
Economic development	2	607	2,562	671	936
Employment and training programs	2	14	6	–	–
Environmental programs	2	32	–	–	–
Heritage and cultural	2	12	14	–	–
Library	2	93	98	–	–
Noxious weeds	2	96	73	–	–
Recreation and culture	2	–	–	25	244
Storm/flood damage	2	–	–	–	229
Preschools	2	324	398	66	–
Community Projects	2	–	480	2,558	2,266
Street lighting	2	46	46	–	–
Drought	2	279	1,400	–	–
Other specific grants	2	60	13	–	–
Transport (roads to recovery)	2	4	2,085	–	–
Transport (other roads and bridges funding)	2	5,544	–	3,513	3,974
<b>Previously contributions:</b>					
Community services	2	–	19	–	–
Recreation and culture	2	8	1	121	340
Transport for NSW contributions (regional roads, block grant)	2	1,817	1,699	–	–
Other contributions	2	–	5	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>9,323</b>	<b>9,152</b>	<b>6,984</b>	<b>8,087</b>
<b>Non-cash contributions</b>					
Dedications	2	–	–	–	6
Roads and bridges	2	–	–	–	465
Sewerage (excl. section 64 contributions)	2	–	–	–	96
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>567</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>9,323</b>	<b>9,152</b>	<b>6,984</b>	<b>8,654</b>
<b>Total grants and non-developer contributions</b>		<b>16,324</b>	<b>16,372</b>	<b>6,984</b>	<b>8,654</b>
<b>Comprising:</b>					
– Commonwealth funding		11,712	8,572	1,034	936
– State funding		4,594	6,072	5,052	6,811
– Other funding		18	1,728	898	907
		<b>16,324</b>	<b>16,372</b>	<b>6,984</b>	<b>8,654</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	–	–	5	26
S 64 – water supply contributions		2	–	–	48	24
S 64 – sewerage service contributions		2	–	–	60	49
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>113</b>	<b>99</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>113</b>	<b>99</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>113</b>	<b>99</b>
<b>Total grants and contributions</b>			<b>16,324</b>	<b>16,372</b>	<b>7,097</b>	<b>8,753</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			<b>16,324</b>	16,372	<b>7,097</b>	8,753
<b>Total grants and contributions</b>			<b>16,324</b>	<b>16,372</b>	<b>7,097</b>	<b>8,753</b>

### 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
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	–	–	3,983	12,546
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	(3,983)	(8,563)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	–
<b>Unspent funds at 30 June</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,983</b>
<b>Contributions</b>				
Unspent funds at 1 July	–	–	–	–
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
<b>Unspent contributions at 30 June</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## B2-4 Grants and contributions (continued)

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### Accounting policy

#### Accounting policy from 1 July 2019

##### Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, with cash received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control. Within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

##### Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets' 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.

##### Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which are enforceable 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 as there is no profit margin.

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

##### 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*.

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. Council may apply contributions according to the priorities established in work schedules.

#### Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

**B2-5 Interest and investment income**

\$ '000	2021	2020
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	33	109
– Cash and investments	152	472
– Other	–	22
<b>Total interest and investment income (losses)</b>	<b>185</b>	<b>603</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	20	34
General Council cash and investments	69	358
<b>Restricted investments/funds – external:</b>		
Water fund operations	52	118
Sewerage fund operations	44	93
<b>Total interest and investment income</b>	<b>185</b>	<b>603</b>

**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 unless the dividend clearly represents a recovery of part of the cost of the investment.

## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	11,536	12,008
Travel expenses	13	59
Employee leave entitlements (ELE)	2,087	2,435
Superannuation – defined contribution plans	1,176	1,110
Superannuation – defined benefit plans	201	203
Workers' compensation insurance	538	435
Fringe benefit tax (FBT)	60	51
Training costs (other than salaries and wages)	133	196
Other	75	73
<b>Total employee costs</b>	<b>15,819</b>	<b>16,570</b>
Less: capitalised costs	(1,668)	(2,283)
<b>Total employee costs expensed</b>	<b>14,151</b>	<b>14,287</b>
Number of 'full-time equivalent' employees (FTE) at year end	170	177

#### 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		33,327	39,878
Contractor and consultancy costs		–	21
Audit Fees	F2-1	67	92
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	136	135
Advertising		154	134
Bank charges		99	86
Computer software charges		405	412
Electricity and heating		664	730
Fire control expenses		245	269
Insurance		598	527
Office expenses (including computer expenses)		32	47
Postage		48	51
Printing and stationery		39	56
Street lighting		223	232
Subscriptions and publications		176	116
Telephone and communications		85	82
Tourism expenses (excluding employee costs)		356	148
Valuation fees		60	59
Other expenses		89	53
<b>Legal expenses:</b>			
– Legal expenses: planning and development		50	22
– Legal expenses: debt recovery		6	32
– Legal expenses: other		44	86
Other		23	20
<b>Total materials and services</b>		<b>36,926</b>	<b>43,288</b>
Less: capitalised costs		(22,014)	(24,706)
<b>Total materials and services</b>		<b>14,912</b>	<b>18,582</b>

### Accounting policy

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

## B3-3 Borrowing costs

\$ '000	2021	2020
<b>(i) Interest bearing liability costs</b>		
Interest on loans	367	271
<b>Total interest bearing liability costs</b>	<b>367</b>	<b>271</b>
<b>Total interest bearing liability costs expensed</b>	<b>367</b>	<b>271</b>
<b>(ii) Other borrowing costs</b>		
<b>Total other borrowing costs</b>	<b>–</b>	<b>–</b>
<b>Total borrowing costs expensed</b>	<b>367</b>	<b>271</b>

### 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
<b>Depreciation and amortisation</b>			
Plant and equipment		1,259	1,569
Office equipment		120	128
Furniture and fittings		20	21
Land improvements (depreciable)		107	80
<b>Infrastructure:</b>			
	C1-7		
– Buildings – non-specialised		618	612
– Buildings – specialised		1,789	1,727
– Other structures		19	21
– Roads		5,948	3,567
– Bridges		238	237
– Footpaths		170	162
– Stormwater drainage		654	606
– Water supply network		1,023	999
– Sewerage network		1,106	1,085
– Swimming pools		165	117
– Other open space/recreational assets		113	68
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Quarry assets	C2-5,C1-7	–	5
Intangible assets	C1-8	64	63
<b>Total gross depreciation and amortisation costs</b>		<b>13,413</b>	<b>11,067</b>
<b>Total depreciation and amortisation costs</b>		<b>13,413</b>	<b>11,067</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>13,413</b>	<b>11,067</b>

### Accounting policy

#### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C1-9 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 no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

**B3-5 Other expenses**

<b>\$ '000</b>	<b>2021</b>	2020
<b>Other</b>		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	<b>562</b>	405
Donations, contributions and assistance to other organisations (Section 356)	<b>68</b>	36
<b>Total other</b>	<b>630</b>	<b>441</b>
<b>Total other expenses</b>	<b>630</b>	<b>441</b>

**Accounting policy**

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

## B4 Gains or losses

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

\$ '000	Notes	2021	2020
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		180	–
Less: carrying amount of property assets sold/written off		(38)	–
<b>Gain (or loss) on disposal</b>		<b>142</b>	<b>–</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-7		
Proceeds from disposal – plant and equipment		417	691
Less: carrying amount of plant and equipment assets sold/written off		(434)	(728)
<b>Gain (or loss) on disposal</b>		<b>(17)</b>	<b>(37)</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(8,640)	(7,191)
<b>Gain (or loss) on disposal</b>		<b>(8,640)</b>	<b>(7,191)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-5		
Proceeds from disposal – real estate assets		875	1,647
Less: carrying amount of real estate assets sold/written off		(375)	(699)
<b>Gain (or loss) on disposal</b>		<b>500</b>	<b>948</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	786
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>786</b>
<b>Gain (or loss) on disposal of term deposits</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		22,595	16,963
Less: carrying amount of term deposits sold/redeemed/matured		(22,595)	(16,963)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of non-current assets classified as 'held for sale'</b>			
	C1-6		
Proceeds from disposal – non-current assets 'held for sale'		–	19
Less: carrying amount of 'held for sale' assets sold/written off		–	(19)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>(8,015)</b>	<b>(5,494)</b>

#### Accounting policy

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

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 29/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	14,874	15,318	444	3% <b>F</b>
<b>User charges and fees</b>	8,994	8,553	(441)	(5)% <b>U</b>
<b>Other revenues</b>	412	497	85	21% <b>F</b>
Favourable variance was mainly contributed by higher income from sales of scrap metal and unbudgeted insurance claims recovery.				
<b>Operating grants and contributions</b>	12,218	16,324	4,106	34% <b>F</b>
Council received an unbudgeted grant of \$1.6m from the NSW Government's Local Roads and Community Infrastructure (LRCI) program, \$1.9m from Fixing Local Roads and additional income from the NSW Government to assist with the costs of the Emergency Service Levy and the mobile preschool.				
<b>Capital grants and contributions</b>	4,579	7,097	2,518	55% <b>F</b>
Council received an unbudgeted grant of \$1.4m from the NSW Government's Stronger Country Communities Fund (SCCF) for various projects including Bangerang Park toilet block, Oaklands Recreation Reserve change room and toilet block upgrade; lighting upgrade for Rennie Recreational Reserve and \$1.3m invoicing of final contribution towards the Corowa Aquatic Centre.				
<b>Interest and investment revenue</b>	457	185	(272)	(60)% <b>U</b>
Council's interest revenue was less than budgeted due to a six month freeze on interest on outstanding rates and charges (COVID-19 support measure) and lower interest rates received on Council's investments.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	13,329	14,151	(822)	(6)% <b>U</b>
<b>Materials and services</b>	14,040	14,912	(872)	(6)% <b>U</b>
<b>Borrowing costs</b>	487	367	120	25% <b>F</b>
Council's borrowing costs were lower than budget due to delaying accessing loans and securing lower interest rates than expected.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	10,225	13,413	(3,188)	(31)% <b>U</b>
This unfavourable variance results from the revaluation of Council's road infrastructure that was undertaken as at 30 June 2021 and the subsequent increase to depreciation.				
<b>Other expenses</b>	433	630	(197)	(45)% <b>U</b>
Other expenses were greater than budget due to the increase in the Emergency Service Levy. This was offset by an increase in the grant received.				

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>Net losses from disposal of assets</b>	-	8,015	(8,015)	∞ <b>U</b>

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	14,407	27,357	12,950	90% <b>F</b>
Council received additional grants that were not originally budgeted for. This includes the NSW Government's Local Roads and Community Infrastructure (LRCI) that will be used in various projects including rehabilitation of trails and shoulder restoration works; and Fixing Local Roads (FLR) for works on traffic facility, vegetation safety and heavy patching to name a few.				
<b>Cash flows from investing activities</b>	(19,516)	(39,201)	(19,685)	101% <b>U</b>
Unbudgeted grant received throughout the year plus unexpended grant received later the year including \$1.9m from Crown Reserves Improvement Fund (CRIF) in late April 2021, \$3.6m received from NSW Government Growing Local Economies (GLE) in mid May 2021 and late June 2021 from \$1.8m for Fixing Local Roads have contributed to this favourable outcome.				
<b>Cash flows from financing activities</b>	4,643	4,650	7	0% <b>F</b>

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	258	1,162
Cash-equivalent assets		
– Deposits at call	7,135	2,024
– Short-term deposits	1,000	12,401
<b>Total cash and cash equivalents</b>	<b>8,393</b>	<b>15,587</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	8,393	15,587
<b>Balance as per the Statement of Cash Flows</b>	<b>8,393</b>	<b>15,587</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Financial assets at held to maturity</b>				
Long term deposits	20,038	10,008	13,904	–
<b>Total</b>	<b>20,038</b>	<b>10,008</b>	<b>13,904</b>	<b>–</b>
<b>Total financial investments</b>	<b>20,038</b>	<b>10,008</b>	<b>13,904</b>	<b>–</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>28,431</b>	<b>10,008</b>	<b>29,491</b>	<b>–</b>

#### 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)

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### **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.

