

# Warrumbungle Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

---



DRAFT

# Warrumbungle Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

---



# Warrumbungle Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2021

---

Contents	Page
<b>Understanding Council's Financial Statements</b>	<b>3</b>
<b>Statement by Councillors and Management</b>	<b>4</b>
<b>Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>Notes to the Financial Statements</b>	<b>10</b>
<b>Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	88
On the Financial Statements (Sect 417 [3])	89

---

### Overview

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

14-22 John Street  
Coonabarabran NSW 2357

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.warrumbungle.nsw.gov.au](http://www.warrumbungle.nsw.gov.au).

# Warrumbungle Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

---

#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

# Warrumbungle Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2021

---

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on dd MMMM yyyy.

---

[Mayor]

**Mayor**

dd MMMM yyyy

---

[Councillor]

**Councillor**

dd MMMM yyyy

---

[GeneralManager]

**General Manager**

dd MMMM yyyy

---

[ResponsibleAccountingOfficer]

**Responsible Accounting Officer**

dd MMMM yyyy

## Warrumbungle Shire Council

### Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Income from continuing operations</b>				
13,989	Rates and annual charges	B2-1	<b>14,133</b>	13,844
4,903	User charges and fees	B2-2	<b>5,353</b>	6,066
1,300	Other revenue	B2-3	<b>1,517</b>	2,137
15,012	Grants and contributions provided for operating purposes	B2-4	<b>18,230</b>	16,121
5,040	Grants and contributions provided for capital purposes	B2-4	<b>9,542</b>	3,775
491	Interest and investment income	B2-5	<b>198</b>	460
–	Other income	B2-6	<b>11</b>	44
220	Net gains from the disposal of assets	B4-1	<b>795</b>	599
40,955	<b>Total income from continuing operations</b>		<b>49,779</b>	43,046
<b>Expenses from continuing operations</b>				
15,143	Employee benefits and on-costs	B3-1	<b>14,097</b>	14,929
9,634	Materials and services	B3-2	<b>9,956</b>	10,524
163	Borrowing costs	B3-3	<b>182</b>	307
11,501	Depreciation, amortisation and impairment for non-financial assets	B3-4	<b>12,037</b>	12,970
2,025	Other expenses	B3-5	<b>2,044</b>	2,056
38,466	<b>Total expenses from continuing operations</b>		<b>38,316</b>	40,786
2,489	<b>Operating result from continuing operations</b>		<b>11,463</b>	2,260
2,489	<b>Net operating result for the year attributable to Council</b>		<b>11,463</b>	2,260
(2,551)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>1,921</b>	(1,515)

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

## Warrumbungle Shire 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>11,463</b>	<b>2,260</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	C1-8	<u>3,792</u>	<u>50,651</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,792</b>	<b>50,651</b>
<b>Total other comprehensive income for the year</b>		<b>3,792</b>	<b>50,651</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>15,255</b>	<b>52,911</b>

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

DRAFT

## Warrumbungle Shire 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	5,350	6,859
Investments	C1-2	16,537	11,500
Receivables	C1-4	5,269	3,766
Inventories	C1-5	567	725
Contract assets and contract cost assets	C1-6	2,196	1,645
Non-Current assets classified as 'held for sale'	C1-7	-	142
Other		967	53
<b>Total current assets</b>		<b>30,886</b>	<b>24,690</b>
<b>Non-current assets</b>			
Inventories	C1-5	299	299
Infrastructure, property, plant and equipment	C1-8	559,549	550,317
Intangible Assets	C1-9	80	29
Right of use assets	C2-1	197	246
Investments accounted for using the equity method	D2-1	455	444
<b>Total non-current assets</b>		<b>560,580</b>	<b>551,335</b>
<b>Total assets</b>		<b>591,466</b>	<b>576,025</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	2,898	2,025
Contract liabilities	C3-2	1,982	1,265
Lease liabilities	C2-1	47	45
Borrowings	C3-3	1,010	966
Employee benefit provisions	C3-4	4,677	4,647
<b>Total current liabilities</b>		<b>10,614</b>	<b>8,948</b>
<b>Non-current liabilities</b>			
Lease liabilities	C2-1	176	223
Borrowings	C3-3	1,925	2,931
Provisions	C3-5	2,675	3,102
<b>Total non-current liabilities</b>		<b>4,776</b>	<b>6,256</b>
<b>Total liabilities</b>		<b>15,390</b>	<b>15,204</b>
<b>Net assets</b>		<b>576,076</b>	<b>560,821</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	433,948	422,485
IPPE revaluation reserve	C4-1	142,128	138,336
<b>Council equity interest</b>		<b>576,076</b>	<b>560,821</b>
<b>Total equity</b>		<b>576,076</b>	<b>560,821</b>