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.

### **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 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	<b>28,431</b>	<b>10,008</b>	29,491	–
<b>attributable to:</b>				
External restrictions	17,954	10,008	21,045	–
Internal restrictions	10,466	–	6,521	–
Unrestricted	11	–	1,925	–
	<b>28,431</b>	<b>10,008</b>	29,491	–

**C1-3 Restricted cash, cash equivalents and investments (continued)**

\$ '000	2021	2020
<b>Details of restrictions</b>		
<b>External restrictions – included in liabilities</b>		
Specific purpose unexpended grants – general	8,636	–
<b>External restrictions – included in liabilities</b>	<b>8,636</b>	<b>–</b>
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	519	615
Developer contributions – water fund	347	299
Developer contributions – sewer fund	485	425
Specific purpose unexpended grants (recognised as revenue) – general fund	–	3,983
Water fund	9,832	8,445
Sewer fund	8,099	7,216
Domestic waste management	44	62
<b>External restrictions – other</b>	<b>19,326</b>	<b>21,045</b>
<b>Total external restrictions</b>	<b>27,962</b>	<b>21,045</b>
<b>Internal restrictions</b>		
Council has internally restricted cash, cash equivalents and investments as follows:		
Employees leave entitlement	2,037	1,915
Carry over works	3,450	1,307
Gravel pits restoration	910	910
Urana aquatic centre – upgrade	137	137
Cemetery	35	35
Corowa swimming pool	–	1,934
Medical services upgrade Urana	28	28
Preschool building asbestos removal	30	30
Billabidgee aged care units	89	89
Victoria park – balance budget	8	8
Combined town and recreation s355	94	100
Weir repairs reserve	28	28
FAGs advance payment	3,620	–
<b>Total internal restrictions</b>	<b>10,466</b>	<b>6,521</b>
<b>Total restrictions</b>	<b>38,428</b>	<b>27,566</b>

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
<b>Purpose</b>				
Rates and annual charges	921	-	769	-
Interest and extra charges	119	-	292	-
User charges and fees	395	-	584	-
Private works	78	-	84	-
Contributions to works	40	-	45	-
Accrued revenues				
– Interest on investments	-	-	24	-
– Rates and annual charges	2,699	-	2,661	-
Amounts due from other councils	68	-	298	-
Deferred debtors	13	-	13	-
Government grants and subsidies	1,625	-	2,155	-
Loans to non-profit organisations	-	60	-	60
Net GST receivable	376	-	850	-
RMS works	-	-	296	-
Sundry works	564	-	448	-
Saleyard fees	-	-	132	-
Certificates	11	-	11	-
Leases/Rentals	-	-	23	-
Other debtors	135	-	143	-
<b>Total</b>	<b>7,044</b>	<b>60</b>	<b>8,828</b>	<b>60</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(61)	-	(61)	-
User charges and fees	(4)	-	(4)	-
<b>Total provision for impairment – receivables</b>	<b>(65)</b>	<b>-</b>	<b>(65)</b>	<b>-</b>
<b>Total net receivables</b>	<b>6,979</b>	<b>60</b>	<b>8,763</b>	<b>60</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	295	-	265	-
– Other	1,234	-	1,628	-
<b>Sewerage services</b>				
– Rates and availability charges	1,630	-	1,488	-
– Other	316	-	343	-
<b>Total external restrictions</b>	<b>3,475</b>	<b>-</b>	<b>3,724</b>	<b>-</b>
<b>Unrestricted receivables</b>	<b>3,504</b>	<b>60</b>	<b>5,039</b>	<b>60</b>
<b>Total net receivables</b>	<b>6,979</b>	<b>60</b>	<b>8,763</b>	<b>60</b>

\$ '000	2021	2020
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	65	65
<b>Balance at the end of the period (in accordance with AASB 9)</b>	<b>65</b>	<b>65</b>

### Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

## C1-4 Receivables (continued)

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

### Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

## C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	1,766	44	2,141	44
Stores and materials	616	–	1,149	–
<b>Total inventories at cost</b>	<b>2,382</b>	<b>44</b>	<b>3,290</b>	<b>44</b>
<b>Total inventories</b>	<b>2,382</b>	<b>44</b>	<b>3,290</b>	<b>44</b>

### (i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(a) Details for real estate development</b>					
Industrial/commercial		1,766	44	2,141	44
<b>Total real estate for resale</b>		<b>1,766</b>	<b>44</b>	<b>2,141</b>	<b>44</b>

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

#### Represented by:

Acquisition costs		–	44	–	44
Development costs		1,766	–	2,141	–
<b>Total costs</b>		<b>1,766</b>	<b>44</b>	<b>2,141</b>	<b>44</b>
<b>Total real estate for resale</b>		<b>1,766</b>	<b>44</b>	<b>2,141</b>	<b>44</b>

#### Movements:

Real estate assets at beginning of the year		2,141	44	885	234
– Purchases and other costs		–	–	189	(190)
– Transfers in from (out to) Note C1-8		–	–	1,766	–
– WDV of sales (expense)	B4-1	(375)	–	(699)	–
<b>Total real estate for resale</b>		<b>1,766</b>	<b>44</b>	<b>2,141</b>	<b>44</b>

### Accounting policy

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

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

#### Land held for resale

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

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

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

### Details of assets and disposal groups

None for 2021, for previous year it was two blocks of land sold during August, 2019 in Oaklands.

### Reconciliation of non-current assets held for sale and disposal groups – i.e. discontinued operations

\$ '000	2021 Assets 'held for sale'	2020 Assets 'held for sale'
<b>Opening balance</b>	–	19
Less: carrying value of assets/operations sold	–	(19)
<b>Balance still unsold after 12 months:</b>	–	–
<b>Closing balance of held for sale non-current assets and operations</b>	–	–

### Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

## C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	15,392	–	15,392	3,112	1,984	–	–	(10,769)	–	9,719	–	9,719
Plant and equipment	15,912	(6,993)	8,919	1,013	61	(434)	(1,259)	133	–	16,191	(7,758)	8,433
Office equipment	863	(316)	547	87	–	–	(120)	–	–	950	(436)	514
Furniture and fittings	456	(312)	144	–	–	–	(20)	–	–	456	(332)	124
<b>Land:</b>												
– Operational land	15,731	–	15,731	–	–	(37)	–	–	–	15,694	–	15,694
– Community land	21,095	–	21,095	–	–	–	–	–	–	21,095	–	21,095
– Land under roads (post 30/6/08)	208	–	208	–	–	–	–	–	–	208	–	208
Land improvements – depreciable	3,521	(707)	2,814	–	1,317	–	(107)	22	–	4,860	(814)	4,046
<b>Infrastructure:</b>												
– Buildings – non-specialised	22,468	(5,636)	16,832	–	307	–	(618)	147	–	22,922	(6,254)	16,668
– Buildings – specialised	71,729	(34,036)	37,693	697	1,378	(32)	(1,789)	2,856	–	76,539	(35,736)	40,803
– Other structures	1,558	(956)	602	–	–	–	(19)	–	–	1,558	(975)	583
– Roads	302,273	(109,446)	192,827	6,603	–	(8,465)	(5,948)	3,295	–	299,025	(110,713)	188,312
– Bridges	23,654	(9,019)	14,635	–	–	–	(238)	124	–	23,778	(9,257)	14,521
– Footpaths	7,316	(1,868)	5,448	–	2	(19)	(170)	–	–	7,291	(2,030)	5,261
– Bulk earthworks (non-depreciable)	118,164	–	118,164	124	–	–	–	30	–	118,318	–	118,318
– Stormwater drainage	58,125	(14,582)	43,543	508	–	(4)	(654)	–	–	58,598	(15,205)	43,393
– Water supply network	68,720	(29,727)	38,993	254	–	(91)	(1,023)	67	254	69,455	(31,001)	38,454
– Sewerage network	79,059	(27,530)	51,529	50	–	(29)	(1,106)	74	467	79,880	(28,895)	50,985
– Swimming pools	4,623	(2,231)	2,392	3,757	2,837	–	(165)	3,053	–	14,269	(2,395)	11,874
– Other open space/recreational assets	2,077	(431)	1,646	92	344	–	(113)	968	–	3,481	(544)	2,937
<b>Reinstatement, rehabilitation and restoration assets (refer Note C2-5):</b>												
– Quarry assets	343	(238)	105	–	–	–	–	–	–	343	(238)	105
<b>Total infrastructure, property, plant and equipment</b>	<b>833,287</b>	<b>(244,028)</b>	<b>589,259</b>	<b>16,297</b>	<b>8,230</b>	<b>(9,111)</b>	<b>(13,349)</b>	<b>–</b>	<b>721</b>	<b>844,630</b>	<b>(252,583)</b>	<b>592,047</b>

(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 <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	10,482	–	10,482	8,930	4,007	–	–	(6,261)	–	(1,766)	–	15,392	–	15,392
Plant and equipment	15,867	(6,791)	9,076	1,771	246	(728)	(1,569)	123	–	–	–	15,912	(6,993)	8,919
Office equipment	817	(194)	623	52	–	–	(128)	–	–	–	–	863	(316)	547
Furniture and fittings	456	(291)	165	–	–	–	(21)	–	–	–	–	456	(312)	144
<b>Land:</b>														
– Operational land	16,447	–	16,447	–	71	–	–	48	(1,772)	–	937	15,731	–	15,731
– Community land	16,761	–	16,761	–	–	–	–	–	1,772	–	2,562	21,095	–	21,095
– Land under roads (post 30/6/08)	100	–	100	–	79	–	–	29	–	–	–	208	–	208
Land improvements – depreciable	3,015	(645)	2,370	–	300	(2)	(80)	226	–	–	–	3,521	(707)	2,814
<b>Infrastructure:</b>														
– Buildings – non-specialised	22,263	(5,042)	17,221	65	158	–	(612)	–	–	–	–	22,468	(5,636)	16,832
– Buildings – specialised	70,408	(32,990)	37,418	562	1,400	(401)	(1,727)	441	–	–	–	71,729	(34,036)	37,693
– Other structures	1,575	(952)	623	–	–	–	(21)	–	–	–	–	1,558	(956)	602
– Roads	237,383	(49,149)	188,234	6,331	1,035	(5,782)	(3,567)	2,644	(550)	–	4,482	302,273	(109,446)	192,827
– Bridges	23,654	(8,782)	14,872	–	–	–	(237)	–	–	–	–	23,654	(9,019)	14,635
– Footpaths	6,763	(1,737)	5,026	–	247	(79)	(162)	416	–	–	–	7,316	(1,868)	5,448
– Bulk earthworks (non-depreciable)	70,409	–	70,409	168	271	–	–	82	–	–	47,234	118,164	–	118,164
– Stormwater drainage	54,685	(13,987)	40,698	–	1,997	(258)	(606)	1,162	550	–	–	58,125	(14,582)	43,543
– Water supply network	67,137	(29,055)	38,082	876	202	(109)	(999)	377	–	–	564	68,720	(29,727)	38,993
– Sewerage network	77,618	(26,200)	51,418	–	239	(5)	(1,085)	427	–	–	535	79,059	(27,530)	51,529
– Swimming pools	5,605	(2,663)	2,942	67	–	(500)	(117)	–	–	–	–	4,623	(2,231)	2,392
– Other open space/recreational assets	1,577	(402)	1,175	–	307	(54)	(68)	286	–	–	–	2,077	(431)	1,646
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>														
– Quarry assets	343	(233)	110	–	–	–	(5)	–	–	–	–	343	(238)	105
<b>Total infrastructure, property, plant and equipment</b>	<b>703,365</b>	<b>(179,113)</b>	<b>524,252</b>	<b>18,822</b>	<b>10,559</b>	<b>(7,918)</b>	<b>(11,004)</b>	<b>–</b>	<b>–</b>	<b>(1,766)</b>	<b>56,314</b>	<b>833,287</b>	<b>(244,028)</b>	<b>589,259</b>

(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 at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

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

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

### Land under roads

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

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

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

### Crown reserves

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

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

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

### **Rural Fire Service assets**

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

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements.

## Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	512	–	512	263	–	263
Plant and equipment	119	56	63	119	36	83
Office equipment	144	45	99	144	30	114
Land						
– Operational land	2,066	–	2,066	2,066	–	2,066
– Improvements – depreciable	63	3	60	63	2	61
Buildings	2,174	1,018	1,156	2,174	967	1,207
Infrastructure	69,455	31,001	38,454	68,720	29,727	38,993
<b>Total water supply</b>	<b>74,533</b>	<b>32,123</b>	<b>42,410</b>	<b>73,549</b>	<b>30,762</b>	<b>42,787</b>
<b>Sewerage services</b>						
WIP	885	–	885	628	–	628
Plant and equipment	95	48	47	95	42	53
Office equipment	129	43	86	129	29	100
Land						
– Operational land	1,632	–	1,632	1,632	–	1,632
– Improvements – depreciable	140	5	135	140	2	138
Buildings	1,175	360	815	1,145	338	807
Infrastructure	79,880	28,895	50,985	79,059	27,529	51,530
<b>Total sewerage services</b>	<b>83,936</b>	<b>29,351</b>	<b>54,585</b>	<b>82,828</b>	<b>27,940</b>	<b>54,888</b>
<b>Total restricted infrastructure, property, plant and equipment</b>	<b>158,469</b>	<b>61,474</b>	<b>96,995</b>	<b>156,377</b>	<b>58,702</b>	<b>97,675</b>

## Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	553	552
Accumulated amortisation	(260)	(201)
<b>Net book value – opening balance</b>	<b>293</b>	<b>351</b>
<b>Movements for the year</b>		
Purchases	3	5
Amortisation charges	(64)	(63)
<b>Closing values at 30 June</b>		
Gross book value	556	553
Accumulated amortisation	(324)	(260)
<b>Total software – net book value</b>	<b>232</b>	<b>293</b>
<b>Total intangible assets – net book value</b>	<b>232</b>	<b>293</b>

## C2 Liabilities of Council

### C2-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	2,150	–	3,546	–
Accrued expenses:				
– Salaries and wages	159	–	615	–
Security bonds, deposits and retentions	818	–	787	–
Prepaid rates	733	–	699	–
<b>Total payables</b>	<b>3,860</b>	<b>–</b>	<b>5,647</b>	<b>–</b>
<b>Total payables</b>	<b>3,860</b>	<b>–</b>	<b>5,647</b>	<b>–</b>

#### Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Externally restricted assets</b>				
Water	562	–	562	–
Sewer	1,137	–	1,131	–
Payables relating to externally restricted assets	1,699	–	1,693	–
<b>Total payables relating to restricted assets</b>	<b>1,699</b>	<b>–</b>	<b>1,693</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>2,161</b>	<b>–</b>	<b>3,954</b>	<b>–</b>
<b>Total payables</b>	<b>3,860</b>	<b>–</b>	<b>5,647</b>	<b>–</b>

#### Accounting policy

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

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

#### Payables

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

## C2-2 Contract Liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>				
Unexpended capital grants (to construct Council controlled assets) <sup>i</sup>	6,071	-	-	-
Unexpended operating grants (received prior to performance obligation being satisfied) <sup>ii</sup>	2,565	-	-	-
<b>Total grants received in advance</b>	<b>8,636</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>User fees and charges received in advance:</b>				
Upfront fees <sup>iii</sup>	49	-	-	-
Other	-	-	-	-
<b>Total user fees and charges received in advance</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total contract liabilities</b>	<b>8,685</b>	<b>-</b>	<b>-</b>	<b>-</b>

(i) Council has received funding to construct assets including saleyard redevelopment 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.

(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.

(iii) Upfront fees for the aquatic centre and caravan park that do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when or as it satisfies a performance obligation over the expected membership life or by transferring control of a product or service to a customer.

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

Significant changes in contract assets and liabilities The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously, revenue was recognised on receipt of the funds.

## C2-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured <sup>1</sup>	517	10,593	368	6,092
<b>Total borrowings</b>	<b>517</b>	<b>10,593</b>	<b>368</b>	<b>6,092</b>

(1) Loans are secured over the general rating income of Council.

### Borrowings relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Externally restricted assets</b>				
Sewer	77	2,286	72	2,363
Borrowings relating to externally restricted assets	77	2,286	72	2,363
<b>Total borrowings relating to restricted assets</b>	<b>77</b>	<b>2,286</b>	<b>72</b>	<b>2,363</b>
<b>Total borrowings relating to unrestricted assets</b>	<b>440</b>	<b>8,307</b>	<b>296</b>	<b>3,729</b>
<b>Total borrowings</b>	<b>517</b>	<b>10,593</b>	<b>368</b>	<b>6,092</b>

### 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.

## C2-3 Borrowings (continued)

### Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	380	380
Credit cards/purchase cards	60	60
<b>Total financing arrangements</b>	<b>440</b>	<b>440</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	12	4
<b>Total drawn financing arrangements</b>	<b>12</b>	<b>4</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	380	380
– Credit cards/purchase cards	48	56
<b>Total undrawn financing arrangements</b>	<b>428</b>	<b>436</b>

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

### Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## C2-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	1,146	–	1,115	–
Long service leave	1,410	351	1,212	404
Superannuation	140	13	127	15
Workers Compensation	98	13	70	12
Other leave	2	–	3	–
<b>Total employee benefit provisions</b>	<b>2,796</b>	<b>377</b>	<b>2,527</b>	<b>431</b>

### Description of and movements in provisions

\$ '000	ELE provisions					Total
	Annual leave	Long service leave	Superannuation	Workers Compensation	Other employee benefits	
<b>2021</b>						
At beginning of year	1,115	1,616	142	83	2	2,958
Additional provisions	933	463	11	28	–	1,435
Amounts used (payments)	(902)	(318)	–	–	–	(1,220)
Total ELE provisions at end of year	1,146	1,761	153	111	2	3,173
<b>2020</b>						
At beginning of year	959	1,489	142	83	2	2,675
Additional provisions	1,132	533	–	–	–	1,665
Amounts used (payments)	(976)	(406)	–	–	–	(1,382)
Total ELE provisions at end of year	1,115	1,616	142	83	2	2,958

### Accounting policy

#### 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.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

## C2-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	432	709	432	709
<b>Sub-total – asset remediation/restoration</b>	<b>432</b>	<b>709</b>	<b>432</b>	<b>709</b>
<b>Total provisions</b>	<b>432</b>	<b>709</b>	<b>432</b>	<b>709</b>

### 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.

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
<b>2021</b>		
At beginning of year	1,141	1,141
Total other provisions at end of year	1,141	1,141
2020		
At beginning of year	1,141	1,141
Total other provisions at end of year	1,141	1,141

### 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 interest expense.

### Asset remediation – tips and quarries

#### Restoration

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

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

#### Rehabilitation

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

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

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

## C2-5 Provisions (continued)

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

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

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

## C3 Reserves

### C3-1 Nature and purpose of reserves

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#### **Infrastructure, property, plant and equipment revaluation reserve**

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

## D Council structure

### D1 Results by fund

General fund refers to all Council activities other than domestic waste, 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 domestic waste, water and sewer columns are restricted for use for these activities.

#### D1-1 Income Statement by fund

\$ '000	Waste 2021	General 2021	Water 2021	Sewer 2021
<b>Income from continuing operations</b>				
Rates and annual charges	1,890	8,687	694	4,047
User charges and fees	–	3,803	4,223	527
Interest and investment revenue	5	84	52	44
Other revenues	–	407	55	35
Grants and contributions provided for operating purposes	80	16,111	65	68
Grants and contributions provided for capital purposes	–	6,989	48	60
<b>Total income from continuing operations</b>	<b>1,975</b>	<b>36,081</b>	<b>5,137</b>	<b>4,781</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	213	9,679	2,245	2,014
Borrowing costs	–	183	–	184
Materials and services	1,753	11,375	905	879
Depreciation, amortisation and impairment of non-financial assets	–	11,150	1,112	1,151
Other expenses	–	116	345	169
Net losses from the disposal of assets	–	7,895	91	29
<b>Total expenses from continuing operations</b>	<b>1,966</b>	<b>40,398</b>	<b>4,698</b>	<b>4,426</b>
<b>Operating result from continuing operations</b>	<b>9</b>	<b>(4,317)</b>	<b>439</b>	<b>355</b>
<b>Net operating result for the year</b>	<b>9</b>	<b>(4,317)</b>	<b>439</b>	<b>355</b>
<b>Net operating result attributable to each council fund</b>	<b>9</b>	<b>(4,317)</b>	<b>439</b>	<b>355</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>9</b>	<b>(11,306)</b>	<b>391</b>	<b>295</b>

## D1-2 Statement of Financial Position by fund

\$ '000	Waste 2021	General 2021	Water 2021	Sewer 2021
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	45	2,585	3,179	2,584
Investments	–	7,038	7,000	6,000
Receivables	148	3,356	1,529	1,946
Inventories	–	2,382	–	–
Other	–	119	–	–
<b>Total current assets</b>	<b>193</b>	<b>15,480</b>	<b>11,708</b>	<b>10,530</b>
<b>Non-current assets</b>				
Investments	–	10,008	–	–
Receivables	–	60	–	–
Inventories	–	44	–	–
Infrastructure, property, plant and equipment	–	495,053	42,409	54,585
Intangible assets	–	232	–	–
<b>Total non-current assets</b>	<b>–</b>	<b>505,397</b>	<b>42,409</b>	<b>54,585</b>
<b>TOTAL ASSETS</b>	<b>193</b>	<b>520,877</b>	<b>54,117</b>	<b>65,115</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	–	3,568	287	5
Income received in advance	–	(1,407)	275	1,132
Contract liabilities	–	8,685	–	–
Borrowings	–	440	–	77
Employee benefit provision	–	2,796	–	–
Provisions	–	432	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>14,514</b>	<b>562</b>	<b>1,214</b>
<b>Non-current liabilities</b>				
Borrowings	–	8,307	–	2,286
Employee benefit provision	–	377	–	–
Provisions	–	709	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>9,393</b>	<b>–</b>	<b>2,286</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>23,907</b>	<b>562</b>	<b>3,500</b>
<b>Net assets</b>	<b>193</b>	<b>496,970</b>	<b>53,555</b>	<b>61,615</b>
<b>EQUITY</b>				
Accumulated surplus	193	403,681	51,187	47,852
Revaluation reserves	–	93,289	2,368	13,763
<b>Council equity interest</b>	<b>193</b>	<b>496,970</b>	<b>53,555</b>	<b>61,615</b>
<b>Total equity</b>	<b>193</b>	<b>496,970</b>	<b>53,555</b>	<b>61,615</b>

## 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.

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	8,393	15,587	8,393	15,587
Receivables	7,039	8,823	7,039	8,823
Investments				
– Debt securities at amortised cost	30,046	13,904	30,046	13,904
<b>Total financial assets</b>	<b>45,478</b>	<b>38,314</b>	<b>45,478</b>	<b>38,314</b>
<b>Financial liabilities</b>				
Payables	3,860	5,647	3,860	4,948
Loans/advances	11,110	6,460	11,110	6,460
<b>Total financial liabilities</b>	<b>14,970</b>	<b>12,107</b>	<b>14,970</b>	<b>11,408</b>

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 held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and 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 the 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.

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
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	<b>284</b>	295
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

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

### (b) Credit risk

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

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

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

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

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

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

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

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	613	137	69	57	45	921
2020						
Gross carrying amount	2	636	47	31	53	769

#### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2021</b>						
Gross carrying amount	1	4,039	65	19	2,059	6,183
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	4	4
2020						
Gross carrying amount	–	6,224	48	432	1,415	8,119
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	4	4

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

### (c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2021</b>							
Trade/other payables	0.00%	818	2,309	–	–	3,127	3,127
Loans and advances	3.62%	–	985	3,939	10,050	14,974	11,110
<b>Total financial liabilities</b>		<b>818</b>	<b>3,294</b>	<b>3,939</b>	<b>10,050</b>	<b>18,101</b>	<b>14,237</b>
<b>2020</b>							
Trade/other payables	0.00%	787	4,161	–	–	4,948	4,948
Loans and advances	4.76%	–	672	2,687	6,136	9,495	6,460
<b>Total financial liabilities</b>		<b>787</b>	<b>4,833</b>	<b>2,687</b>	<b>6,136</b>	<b>14,443</b>	<b>11,408</b>

## E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment.

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>									
<b>Infrastructure, property, plant and equipment</b> <span style="float: right;">C1-7</span>									
Plant and equipment		30/06/18	30/06/18	8,433	8,919	–	–	8,433	8,919
Office equipment		30/06/18	30/06/18	–	–	514	547	514	547
Furniture and fittings		30/06/18	30/06/18	–	–	124	144	124	144
Land – operational land		30/06/20	30/06/20	15,694	15,731	–	–	15,694	15,731
Land – community land		30/06/20	30/06/20	–	–	21,095	21,095	21,095	21,095
Land – land under roads (post 30/6/08)		30/06/13	30/06/13	–	–	208	208	208	208
Land improvements – depreciable		30/06/18	30/06/18	–	–	4,046	2,814	4,046	2,814
Buildings – non-specialised		30/06/17	30/06/17	16,668	16,832	–	–	16,668	16,832
Buildings – specialised		30/06/17	30/06/17	–	–	40,803	37,693	40,803	37,693
Other structures		30/06/18	30/06/18	–	–	583	602	583	602
Roads		30/06/20	30/06/20	–	–	188,312	192,827	188,312	192,827
Bridges		30/06/20	30/06/20	–	–	14,521	14,635	14,521	14,635
Footpaths		30/06/17	30/06/17	–	–	5,261	5,448	5,261	5,448
Bulk earthworks (non-depreciable)		30/06/20	30/06/20	–	–	118,318	118,164	118,318	118,164
Stormwater drainage		30/06/18	30/06/18	–	–	43,393	43,543	43,393	43,543
Water supply network		30/06/18	30/06/18	–	–	38,454	38,993	38,454	38,993
Sewerage network		30/06/18	30/06/18	–	–	50,985	51,529	50,985	51,529
Swimming pools		30/06/18	30/06/18	–	–	11,874	2,392	11,874	2,392
Other open space/recreational assets		30/06/18	30/06/18	–	–	2,937	1,646	2,937	1,646
Quarry assets		12/05/11	12/05/11	–	–	105	105	105	105
<b>Total infrastructure, property, plant and equipment</b>				<b>40,795</b>	<b>41,482</b>	<b>541,533</b>	<b>532,385</b>	<b>582,328</b>	<b>573,867</b>

### Non-recurring fair value measurements

### 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)

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

#### Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to their nature.

Examples of assets within these classes are as follows:

- Plant and Equipment
- Office Equipment
- Furniture and Fittings
- Other Assets

There has been no change to the valuation process during the reporting period, other than normal useful life and rate considerations.

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#### Land and Buildings

##### Operational & Community Land

Operational & Community Land values are based on the Land Values provided by the Valuer-General for 30/6/2020. Where rates were not available for Community land, adjacent land rates were adopted, based on 2019 land values. Land Value was based on the valuer's opinion of estimated market value of arm's length transaction between buyer and seller, both willing and knowledgeable parties.

##### Buildings - Non-Specialised & Specialised

Buildings were externally valued by Scott Fullarton Valuations Pty Ltd for 30/6/2017. Specialised and Non-specialised buildings were both valued by the external valuer.

Buildings were valued at fair value. Fair value is the best estimate of the price reasonably obtained in the market at the date of valuation. No market based evidence (Level 2) could be used as reference. As such, these assets were all classified as having been valued using Level 3 inputs.

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

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#### Other Structures

Balldale water system is classified as Other Structures. The water system is a non potable water supply and the depreciated cost approach has been adopted. The replacement cost was estimated for the asset because no market based evidence (Level 2) could be use as reference, except for the bore that was replaced.

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

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#### Roads, Bridges and Footpaths

Age-based depreciated replacement cost method has been applied for asset valuations. Condition-based assessment was undertaken where initial installation dates were unknown. Valuations of roads, bridges and footpaths were undertaken in-house based on actual cost and estimates from Council's Engineering Department.

Bridge and major culverts were extensively revised and unit rates for other assets were reconsidered.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacts significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

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

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#### Stormwater Drainage

Age-based depreciated replacement cost method has been applied for asset valuation.

Unit rates adopted were benchmarked against adjacent Council rates and NSW Reference manual rates.

The carrying value was determined using a linear, age-based valuation method to more closely determine the asset's value.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

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#### Water Supply Network

This asset class comprises of water mains, treatment plants and equipment such as reticulations mains, bores and dam/reservoirs.

## E2-1 Fair value measurement (continued)

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Age based depreciated replacement cost method applied for asset valuation.

The assets are valued using age-based methodology and indexed using the NSW Reference manual rates. Replacement cost is determined based on using current equivalent materials and methods.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class was classified as having been valued using Level 3 inputs.

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

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### **Sewerage Network**

This asset class comprises pump stations, sewerage mains and treatment plants.

Age based depreciated replacement cost method applied for asset valuation. Replacement cost is determined from the NSW Reference Rates Manual.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class was classified as having been valued using Level 3 inputs.

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

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### **Non-current assets classified as 'held for sale'**

#### **Land and Buildings Classified as 'Held for Sale'**

Council's non current assets are measured at fair value less costs to sell.

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

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

### **The valuation process for level 3 fair value measurements**

Council's fair value is done based on the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Council's valuation will be recorded at the depreciated replacement cost (i.e written-down value) using the fair value approach to arrive at the fair value.

The "Replacement Cost" method will typically be used as this is the most common method for non-commercial Council infrastructure assets where a market value is not available to determine the value of the asset. Determination of the replacement cost at times will require componentisation to allow for different useful lives, unit rates and consumption to be considered, so that a reasonable value can be determined for the total and fair value of the asset.

An assets can be determined based on the assets condition, expected remaining life and unit costs to arrive at the current fair value of the asset. Asset services undertake the valuation exercise in consultation with the Engineering department. There are instances that external in the valuation process.

Asset revaluations cycles will occur at a maximum of every 5 years. During the annual valuation cycle the unit rates will be adjusted, where required, to limit materiality issues. Where a material financial difference in the asset classes value is likely to be greater than 10%, then a review and adjustment of the unit rates will be required.

Indications of changes in value will be first considered with relevant Building Price Index changes (BPI) changes.

## E2-1 Fair value measurement (continued)

### 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.

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Office Equipment	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Furniture & Fittings	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Land - excluding operational land	Valued using valuer-based methodology	Value of land is determined by valuer, in between valuation, the value of land will be maintained
Buildings - specialised	Valued using valuer-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Other Structures	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Roads	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bridges	Valued using condition-based methodology	Construction of new bridges and repair of existing bridges occurs relatively infrequently, so collecting benchmark information on unit rates, useful life and degradation is difficult
Footpaths	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bulk Earthworks (non-depreciable)	Internal valuation	Significant movement in cost for replacement would considerably impact the fair value measurement
Stormwater Drainage	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Water Supply Network	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Sewerage Network	Valued using age-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Swimming Pools	Depreciated historical cost	Replacement cost, remaining useful life and residual value
Other Open Space/Recreational Assets	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Quarry Assets	Internal valuation	Estimated cost

## 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	Office equipment		Furniture and fittings		Land excluding operational land		Building specialised	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>547</b>	623	<b>144</b>	165	<b>24,117</b>	19,231	<b>37,693</b>	37,418
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	87	52	–	–	1,339	2,406	4,931	2,403
Disposals (WDV)	–	–	–	–	–	(2)	(32)	(401)
Depreciation and impairment	(120)	(128)	(20)	(21)	(107)	(80)	(1,789)	(1,727)
Revaluation increments to equity	–	–	–	–	–	2,562	–	–
<b>Closing balance</b>	<b>514</b>	547	<b>124</b>	144	<b>25,349</b>	24,117	<b>40,803</b>	37,693

\$ '000	Other structures		Roads		Bridges		Footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>602</b>	623	<b>192,827</b>	188,234	<b>14,635</b>	14,872	<b>5,448</b>	5,026
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	–	–	9,898	9,460	124	–	2	663
Disposals (WDV)	–	–	(8,465)	(5,782)	–	–	(19)	(79)
Depreciation and impairment	(19)	(21)	(5,948)	(3,567)	(238)	(237)	(170)	(162)
Revaluation increments to equity	–	–	–	4,482	–	–	–	–
<b>Closing balance</b>	<b>583</b>	602	<b>188,312</b>	192,827	<b>14,521</b>	14,635	<b>5,261</b>	5,448

## E2-1 Fair value measurement (continued)

\$ '000	Bulk earthworks		Stormwater drainage		Water supply network		Sewerage network	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>118,164</b>	70,409	<b>43,543</b>	40,698	<b>38,993</b>	38,082	<b>51,529</b>	51,418
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	154	521	508	3,709	321	1,455	124	666
Disposals (WDV)	–	–	(4)	(258)	(91)	(109)	(29)	(5)
Depreciation and impairment	–	–	(654)	(606)	(1,023)	(999)	(1,106)	(1,085)
Revaluation increments to equity	–	47,234	–	–	254	564	467	535
<b>Closing balance</b>	<b>118,318</b>	118,164	<b>43,393</b>	43,543	<b>38,454</b>	38,993	<b>50,985</b>	51,529

\$ '000	Swimming pools		Other open space		Quarry assets		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>2,392</b>	2,942	<b>1,646</b>	1,175	<b>105</b>	110	<b>532,385</b>	<b>471,026</b>
Purchases (GBV)	9,647	67	1,404	593	–	–	28,539	21,995
Disposals (WDV)	–	(500)	–	(54)	–	–	(8,640)	(7,190)
Depreciation and impairment	(165)	(117)	(113)	(68)	–	(5)	(11,472)	(8,823)
Revaluation increments to equity	–	–	–	–	–	–	721	55,377
<b>Closing balance</b>	<b>11,874</b>	2,392	<b>2,937</b>	1,646	<b>105</b>	105	<b>541,533</b>	<b>532,385</b>

### 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).

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard 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 standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 for 3 years 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.