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



## Warrumbungle Shire 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		422,485	138,336	560,821	419,908	87,685	507,593
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	317	-	317
<b>Restated opening balance</b>		<b>422,485</b>	<b>138,336</b>	<b>560,821</b>	<b>420,225</b>	<b>87,685</b>	<b>507,910</b>
Net operating result for the year		11,463	-	11,463	2,260	-	2,260
<b>Restated net operating result for the period</b>		<b>11,463</b>	<b>-</b>	<b>11,463</b>	<b>2,260</b>	<b>-</b>	<b>2,260</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	-	3,792	3,792	-	50,651	50,651
<b>Other comprehensive income</b>		<b>-</b>	<b>3,792</b>	<b>3,792</b>	<b>-</b>	<b>50,651</b>	<b>50,651</b>
<b>Total comprehensive income</b>		<b>11,463</b>	<b>3,792</b>	<b>15,255</b>	<b>2,260</b>	<b>50,651</b>	<b>52,911</b>
<b>Closing balance at 30 June</b>		<b>433,948</b>	<b>142,128</b>	<b>576,076</b>	<b>422,485</b>	<b>138,336</b>	<b>560,821</b>

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

## Warrumbungle Shire 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>				
<b>Receipts:</b>				
13,989	Rates and annual charges		13,409	13,622
4,903	User charges and fees		5,828	5,936
491	Investment and interest revenue received		228	424
20,052	Grants and contributions		27,938	19,569
–	Bonds, deposits and retention amounts received		7	25
1,300	Other		215	1,810
<b>Payments:</b>				
(15,143)	Employee benefits and on-costs		(14,018)	(14,559)
(9,634)	Materials and services		(8,818)	(7,295)
(163)	Borrowing costs		(190)	(185)
(2,025)	Other		(3,522)	(5,618)
13,770	<b>Net cash flows from operating activities</b>	G1-1a	<b>21,077</b>	13,729
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of real estate assets		293	–
820	Sale of infrastructure, property, plant and equipment		932	1,210
<b>Payments:</b>				
–	Purchase of investment securities		–	1,500
–	Acquisition of term deposits		(5,037)	–
(14,101)	Purchase of infrastructure, property, plant and equipment		(17,703)	(13,523)
–	Purchase of intangible assets		(64)	–
(13,281)	<b>Net cash flows from investing activities</b>		<b>(21,579)</b>	(10,813)
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(943)	Repayment of borrowings		(962)	(768)
(45)	Principal component of lease payments		(45)	(27)
(988)	<b>Net cash flows from financing activities</b>		<b>(1,007)</b>	(795)
(499)	<b>Net change in cash and cash equivalents</b>		<b>(1,509)</b>	2,121
9,303	Cash and cash equivalents at beginning of year		6,859	4,738
8,804	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>5,350</b>	6,859
–	plus: Investments on hand at end of year	C1-2	16,537	11,500
8,804	<b>Total cash, cash equivalents and investments</b>		<b>21,887</b>	18,359

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

# Warrumbungle Shire Council

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

<b>A About Council and these financial statements</b>	<b>12</b>
A1-1 Basis of preparation	12
<b>B Financial Performance</b>	<b>15</b>
<b>B1 Functions or activities</b>	<b>15</b>
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
<b>B2 Sources of income</b>	<b>17</b>
B2-1 Rates and annual charges	17
B2-2 User charges and fees	18
B2-3 Other revenue	18
B2-4 Grants and contributions	20
B2-5 Interest and investment income	23
B2-6 Other income	23
<b>B3 Costs of providing services</b>	<b>24</b>
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	24
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	26
B3-5 Other expenses	27
<b>B4 Gains or losses</b>	<b>28</b>
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
<b>B5 Performance against budget</b>	<b>29</b>
B5-1 Material budget variations	29
<b>C Financial position</b>	<b>30</b>
<b>C1 Assets we manage</b>	<b>30</b>
C1-1 Cash and cash equivalents	30
C1-2 Financial investments	30
C1-3 Restricted cash, cash equivalents and investments	32
C1-4 Receivables	33
C1-5 Inventories	34
C1-6 Contract assets and Contract cost assets	34
C1-7 Non-current assets classified as held for sale	36
C1-8 Infrastructure, property, plant and equipment	37
C1-9 Intangible assets	41
<b>C2 Leasing activities</b>	<b>42</b>
C2-1 Council as a lessee	42
C2-2 Council as a lessor	44
<b>C3 Liabilities of Council</b>	<b>45</b>
C3-1 Payables	45
C3-2 Contract Liabilities	46
C3-3 Borrowings	46
C3-4 Employee benefit provisions	49

# Warrumbungle Shire Council

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

C3-5 Provisions	49
<b>C4 Reserves</b>	<b>52</b>
C4-1 Nature and purpose of reserves	52
<b>D Council structure</b>	<b>53</b>
<b>D1 Results by fund</b>	<b>53</b>
D1-1 Income Statement by fund	53
D1-2 Statement of Financial Position by fund	54
D1-3 Details of internal loans	55
<b>D2 Interests in other entities</b>	<b>56</b>
D2-1 Interests in joint arrangements	56
<b>E Risks and accounting uncertainties</b>	<b>59</b>
E1-1 Risks relating to financial instruments held	59
E2-1 Fair value measurement	63
E3-1 Contingencies	72
<b>F People and relationships</b>	<b>75</b>
<b>F1 Related party disclosures</b>	<b>75</b>
F1-1 Key management personnel (KMP)	75
F1-2 Councillor and Mayoral fees and associated expenses	76
<b>F2 Other relationships</b>	<b>77</b>
F2-1 Audit fees	77
<b>G Other matters</b>	<b>78</b>
G1-1 Statement of Cash Flows information	78
G2-1 Commitments	79
G3-1 Events occurring after the reporting date	80
<b>G4 Changes from prior year statements</b>	<b>81</b>
G4-1 Changes in accounting policy	81
G4-2 Correction of errors	81
<b>G5 Statement of developer contributions as at 30 June 2021</b>	<b>82</b>
G5-1 Summary of developer contributions	82
G5-2 Developer contributions by plan	83
G5-3 Contributions not under plans	83
G5-4 S64 contributions	83
<b>G6 Statement of performance measures</b>	<b>84</b>
G6-1 Statement of performance measures – consolidated results	84
G6-2 Statement of performance measures by fund	85
<b>H Additional Council disclosures (unaudited)</b>	<b>86</b>
H1-1 Statement of performance measures – consolidated results (graphs)	86

## A About Council and these financial statements

### A1-1 Basis of preparation

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

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, 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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

#### COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Council did not identify any potential material adjustments required to be done as a result of the pandemic. Even though the pandemic had a widespread effect slowing down economies around the world, as at 30 June 2021 it is hard to predict any significant future implications on Council's business.

#### **Historical cost convention**

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

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

## A1-1 Basis of preparation (continued)

### Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

### Monies and other assets received by Council

#### The Consolidated Fund

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

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

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

- General purpose operations
- Warrumbungle Water Fund
- Warrumbungle Sewerage Fund
- Warrumbungle Quarry

#### 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

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

### Volunteer services

Council uses volunteers in the following services:

- Visitors Information Centre
- Community care including drivers for meals of Wheels delivery, drivers for health related transport from all our local towns to Tamworth or Dubbo; volunteers assisting with specific activities e.g. Community EXPO, volunteers to act in a carer capacity for frail or clients with disability to attend appointments etc.

The volunteer numbers are small and the hours for each are minor in nature.

As these instances are limited and minor, Council does not include values in the Annual Statements.