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$190,403.37. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$198,030.36.

## E3-1 Contingencies (continued)

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.

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

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

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

\* Plus promotional increases

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

### (ii) Statewide Limited

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

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

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

### (iii) StateCover Limited

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

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

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

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

### (iv) Other guarantees

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

## E3-1 Contingencies (continued)

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### 2. Other liabilities

#### (i) Third party claims

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

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

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

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

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

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

#### (iii) Landfill Rehabilitation

Council is responsible for four landfills that will require rehabilitation in the future.

To date, no provision has been made in relation to the future landfill rehabilitation as the cost of any potential obligations cannot be reliably estimated.

Council remains in the process of developing a Waste Strategy to guide the future of waste management and the landfills in the Council area. This strategy will plan for future closures of landfills and rehabilitation needs.

Provision for future landfill rehabilitation costs will be made, when the Waste Strategy has been finalised.

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

#### (ii) Infringement notices/fines

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

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

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

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

#### (iii) Rural Fire Service

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".

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements.

## E3-1 Contingencies (continued)

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### (iv) Riverina Regional Library

\$'000		Net Profit 2020	Net Assets 2020
Riverina Regional Library	Provision of Services to Member Councils	\$122	\$4,675
Council's Share		\$11	\$417

Federation Council is a member of Riverina Regional Library. This joint arrangement has been established to provide library services to the member councils of Bland, Coolamon, Cootamundra-Gundagai, Federation, Greater Hume, Junee, Lockhart, Temora, Snowy Valleys and Wagga Wagga.

As at 30 June 2020 Council's ownership interest in the Riverina Regional Library was 8.92%. This has been assessed as not material and therefore has not been included as part of the primary financial statements.

## 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
<b>Compensation:</b>		
Short-term benefits	1,015	982
Post-employment benefits	89	82
Other long-term benefits	52	84
<b>Total</b>	<b>1,156</b>	<b>1,148</b>

#### Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
<b>2021</b>					
Civil works	2,061	28	14 to 30 days creditor	-	-
Employee expenses relating to family member of KMP	-	-	Council staff award	-	-
Refund of bonds	-	-	7 days creditor	-	-
User fee and charges	-	-	30 days creditor	-	-
Community support and events	2	-	7 days creditor	-	-
<b>2020</b>					
Civil works	2,765	-	30 days creditor	-	-
Employee expenses relating to family member of KMP	103	-	Council staff award	-	-
Refund of bonds	3	-	7 days creditor	-	-
User fee and charges	6	-	30 days creditor	-	-

## F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	26
Councillors' fees	109	109
<b>Total</b>	<b>136</b>	<b>135</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	67	73
<b>Remuneration for audit and other assurance services</b>	<b>67</b>	<b>73</b>
<b>Total Auditor-General remuneration</b>	<b>67</b>	<b>73</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Internal Audit	-	19
<b>Remuneration for audit and other assurance services</b>	<b>-</b>	<b>19</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>-</b>	<b>19</b>
<b>Total audit fees</b>	<b>67</b>	<b>92</b>

## G Other matters

### G1-1 Statement of Cash Flows information

#### Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>(3,514)</b>	(928)
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	13,413	11,067
Net losses/(gains) on disposal of assets	8,015	5,494
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	1,784	(1,354)
Decrease/(increase) in inventories	533	(199)
Decrease/(increase) in other current assets	13	39
Increase/(decrease) in payables	(1,396)	(27)
Increase/(decrease) in other accrued expenses payable	(456)	69
Increase/(decrease) in other liabilities	65	42
Increase/(decrease) in contract liabilities	8,685	–
Increase/(decrease) in provision for employee benefits	215	284
Increase/(decrease) in other provisions	–	(1)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>27,357</b>	14,486

## 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:		
<b>Property, plant and equipment</b>		
Buildings	325	6,546
Plant and equipment	1,315	77
Roads	535	345
Recreation	243	1,612
Industrial Land	24	453
<b>Total commitments</b>	<b>2,442</b>	<b>9,033</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	2,442	9,033
<b>Total payable</b>	<b>2,442</b>	<b>9,033</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	909	2,096
Future grants and contributions	1,027	2,831
Externally restricted reserves	506	2,142
Internally restricted reserves	-	1,964
<b>Total sources of funding</b>	<b>2,442</b>	<b>9,033</b>

#### Details of capital commitments

Commitments are for expenditure associated with projects funded through the Stronger Communities Fund and Stronger Country Communities Fund, as well as plant purchases and finalisation of the industrial land upgrades.

## 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 - Cash	Amounts expended	Held as restricted asset at 30 June 2021
Drainage	170	-	(100)	70
Roads	210	-	-	210
Open space	75	5	-	80
Community facilities	159	-	-	159
<b>S7.11 contributions – under a plan</b>	<b>614</b>	<b>5</b>	<b>(100)</b>	<b>519</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>614</b>	<b>5</b>	<b>(100)</b>	<b>519</b>
S64 contributions	725	107	-	832
<b>Total contributions</b>	<b>1,339</b>	<b>112</b>	<b>(100)</b>	<b>1,351</b>

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

### G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year - Cash	Amounts expended	Held as restricted asset at 30 June 2021
<b>CONTRIBUTION PLAN (former Corowa)</b>				
Drainage	170	-	(100)	70
Roads	210	-	-	210
Open space	75	5	-	80
Community facilities	159	-	-	159
<b>Total</b>	<b>614</b>	<b>5</b>	<b>(100)</b>	<b>519</b>

## G5 Statement of performance measures

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

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020      2019		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(2,596)</b>	<b>(6.35)%</b>	(10.35)%	10.32%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>40,877</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>24,553</b>	<b>51.18%</b>	48.95%	52.28%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>47,974</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>3</sup>	<b>16,482</b>				
Current liabilities less specific purpose liabilities <sup>4,5</sup>	<b>5,878</b>	<b>2.80x</b>	2.35x	1.88x	> 1.50x
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>11,184</b>				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>807</b>	<b>13.86x</b>	18.87x	39.74x	> 2.00x
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>979</b>				
Rates and annual charges collectable	<b>16,364</b>	<b>5.98%</b>	6.27%	7.32%	< 10.00%
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>38,439</b>	<b>14.60</b>	10.55	15.59	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>2,633</b>	<b>mths</b>	mths	mths	mths

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates.

(3) Refer Notes B4-1 to C1-4 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(4) Refer Notes C2-1 and C2-5.

(5) Refer Notes C2-3 and C2-5 - excludes all payables and provisions not expected to be paid in the next 12 months, including employee leave entitlements.

## G5-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(10.95)%</b>	(13.67)%	<b>9.47%</b>	1.12%	<b>6.86%</b>	(0.55)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>39.09%</b>	37.19%	<b>97.80%</b>	98.16%	<b>97.32%</b>	95.50%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.80x</b>	2.35x	<b>20.83x</b>	18.93x	<b>8.67x</b>	7.87x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>12.90x</b>	24.78x	∞	∞	<b>8.78x</b>	6.75x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>5.07%</b>	4.76%	<b>4.43%</b>	24.00%	<b>8.64%</b>	6.54%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>12.41</b>	4.69	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>mths</b>	mths					mths

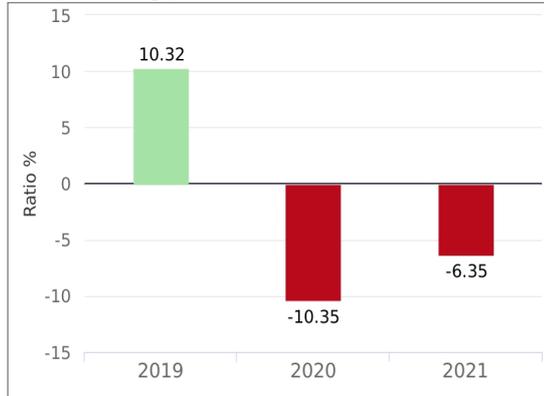
(1) - (2) Refer Note 28a.

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

## H Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2020/21 result

2020/21 ratio (6.35)%

Council has demonstrated an improvement in this ratio compared to the previous year. This has been achieved through maintaining tight financial controls over operating revenue and expenditure. Countering this improvement was a significant increase in the depreciation of roads due to a revaluation of road infrastructure that was undertaken in July 2020. If not for the revaluation impact, this ratio would have achieved the benchmark at +1.4%.

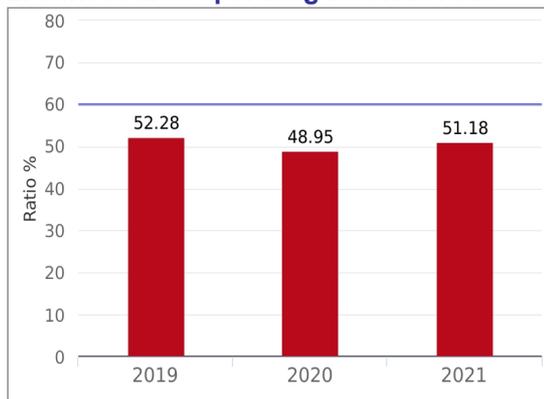
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 51.18%

Council continues to receive grants which includes Local Road and Community Infrastructure (LRCI) program and Fixing Local Road (FLR) program that maintained the ratio below the benchmark.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 2.80x

Council continues to maintain its performance above the benchmark.

Benchmark: — > 1.50x

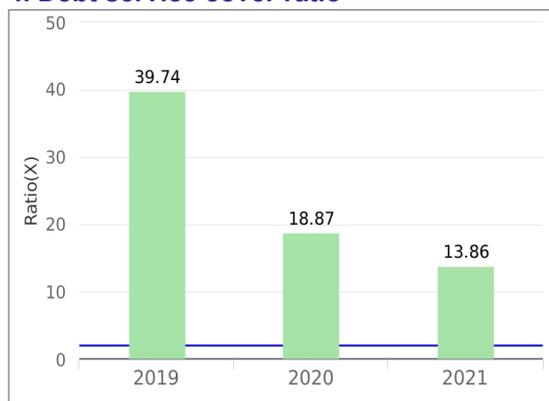
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 13.86x

This ratio achieves the benchmark. It has declined from previous years due to borrowings secured to undertake industrial estate developments, provide community infrastructure and undertake energy efficiency upgrades that result in savings in future years.

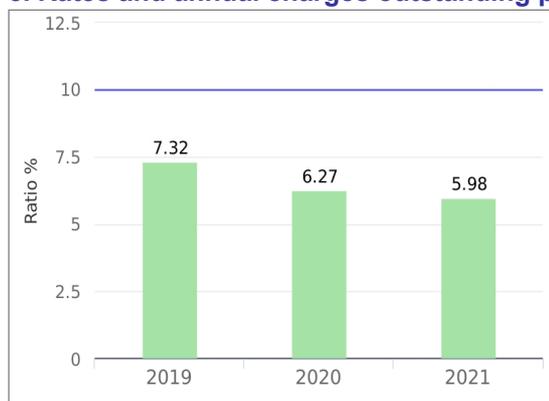
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



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

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

#### Commentary on 2020/21 result

2020/21 ratio 5.98%

This ratio continues to perform well below the nominated maximum benchmark.