## A1-1 Basis of preparation (continued)

---

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

Certain new accounting standards and interpretations (i.e. 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
- 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

None of the above adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

## 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 <sup>1</sup>	2021	2020 <sup>1</sup>	2021	2020	2021	2020 <sup>1</sup>
<b>Functions or activities</b>										
General Revenue	15,933	15,862	–	135	15,933	15,727	8,262	7,367	210	210
Executive	461	1,014	3,521	2,631	(3,060)	(1,617)	116	161	1,279	1,245
Technical Services	19,023	10,347	15,598	14,616	3,425	(4,269)	14,065	8,206	468,422	454,502
Development Services	610	1,408	1,850	4,089	(1,240)	(2,681)	603	769	12,458	12,119
Corporate and Community Services	4,770	4,784	8,444	8,451	(3,674)	(3,667)	3,413	2,890	29,402	28,601
Warrumbungle Water	3,701	3,847	4,053	4,440	(352)	(593)	879	273	44,103	43,214
Warrumbungle Sewer	2,028	2,142	1,865	2,019	163	123	375	172	23,099	22,443
Warrumbungle Waste	3,027	2,855	2,542	3,302	485	(447)	59	58	12,895	12,544
Warrumbungle Quarry	226	787	443	1,103	(217)	(316)	–	–	–	680
Other	–	–	–	–	–	–	–	–	(402)	467
<b>Total functions and activities</b>	<b>49,779</b>	<b>43,046</b>	<b>38,316</b>	<b>40,786</b>	<b>11,463</b>	<b>2,260</b>	<b>27,772</b>	<b>19,896</b>	<b>591,466</b>	<b>576,025</b>

(1) Values have been restated - refer note 17



## B1-2 Components of functions or activities

---

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

### General Revenue

Includes rates revenue, interest revenue and general grants.

### General Manager

Includes management and leadership, governance, Cobbora Transition Fund, human resource management, payroll services, WH&S and risk management and learning and development services.

### Technical Services

Includes technical services management, design services, road operations, fleet services and urban services.

### Development Services

Includes development services management, regulatory services, property and risk and development and tourism.

### Corporate and Community Services

Includes corporate services, community and banking agency, bushfire and emergency services, children's and community services.

### Warrumbungle Water

The core function of Warrumbungle Water is the provision of water supply to connected properties in each town within the Shire.

### Warrumbungle Sewer

The core function of Warrumbungle Sewer is the collection and treatment of sewage effluent from connected properties in Baradine, Coolah, Coonabarabran and Dunedoo.

### Warrumbungle Waste

Warrumbungle Waste provides waste services throughout the Warrumbungle Shire as a business arm of Council. The waste services are provided to residential and non-residential customers for both general waste and recycling.

### Warrumbungle Quarry

Council has entered into a lease agreement with Boral to operate the basalt quarry south of Coonabarabran. The purpose of the operation is to produce aggregates for bitumen sealing and concrete production on a commercial basis.

DRAFT

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	2,294	2,321
Farmland	5,345	5,220
Business	611	595
Less: pensioner rebates (mandatory)	(155)	(158)
<b>Rates levied to ratepayers</b>	<b>8,095</b>	<b>7,978</b>
Pensioner rate subsidies received	85	87
<b>Total ordinary rates</b>	<b>8,180</b>	<b>8,065</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	1,775	1,727
Water supply services	1,972	1,886
Sewerage services	1,801	1,761
Waste management services (non-domestic)	393	395
Less: pensioner rebates (mandatory)	(227)	(228)
Liquid trade waste	9	9
Stormwater levy	105	105
<b>Annual charges levied</b>	<b>5,828</b>	<b>5,655</b>
Pensioner subsidies received:		
– Water	38	38
– Sewerage	28	27
– Domestic waste management	59	59
<b>Total annual charges</b>	<b>5,953</b>	<b>5,779</b>
<b>Total rates and annual charges</b>	<b>14,133</b>	<b>13,844</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	2	1,723	1,700
Sewerage services	2	110	119
Liquid trade waste	2	67	55
<b>Total specific user charges</b>		<b>1,900</b>	<b>1,874</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	2	75	49
Private works – section 67	2	115	215
Registration fees	2	5	6
Regulatory fees	2	72	26
Section 10.7 certificates (EP&A Act)	2	43	27
Section 603 certificates	2	29	19
Planning regulation	2	66	36
<b>Total fees and charges – statutory/regulatory</b>		<b>405</b>	<b>378</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care	2	474	502
Cemeteries	2	83	99
Child care	2	538	461
Lease rentals	2	5	13
Leaseback fees – Council vehicles	2	53	51
Quarry revenues	2	226	768
Transport for NSW works (state roads not controlled by Council)	1	1,376	1,613
Swimming centres	2	99	118
Tourism	2	120	49
Waste disposal tipping fees	2	43	68
Other	2	31	72
<b>Total fees and charges – other</b>		<b>3,048</b>	<b>3,814</b>
<b>Total user charges and fees</b>		<b>5,353</b>	<b>6,066</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)		5,353	6,066
<b>Total user charges and fees</b>		<b>5,353</b>	<b>6,066</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.

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
Rental income – other council properties	1	138	156

**B2-3 Other revenue (continued)**

\$ '000	Timing	2021	2020
Legal fees recovery – rates and charges (extra charges)	2	94	5
Commissions and agency fees	2	200	179
Diesel rebate	2	151	175
Insurance claims recoveries	2	23	3
Recycling income (non-domestic)	2	400	142
Container deposit Scheme	2	403	339
Other	2	108	352
Sale Of Southern Phone Share	2	–	786
<b>Total other revenue</b>		<b>1,517</b>	<b>2,137</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)		1,517
<b>Total other revenue</b>		<b>1,517</b>

**Accounting policy for other revenue**

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

DRAFT

## 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	2,384	2,331	–	–
Financial assistance – local roads component	2	1,231	1,245	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	2,550	2,469	–	–
Financial assistance – local roads component	2	1,322	1,322	–	–
<b>Other</b>					
Other grants		318	–	1,595	–
<b>Amount recognised as income during current year</b>		<b>7,805</b>	<b>7,367</b>	<b>1,595</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
<b>Pensioners' rates subsidies:</b>					
Aged care	1	811	729	–	–
Bushfire and emergency services	2	1,276	702	–	59
Child care	2	1,057	1,042	–	22
Water supplies	2	–	–	–	235
Drought Communities	2	–	249	–	601
Economic development	2	125	105	–	–
Employment and training programs	2	47	107	–	–
Heritage and cultural	2	12	10	–	–
Library	2	88	88	–	–
LIRS subsidy	2	74	94	–	–
Secure Communities	1	–	147	–	568
Sewerage services	2	–	–	–	145
Recreation and culture	2	636	30	–	29
Transport (other roads and bridges funding)	1	–	241	6,587	1,823
Transport (roads to recovery)	2	2,330	2,330	–	–
Other specific grants	2	1,093	4	214	(472)
<b>Previously contributions:</b>					
Transport for NSW contributions (regional roads, block grant)	2	2,876	2,876	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>10,425</b>	<b>8,754</b>	<b>6,801</b>	<b>3,010</b>
<b>Non-cash contributions</b>					
Bushfire services	2	–	–	1,092	709
Other		–	–	–	5
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>1,092</b>	<b>714</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>10,425</b>	<b>8,754</b>	<b>7,893</b>	<b>3,724</b>
<b>Total grants and non-developer contributions</b>		<b>18,230</b>	<b>16,121</b>	<b>9,488</b>	<b>3,724</b>
<b>Comprising:</b>					
– Commonwealth funding		10,027	11,120	6,779	22
– State funding		5,327	2,125	2,495	3,350
– Other funding		2,876	2,876	214	352
		<b>18,230</b>	<b>16,121</b>	<b>9,488</b>	<b>3,724</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G5					
<b>Cash contributions</b>						
S 7.12 – fixed development consent levies		2	–	–	54	51
<b>Total developer contributions</b>			–	–	54	51
<b>Total contributions</b>			–	–	54	51
<b>Total grants and contributions</b>			<b>18,230</b>	16,121	<b>9,542</b>	3,775
<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)			18,230	16,121	9,542	3,775
<b>Total grants and contributions</b>			<b>18,230</b>	16,121	<b>9,542</b>	3,775