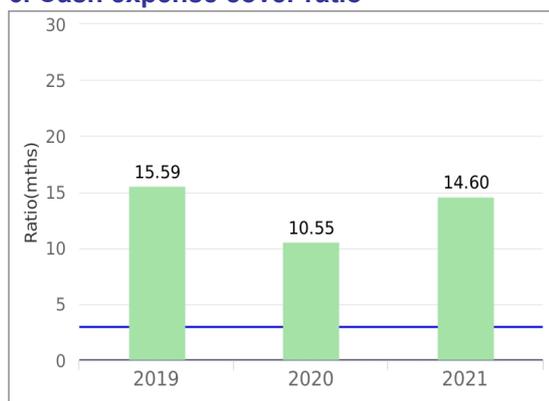
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 14.60 mths

This ratio continues to achieve above the benchmark. Unexpended operating and capital grants received during the year has resulted in the ratio being greater than the previous year.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

## H1-2 Council information and contact details

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**Principal place of business:**

100 Edward Street  
COROWA NSW 2648

**CONTACT DETAILS**

**Mailing Address:**

PO Box 77  
COROWA NSW 2646

**Telephone:** (02) 6033 8999

**Facsimile:** (02) 6033 3317

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

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

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

**Officers**

**GENERAL MANAGER**

Adrian Butler

**RESPONSIBLE ACCOUNTING OFFICER**

Shane Norman

**PUBLIC OFFICER**

Joanne Shannon

**AUDITORS**

Audit Office of NSW  
GPO Box 12  
SYDNEY NSW 2001

**Elected members**

**MAYOR**

Patrick Bourke

**COUNCILLORS**

Shaun Whitechurch  
Fred Longmire  
Gail Law  
Paul Miegel  
Andrew Kennedy  
Bronwyn Thomas  
David Longley  
Norm Wales

**Other information**

**ABN:** 30 762 048 084



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Federation Council

To the Councillors of the Federation Council

### Opinion

I have audited the accompanying financial statements of Federation 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5 Performance against budget
- 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.



Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 October 2021  
SYDNEY



Cr Patrick Bourke  
Mayor  
Federation Council  
PO Box 77  
COROWA NSW 2646

Contact: Michael Kharzoo  
Phone no: (02) 9275 7188  
Our ref: D2122239/1724

29 October 2021

Dear Mayor

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

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

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

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

### **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

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

#### **Rural fire-fighting equipment not recognised in the financial statements**

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

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

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

## INCOME STATEMENT

### Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	15.3	14.7	 4.1
Grants and contributions revenue	23.4	25.1	 6.8
Operating result from continuing operations	(3.5)	(0.9)	 288.9
Net operating result before capital grants and contributions	(10.6)	(9.7)	 9.3

The Council's operating result from continuing operations (deficit of \$3.5 million including depreciation and amortisation expense of \$13.4 million) was \$2.586 million lower than the 2019–20 result. This is primarily due to the \$1.7 million reduction in capital grants and contributions received in the current year.

The net operating result before capital grants and contributions (deficit of \$10.6 million) was \$0.9 million lower than the 2019–20 result.

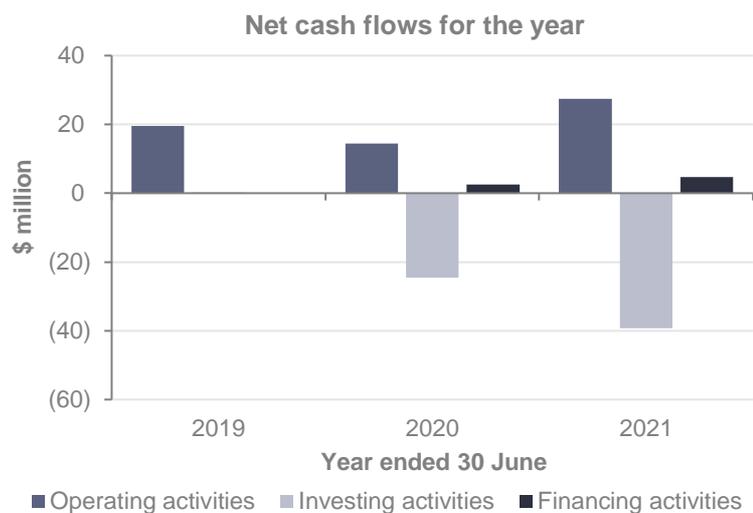
Rates and annual charges revenue (\$15.3 million) increased by \$0.6 million (4.1 per cent) in 2020–21, with the main increase due to the IPART rate peg increase of 2.6 per cent and a small increase in the number of rateable properties.

Grants and contributions revenue (\$23.4 million) decreased by \$1.7 million (6.8 per cent) in 2020–21 primarily due to:

- a \$219,000 reduction in financial assistance grants received during the 2021 financial year
- \$567,000 reduction in non-cash contributions received during the 2021 financial year
- grants related to economic development had reduced by \$2.2 million in the 2021 financial year

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$8.4 million at 30 June 2021 (\$15.6 million at 30 June 2020). There was a net decrease in cash and cash equivalents of \$7.2 million during the 2020-21 financial year.
- Net cash provided by operating activities increased by \$12.9 million. This is mainly due to increased cash receipts for grants and contributions.
- Net cash used in investing activities increased by \$14.6 million. This is mainly due to increased investments in term deposits.
- Net cash provided by financing activities increased by \$2.1 million. This is mainly due to proceeds from new loans during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>38.4</b>	<b>29.5</b>	<ul style="list-style-type: none"> <li>• Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$6.917 million is primarily due to specific purpose unexpended loans of \$8.636 million.</li> </ul>
Restricted cash and investments:			
• External restrictions	27.9	21.1	<ul style="list-style-type: none"> <li>• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$3.945 million is primarily due to an increase in carry over works of \$2.143 million.</li> </ul>
• Internal restrictions	10.5	6.5	
• Unrestricted	0.01	1.9	<ul style="list-style-type: none"> <li>• Unrestricted cash and investments was \$0.011 million, which is available to provide liquidity for day-to-day operations of the Council. This is marginally above the amount Council is required to maintain per the Local Government Act.</li> </ul>

### Debt

Council has \$11.1 million of external borrowings which is secured over the revenue of Council. Council repaid \$0.4 million of external borrowings and entered into a new loan for \$5.1 million.

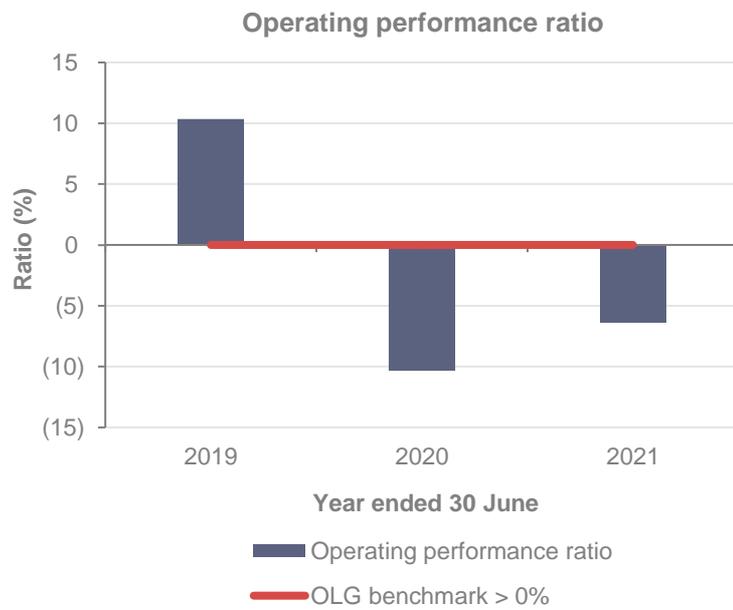
# PERFORMANCE

## Performance measures

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

### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council did not meet the OLG benchmark for the current reporting period.
- The operating performance ratio improved to -6.35 per cent (2020: -10.35 per cent) due to an increase in rates and annual charges and user charges and fees income and a decrease in materials and services expenditure.



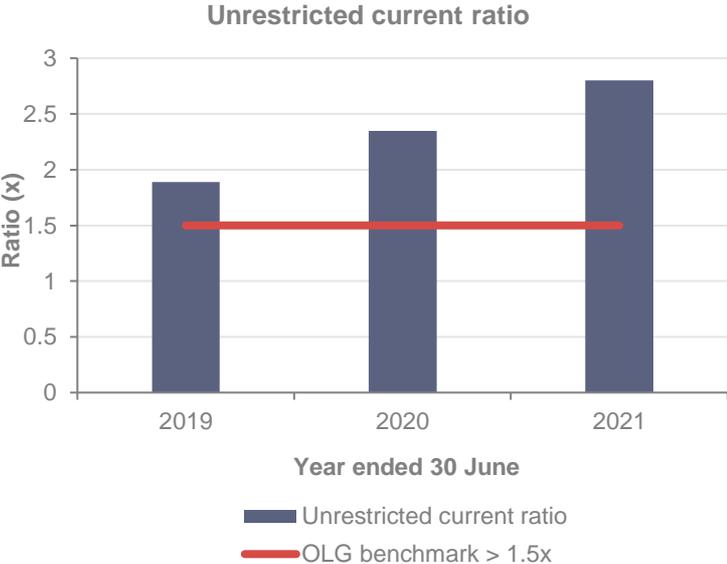
### Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council did not meet the OLG benchmark for the current reporting period.
- The own source operating revenue ratio has remained consistent year-on-year.



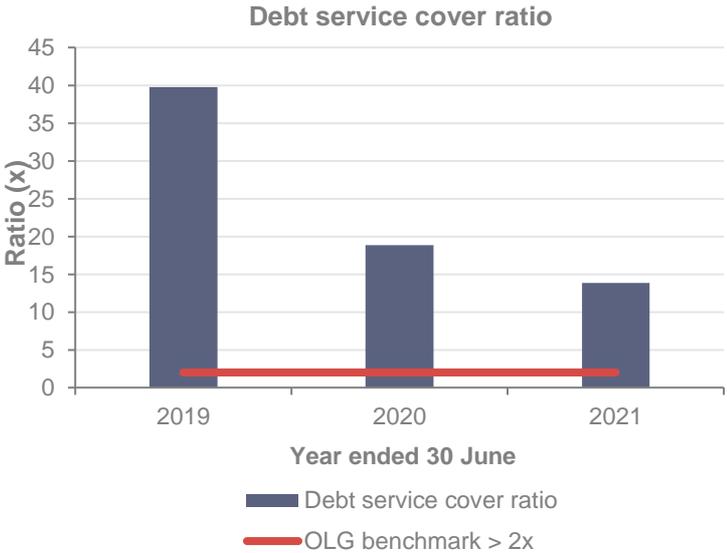
**Unrestricted current ratio**

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council exceeded the OLG benchmark for the current reporting period.
- Council's unrestricted current ratio has increased to 2.80 times (2020: 2.35 times) representing a strengthening of Council's liquidity position.



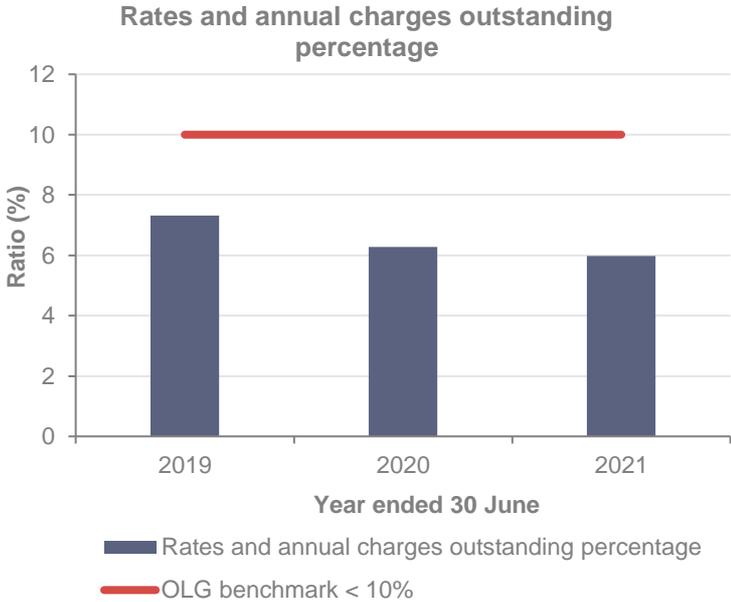
**Debt service cover ratio**

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council exceeded the OLG benchmark for the current reporting period.
- Council's debt service cover ratio decreased to 13.86 times (2020: 18.87 times) due to new borrowings in the current year.