DRAFT

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent grants and contributions</b>				
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	-	(1,495)	(910)	-
<b>Unexpended and held as externally restricted assets (grants)</b>	<b>-</b>	<b>2,145</b>	<b>1,235</b>	<b>-</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### Developer contributions

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

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

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

#### Other grants and contributions

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

## B2-4 Grants and contributions (continued)

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

## B2-5 Interest and investment income

\$ '000	2021	2020
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	84	166
– Cash and investments	114	278
<b>Other</b>	–	16
<b>Total interest and investment income (losses)</b>	<b>198</b>	<b>460</b>

### Accounting policy

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

## B2-6 Other income

\$ '000	Notes	2021	2020
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		11	44
<b>Total net share of interests in joint ventures and associates using the equity method</b>		<b>11</b>	<b>44</b>
	D2-1	<b>11</b>	<b>44</b>
<b>Total other income</b>		<b>11</b>	<b>44</b>

DRAFT



## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	11,389	11,928
Employee leave entitlements (ELE)	2,729	2,378
Superannuation	1,303	1,232
Workers' compensation insurance	753	606
Fringe benefit tax (FBT)	7	41
Protective clothing	86	79
<b>Total employee costs</b>	<b>16,267</b>	<b>16,264</b>
Less: capitalised costs	(2,170)	(1,335)
<b>Total employee costs expensed</b>	<b>14,097</b>	<b>14,929</b>
Number of 'full-time equivalent' employees (FTE) at year end	175	175
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	200	215

#### Accounting policy

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

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		5,417	4,580
Contractor and consultancy costs		12,595	10,694
Audit Fees	F2-1	58	54
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	149	151
Advertising		95	124
Bank charges		58	45
Electricity and heating		596	607
Insurance		887	811
Postage		43	46
Printing and stationery		138	128
Street lighting		116	123
Subscriptions and publications		142	94
Telephone and communications		128	131
Valuation fees		49	48
Conferences		27	51
Quarry product cost of goods sold		–	256
Registration and licences		514	452
Training Costs		139	165
Other expenses		120	107
<b>Legal expenses:</b>			
– Legal expenses: planning and development		–	12
– Legal expenses: debt recovery		19	40
– Legal expenses: other		598	518

**B3-2 Materials and services (continued)**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
Other	420	498
<b>Total materials and services</b>	<b>22,308</b>	<b>19,735</b>
Less: capitalised costs	(12,352)	(9,211)
<b>Total materials and services</b>	<b>9,956</b>	<b>10,524</b>

**Accounting policy**

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

DRAFT

### B3-3 Borrowing costs

\$ '000	Notes	2021	2020
<b>(i) Interest bearing liability costs</b>			
Interest on leases		10	6
Interest on loans		145	225
<b>Total interest bearing liability costs</b>		<b>155</b>	<b>231</b>
<b>Total interest bearing liability costs expensed</b>		<b>155</b>	<b>231</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums			
– Remediation liabilities	C3-5	27	76
<b>Total other borrowing costs</b>		<b>27</b>	<b>76</b>
<b>Total borrowing costs expensed</b>		<b>182</b>	<b>307</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		2,519	2,578
Office equipment		54	30
Furniture and fittings		29	29
Land improvements (depreciable)		54	49
<b>Infrastructure:</b>	C1-8		
– Buildings – non-specialised		525	506
– Buildings – specialised		1,344	1,305
– Other structures		737	681
– Roads		3,757	4,687
– Bridges		696	471
– Footpaths		144	147
– Stormwater drainage		113	111
– Water supply network		1,318	1,484
– Sewerage network		579	668
Right of use assets	C2-1	49	49
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5,C1-8	106	24
– Quarry assets	C3-5,C1-8	–	85
Intangible assets	C1-9	13	66
<b>Total depreciation and amortisation costs</b>		<b>12,037</b>	<b>12,970</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>12,037</b>	<b>12,970</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.

##### 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.

### B3-4 Depreciation, amortisation and impairment of non-financial assets (continued)

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

\$ '000	Notes	2021	2020
<b>Impairment of receivables</b>			
Other		18	193
<b>Total impairment of receivables</b>	C1-4	<b>18</b>	<b>193</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Noxious weeds		111	108
– NSW fire brigade levy		166	51
– NSW rural fire service levy		1,048	793
Donations, contributions and assistance to other organisations (Section 356)		206	358
– Regional library contributions		495	553
<b>Total other expenses</b>		<b>2,044</b>	<b>2,056</b>

#### Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
<b>Gain (or loss) on disposal of plant and equipment</b>	C1-8		
Proceeds from disposal – plant and equipment		<b>932</b>	1,210
Less: carrying amount of plant and equipment assets sold/written off		<b>(430)</b>	(611)
<b>Gain (or loss) on disposal</b>		<b>502</b>	599
<b>Gain (or loss) on disposal of real estate assets held for sale</b>	C1-5		
Proceeds from disposal – real estate assets		<b>293</b>	–
<b>Gain (or loss) on disposal</b>		<b>293</b>	–
<b>Gain (or loss) on disposal of term deposits</b>	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
<b>Gain (or loss) on disposal</b>		<b>–</b>	–
<b>Net gain (or loss) on disposal of assets</b>		<b>795</b>	599

**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.

DRAFT

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on dd/MM/yyyy 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>				
User charges and fees	4,903	5,353	450	9% <b>F</b>
Other revenues	1,300	1,517	217	17% <b>F</b>
Capital grants and contributions	5,040	9,542	4,502	89% <b>F</b>
Net gains from disposal of assets	220	795	575	261% <b>F</b>
Other income	-	11	11	∞ <b>F</b>
<b>EXPENSES</b>				
Materials and services	9,634	9,956	(322)	(3)% <b>U</b>
Borrowing costs	163	182	(19)	(12)% <b>U</b>
Other expenses	2,025	2,044	(19)	(1)% <b>U</b>
<b>STATEMENT OF CASH FLOWS</b>				
Cash flows from operating activities	13,770	21,077	7,307	53% <b>F</b>
Cash flows from investing activities	(13,281)	(21,579)	(8,298)	62% <b>U</b>
Cash flows from financing activities	(988)	(1,007)	(19)	2% <b>U</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	1,968	1,010
Deposits at call	3,382	5,849
<b>Total cash and cash equivalents</b>	<b>5,350</b>	<b>6,859</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	5,350	6,859
<b>Balance as per the Statement of Cash Flows</b>	<b>5,350</b>	<b>6,859</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 fair value through the profit and loss</b>				
Long term deposits	16,537	-	-	-
<b>Total</b>	<b>16,537</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long term deposits (>3 months original maturity)	-	-	11,500	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11,500</b>	<b>-</b>
<b>Total financial investments</b>	<b>16,537</b>	<b>-</b>	<b>11,500</b>	<b>-</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>21,887</b>	<b>-</b>	<b>18,359</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 or 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)

---

As at 30 June 2021, Council did not have any investments at FVTPL or FVOCI-equity recognised.

### **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, cash and cash equivalents and investments 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 gain or loss on de-recognition are recognised in profit or loss.

DRAFT



### C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	<b>21,887</b>	<b>–</b>	18,359	–
<b>attributable to:</b>				
External restrictions	<b>7,304</b>	–	7,427	–
Internal restrictions	<b>13,526</b>	–	9,963	–
Unrestricted	<b>1,057</b>	–	969	–
	<b>21,887</b>	<b>–</b>	18,359	–

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

#### Details of restrictions

##### External restrictions – included in liabilities

Trust	<b>700</b>	691
<b>External restrictions – included in liabilities</b>	<b>700</b>	<b>691</b>