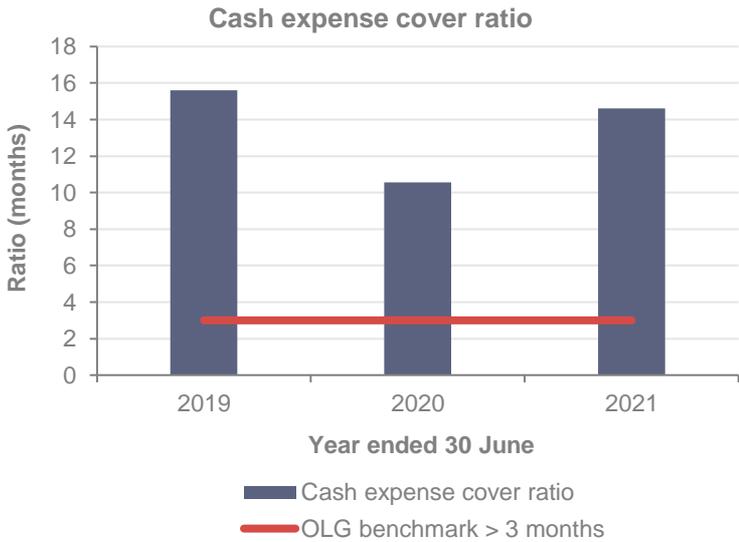
**Rates and annual charges outstanding percentage**

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council exceeded the OLG benchmark for the current reporting period, which is a reflection of the sound debt recovery procedures at Council.



**Cash expense cover ratio**

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council exceeded the OLG benchmark for the current reporting period.
- The Council's cash expense cover ratio was 14.6 months. This indicates that Council has the capacity to cover 14.6 months of operating cash expenditure without additional cash inflows at 30 June 2021.



**Infrastructure, property, plant and equipment renewals**

The Council renewed \$16.297 million of assets in the 2020-21 financial year, compared to \$18.822 million of assets in the 2019-20 financial year. The decrease is primarily due to:

- \$5.818 million less capital work in progress renewals that were in progress at year-end; and
- noting \$3.69 million invested in direct renewals for swimming pools during financial year 2021.

## OTHER MATTERS

### Legislative compliance

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

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



Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Adrian Butler, General Manager  
Ms Jo Shannon, Director Corporate and Community Services  
Ms Linda MacRae, Audit, Risk and Improvement Committee Chair  
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

# Federation Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

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# Federation Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

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### Background

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

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

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

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

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

## Federation Council

### Special Purpose Financial Statements

for the year ended 30 June 2021

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#### 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 19 October, 2021.



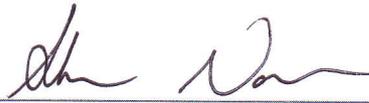
Pat Bourke  
Mayor  
19 October, 2021



Shaun Whitechurch  
Councillor  
19 October, 2021



Adrian Butler  
General Manager  
19 October, 2021



Shane Norman  
Responsible Accounting Officer  
19 October, 2021

## Federation Council

### Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
<b>Income from continuing operations</b>		
Access charges	694	625
User charges	4,142	3,949
Fees	81	44
Interest	52	158
Grants and contributions provided for non-capital purposes	65	67
Other income	55	76
<b>Total income from continuing operations</b>	<b>5,089</b>	<b>4,919</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,245	2,342
Materials and services	905	995
Depreciation, amortisation and impairment	1,112	1,082
Loss on sale of assets	91	109
Calculated taxation equivalents	62	60
Other expenses	345	445
<b>Total expenses from continuing operations</b>	<b>4,760</b>	<b>5,033</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>329</b>	<b>(114)</b>
Grants and contributions provided for capital purposes	48	24
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>377</b>	<b>(90)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>377</b>	<b>(90)</b>
Less: corporate taxation equivalent [based on result before capital]	(86)	–
<b>Surplus (deficit) after tax</b>	<b>291</b>	<b>(90)</b>
<b>Plus accumulated surplus</b>	<b>50,997</b>	51,027
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	62	60
– Corporate taxation equivalent	86	–
<b>Closing accumulated surplus</b>	<b>51,436</b>	50,997
<b>Return on capital %</b>	<b>0.8%</b>	(0.3)%
<b>Subsidy from Council</b>	<b>303</b>	491
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	291	(90)
Less: capital grants and contributions (excluding developer contributions)	(48)	(24)
<b>Surplus for dividend calculation purposes</b>	<b>243</b>	–
<b>Potential dividend calculated from surplus</b>	<b>122</b>	–

## Federation Council

### Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
<b>Income from continuing operations</b>		
Access charges	4,047	3,887
User charges	435	452
Liquid trade waste charges	92	51
Interest	44	121
Grants and contributions provided for non-capital purposes	68	165
Other income	35	28
<b>Total income from continuing operations</b>	<b>4,721</b>	<b>4,704</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,014	2,141
Borrowing costs	184	184
Materials and services	879	1,078
Depreciation, amortisation and impairment	1,151	1,131
Loss on sale of assets	29	5
Calculated taxation equivalents	44	47
Other expenses	169	196
<b>Total expenses from continuing operations</b>	<b>4,470</b>	<b>4,782</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>251</b>	<b>(78)</b>
Grants and contributions provided for capital purposes	60	49
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>311</b>	<b>(29)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>311</b>	<b>(29)</b>
Less: corporate taxation equivalent [based on result before capital]	(65)	–
<b>Surplus (deficit) after tax</b>	<b>246</b>	<b>(29)</b>
<b>Plus accumulated surplus</b>	<b>47,344</b>	47,326
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	44	47
– Corporate taxation equivalent	65	–
<b>Closing accumulated surplus</b>	<b>47,699</b>	47,344
<b>Return on capital %</b>	<b>0.8%</b>	0.2%
<b>Subsidy from Council</b>	<b>378</b>	377
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	246	(29)
Less: capital grants and contributions (excluding developer contributions)	(60)	(49)
<b>Surplus for dividend calculation purposes</b>	<b>186</b>	–
<b>Potential dividend calculated from surplus</b>	<b>93</b>	–

## Federation Council

### Income Statement of Domestic Waste

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>Income from continuing operations</b>		
Access charges	1,890	1,803
Interest	5	8
Grants and contributions provided for non-capital purposes	80	81
Other income	–	1
<b>Total income from continuing operations</b>	<b>1,975</b>	<b>1,893</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	213	217
Materials and services	1,753	1,723
<b>Total expenses from continuing operations</b>	<b>1,966</b>	<b>1,940</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>9</b>	<b>(47)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>9</b>	<b>(47)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>9</b>	<b>(47)</b>
Less: corporate taxation equivalent [based on result before capital]	(2)	–
<b>Surplus (deficit) after tax</b>	<b>7</b>	<b>(47)</b>
<b>Plus accumulated surplus</b>	<b>183</b>	<b>230</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	2	–
<b>Closing accumulated surplus</b>	<b>192</b>	<b>183</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>47</b>

## Federation Council

### Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,179	8,744
Investments	7,000	–
Receivables	1,529	1,893
<b>Total current assets</b>	<b>11,708</b>	<b>10,637</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	42,409	42,788
<b>Total non-current assets</b>	<b>42,409</b>	<b>42,788</b>
<b>Total assets</b>	<b>54,117</b>	<b>53,425</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	287	287
Income received in advance	275	275
<b>Total current liabilities</b>	<b>562</b>	<b>562</b>
<b>Total liabilities</b>	<b>562</b>	<b>562</b>
<b>Net assets</b>	<b>53,555</b>	<b>52,863</b>
<b>EQUITY</b>		
Accumulated surplus	51,187	50,748
Revaluation reserves	2,368	2,115
<b>Total equity</b>	<b>53,555</b>	<b>52,863</b>

## Federation Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,584	7,641
Investments	6,000	–
Receivables	1,946	1,831
<b>Total current assets</b>	<b>10,530</b>	<b>9,472</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	54,585	54,888
<b>Total non-current assets</b>	<b>54,585</b>	<b>54,888</b>
<b>Total assets</b>	<b>65,115</b>	<b>64,360</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	5	–
Income received in advance	1,132	1,131
Borrowings	77	72
<b>Total current liabilities</b>	<b>1,214</b>	<b>1,203</b>
<b>Non-current liabilities</b>		
Borrowings	2,286	2,363
<b>Total non-current liabilities</b>	<b>2,286</b>	<b>2,363</b>
<b>Total liabilities</b>	<b>3,500</b>	<b>3,566</b>
<b>Net assets</b>	<b>61,615</b>	<b>60,794</b>
<b>EQUITY</b>		
Accumulated surplus	47,852	47,498
Revaluation reserves	13,763	13,296
<b>Total equity</b>	<b>61,615</b>	<b>60,794</b>

## Federation Council

### Statement of Financial Position of Domestic Waste

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	45	62
Receivables	147	121
<b>Total current assets</b>	<b>192</b>	<b>183</b>
<b>Total assets</b>	<b>192</b>	<b>183</b>
<b>Net assets</b>	<b>192</b>	<b>183</b>
<b>EQUITY</b>		
Accumulated surplus	192	183
<b>Total equity</b>	<b>192</b>	<b>183</b>

## 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 (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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, return on investments (rate of return), and dividends paid.

### Declared business activities

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

#### Category 1

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

##### a. Former Corowa Shire Council Water Supplies

Supply of Water to the towns of Corowa, Howlong and Mulwala

##### b. Former Corowa and Urana Shire Council Sewerage Services

Service of Sewerage reticulation and treatment system to the towns of Corowa, Howlong, Mulwala, Oaklands & Urana.

#### Category 2

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

##### a. Former Corowa Shire Council Domestic Waste Services

Collection of Domestic Waste from the towns of Corowa, Howlong, Mulwala, Balldale, Oaklands & Urana.

### 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%** (19/20 27.5%)

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

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

In accordance with the Department of 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 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 payable on all category 1 businesses has been applied to all land 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 when 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.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

## Note – Significant Accounting Policies (continued)

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The overall effect of subsidies is contained within the Income Statement of each reported business activity.

### (ii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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**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, 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Federation Council

## Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Domestic Waste.

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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 October 2021  
SYDNEY

# Federation Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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# Federation Council

## Special Schedules

for the year ended 30 June 2021

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## Federation Council

### Permissible income for general rates

\$ '000	Notes	2020/21 Former Corowa Shire Council	2020/21 Former Urana Shire Council	2020/21 Federation Council	2021/22 Federation Council
<b>Notional general income calculation <sup>1</sup></b>					
Last year notional general income yield	a	6,255	1,760	8,015	8,254
Plus or minus adjustments <sup>2</sup>	b	37	(2)	35	36
<b>Notional general income</b>	c = a + b	<b>6,292</b>	<b>1,758</b>	<b>8,050</b>	<b>8,290</b>
<b>Permissible income calculation</b>					
Or rate peg percentage	e	2.60%	2.60%		2.00%
Or plus rate peg amount	i = e x (c + g)	164	46	210	663
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,456</b>	<b>1,804</b>	<b>8,260</b>	<b>8,953</b>
Plus (or minus) last year's carry forward total	l	1	1	2	8
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>1</b>	<b>2</b>	<b>8</b>
<b>Total permissible income</b>	o = k + n	<b>6,457</b>	<b>1,805</b>	<b>8,262</b>	<b>8,961</b>
Less notional general income yield	p	6,450	1,804	8,254	8,952
<b>Catch-up or (excess) result</b>	q = o - p	<b>7</b>	<b>1</b>	<b>8</b>	<b>9</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>7</b>	<b>1</b>	<b>8</b>	<b>9</b>

#### 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.

## Federation Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance <sup>a</sup> \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	1,365	750	55	62	16,046	22,009	43.4%	42.1%	3.9%	7.5%	3.1%
	Buildings – specialised	6,709	1,100	127	131	26,500	43,737	27.7%	23.1%	24.0%	25.2%	0.0%
	Garbage depots	66	25	25	18	495	755	8.2%	73.5%	9.5%	7.6%	1.2%
	Councils works depot	475	130	60	34	1,524	3,195	11.4%	17.6%	39.4%	24.9%	6.7%
	Council community halls	7,308	–	120	10	5,364	16,324	2.6%	9.9%	4.6%	52.0%	31.0%
	Health centres	50	–	15	6	1,638	2,456	25.7%	32.9%	31.9%	9.5%	0.0%
	Museum	730	–	20	2	1,167	2,663	0.0%	26.7%	28.1%	45.3%	0.0%
	Pre schools	450	120	10	10	1,457	3,091	4.2%	3.0%	65.9%	27.0%	0.0%
	Rural fire service building	30	–	3	5	1,499	2,066	28.6%	62.4%	6.8%	0.0%	2.2%
	Saleyards	18	15	10	4	1,781	3,156	6.3%	4.9%	88.2%	0.0%	0.6%
	<b>Sub-total</b>	<b>17,201</b>	<b>2,140</b>	<b>445</b>	<b>282</b>	<b>57,471</b>	<b>99,452</b>	<b>24.2%</b>	<b>25.3%</b>	<b>20.1%</b>	<b>24.4%</b>	<b>6.0%</b>
<b>Other structures</b>	Balldale water supply	410	50	20	11	583	1,304	11.0%	0.7%	39.4%	4.6%	44.3%
	<b>Sub-total</b>	<b>410</b>	<b>50</b>	<b>20</b>	<b>11</b>	<b>583</b>	<b>1,304</b>	<b>11.0%</b>	<b>0.7%</b>	<b>39.4%</b>	<b>4.6%</b>	<b>44.3%</b>
<b>Roads</b>	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	7,000	7,000	1,865	1,070	165,065	250,101	32.3%	29.0%	24.7%	5.9%	8.1%
	Unsealed roads	2,000	2,000	1,630	1,351	20,853	45,256	4.2%	24.0%	53.9%	0.0%	18.0%
	Bridges	2,000	2,000	–	–	14,522	23,778	22.9%	27.4%	31.9%	17.8%	0.0%
	Footpaths	162	150	37	84	4,266	6,018	29.7%	44.3%	22.2%	0.0%	3.9%
	Bulk earthworks	–	–	–	–	118,298	118,298	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	(11,927)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bikepath	–	–	15	15	1,022	1,302	57.6%	27.8%	14.6%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and gutter	275	250	22	8	11,897	16,563	21.5%	56.9%	15.1%	5.8%	0.7%
	Car parks	150	150	35	25	2,416	3,668	52.7%	13.6%	8.6%	0.3%	24.8%
	<b>Sub-total</b>	<b>11,587</b>	<b>11,550</b>	<b>3,604</b>	<b>2,553</b>	<b>326,412</b>	<b>464,984</b>	<b>46.1%</b>	<b>22.1%</b>	<b>21.1%</b>	<b>4.3%</b>	<b>6.4%</b>

# Federation Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance <sup>a</sup> \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Water supply network</b>	Mains	5,800	2,220	355	314	22,712	41,324	23.9%	21.7%	31.1%	14.9%	8.3%
	Reservoirs	705	50	20	9	4,381	7,411	0.9%	66.3%	17.4%	14.9%	0.6%
	Pumping stations	1,260	650	40	47	2,023	4,121	35.8%	1.8%	2.6%	31.2%	28.7%
	Treatment plants	3,100	500	140	133	9,338	17,151	9.3%	36.2%	15.7%	27.4%	11.5%
	<b>Sub-total</b>	<b>10,865</b>	<b>3,420</b>	<b>555</b>	<b>503</b>	<b>38,454</b>	<b>70,007</b>	<b>18.6%</b>	<b>28.8%</b>	<b>24.2%</b>	<b>18.9%</b>	<b>9.5%</b>
<b>Sewerage network</b>	Mains	740	360	148	183	30,271	44,968	17.4%	58.3%	20.7%	1.2%	2.3%
	Pumping stations	680	410	121	95	1,993	4,015	20.0%	15.7%	31.7%	5.8%	26.7%
	Treatment	1,090	610	75	33	15,118	24,061	16.3%	34.4%	41.8%	0.0%	7.6%
	Manholes	1,255	410	15	10	3,603	7,313	10.1%	16.9%	42.9%	17.3%	12.8%
	<b>Sub-total</b>	<b>3,765</b>	<b>1,790</b>	<b>359</b>	<b>321</b>	<b>50,985</b>	<b>80,357</b>	<b>16.5%</b>	<b>45.2%</b>	<b>29.6%</b>	<b>2.5%</b>	<b>6.1%</b>
<b>Stormwater drainage</b>	Stormwater drainage	750	520	168	200	31,466	42,031	42.2%	40.4%	13.0%	3.8%	0.6%
	<b>Sub-total</b>	<b>750</b>	<b>520</b>	<b>168</b>	<b>200</b>	<b>43,393</b>	<b>42,031</b>	<b>42.2%</b>	<b>40.4%</b>	<b>13.0%</b>	<b>3.8%</b>	<b>0.6%</b>
<b>Open space / recreational assets</b>	Swimming pools	470	450	76	165	11,874	14,107	72.0%	4.0%	18.0%	6.0%	0.0%
	Boat ramps	75	55	15	5	484	626	65.0%	9.0%	9.0%	7.0%	10.0%
	Playground equipment	50	20	36	20	2,453	2,854	77.0%	10.0%	6.0%	5.0%	2.0%
	<b>Sub-total</b>	<b>595</b>	<b>525</b>	<b>127</b>	<b>190</b>	<b>14,811</b>	<b>17,587</b>	<b>72.6%</b>	<b>5.2%</b>	<b>15.7%</b>	<b>5.9%</b>	<b>0.7%</b>
<b>Total – all assets</b>		<b>45,173</b>	<b>19,995</b>	<b>5,278</b>	<b>4,060</b>	<b>532,109</b>	<b>775,722</b>	<b>38.1%</b>	<b>26.1%</b>	<b>21.6%</b>	<b>8.0%</b>	<b>6.2%</b>

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

### Infrastructure asset condition assessment 'key'

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

## Federation Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>15,192</b>	<b>128.28%</b>	88.43%	111.68%	>= 100.00%
Depreciation, amortisation and impairment	<b>11,843</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>45,173</b>	<b>8.34%</b>	7.79%	8.05%	< 2.00%
Net carrying amount of infrastructure assets	<b>541,828</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>4,060</b>	<b>76.92%</b>	89.92%	79.55%	> 100.00%
Required asset maintenance	<b>5,278</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>19,995</b>	<b>2.58%</b>	2.23%	1.66%	
Gross replacement cost	<b>775,722</b>				

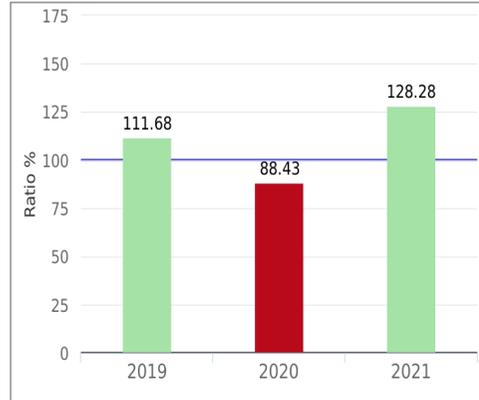
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

# Federation 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 128.28%

Council has been working hard on renewing assets and with renewing Councils pool, Council was able to reach over the 100% benchmark.

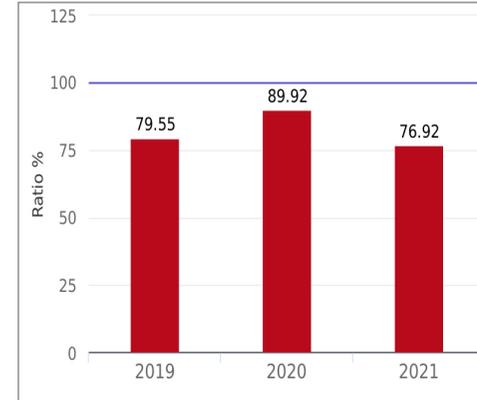
Benchmark: —  $\geq 100.00\%$

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 76.92%

Council are in the final stages on conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what maintenance is required for Council's assets.

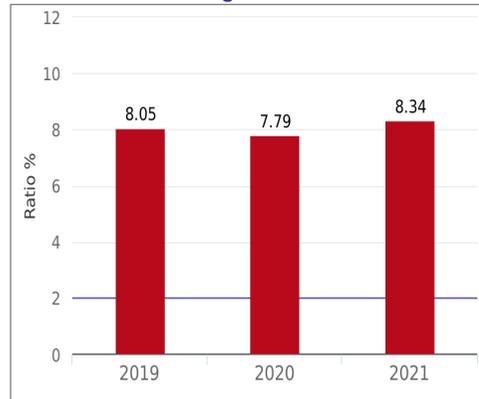
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

**Commentary on result**

20/21 ratio 8.34%

This years ratio has been calculated by measuring the cost of moving all of condition rated 4 and 5 assets to a condition 3 rating.

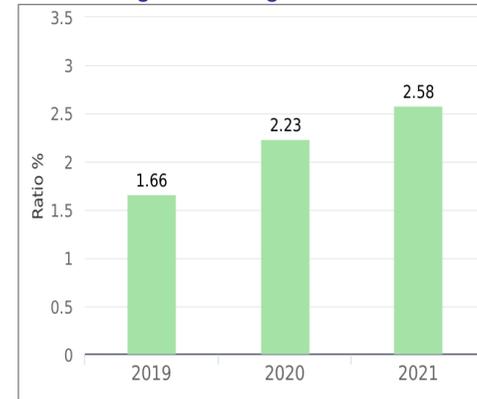
Benchmark: —  $< 2.00\%$

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 2.58%

Council are in the final stages on conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what an agreed service level is required for Council's assets.

## Federation Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>156.39%</b>	114.32%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	>= 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>6.75%</b>	6.13%	<b>28.25%</b>	27.64%	<b>7.38%</b>	7.22%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>74.15%</b>	90.41%	<b>90.63%</b>	75.14%	<b>89.42%</b>	104.25%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>2.36%</b>	1.93%	<b>4.89%</b>	4.95%	<b>2.23%</b>	2.21%	

(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.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Federation Council

To the Councillors of Federation Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Federation 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](http://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.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 October 2021  
SYDNEY