##### External restrictions – other

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

Developer contributions – general	<b>255</b>	201
Developer contributions – water fund	<b>102</b>	102
Developer contributions – sewer fund	<b>32</b>	32
Specific purpose unexpended grants (recognised as revenue) – general fund	<b>1,235</b>	2,145
Water fund	<b>283</b>	252
Sewer fund	<b>4,209</b>	3,774
Domestic waste management	<b>476</b>	213
Stormwater levy	<b>12</b>	17
<b>External restrictions – other</b>	<b>6,604</b>	<b>6,736</b>
<b>Total external restrictions</b>	<b>7,304</b>	<b>7,427</b>

##### Internal restrictions

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

Plant and vehicle replacement (fleet fund)	<b>2,225</b>	2,056
Employees leave entitlement	<b>1,403</b>	1,272
Carry over works (excl fleet carry overs)	<b>5,192</b>	2,357
FAG's 1st and 2nd qtr. prepayment	<b>3,872</b>	3,791
Information technology (Software upgrade/telephone system)	<b>7</b>	263
Quarry remediation fund	<b>535</b>	224
Other	<b>292</b>	–
<b>Total internal restrictions</b>	<b>13,526</b>	<b>9,963</b>

##### Total restrictions

<b>20,830</b>	<b>17,390</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	2,346	-	1,610	-
Interest and extra charges	287	-	324	-
User charges and fees	558	-	1,033	-
Accrued revenues				
– Interest on investments	33	-	26	-
– Other income accruals	950	-	198	-
Bonds & Deposits	2	-	2	-
Other debtors	1,760	-	1,226	-
<b>Total</b>	<b>5,936</b>	<b>-</b>	<b>4,419</b>	<b>-</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(256)	-	(244)	-
Other debtors	(411)	-	(409)	-
<b>Total provision for impairment – receivables</b>	<b>(667)</b>	<b>-</b>	<b>(653)</b>	<b>-</b>
<b>Total net receivables</b>	<b>5,269</b>	<b>-</b>	<b>3,766</b>	<b>-</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)	653	460
+ new provisions recognised during the year	13	193
<b>Balance at the end of the year</b>	<b>666</b>	<b>653</b>

### Accounting policy

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

### Impairment

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 60 days past due.

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

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

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

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

## C1-4 Receivables (continued)

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	–	299	–	299
Stores and materials	533	–	506	–
Loose tools	34	–	22	–
Other (quarry product)	–	–	197	–
<b>Total inventories at cost</b>	<b>567</b>	<b>299</b>	<b>725</b>	<b>299</b>
<b>Total inventories</b>	<b>567</b>	<b>299</b>	<b>725</b>	<b>299</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 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6	2,196	1,645
<b>Total contract assets and contract cost assets</b>		<b>2,196</b>	<b>1,645</b>

### Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grant Contract Asset	2,196	–	1,627	–
Other (Accrued Income)	–	–	18	–
<b>Total contract assets</b>	<b>2,196</b>	<b>–</b>	<b>1,645</b>	<b>–</b>

### Accounting policy

#### Contract assets

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

## C1-6 Contract assets and Contract cost assets (continued)

---

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

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

### **Contract cost asset – costs to fulfil a contract**

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

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

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

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

DRAFT

## C1-7 Non-current assets classified as held for sale

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Non-current assets held for sale</b>				
Land	-	-	46	-
Buildings	-	-	96	-
<b>Total non-current assets classified as held for sale</b>	<b>-</b>	<b>-</b>	<b>142</b>	<b>-</b>

### Details of assets

Council has sold 2 residential buildings located in Coolah.

### 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 and are measured at the lower of their carrying amount and fair value less costs to sell.

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.

DRAFT

## C1-8 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)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	7,450	–	7,450	4,243	2,353	–	–	(3,727)	–	–	10,319	–	10,319
Plant and equipment	35,731	(21,186)	14,545	2,854	1,092	(429)	(2,519)	2	–	–	37,935	(22,390)	15,545
Office equipment	1,910	(1,682)	228	282	–	–	(54)	–	–	–	2,192	(1,736)	456
Furniture and fittings	737	(701)	36	–	–	–	(29)	–	–	–	737	(730)	7
<b>Land:</b>													
– Operational land	6,015	–	6,015	–	–	–	–	–	–	–	6,015	–	6,015
– Community land	1,429	–	1,429	–	–	–	–	–	–	475	1,904	–	1,904
Land improvements – depreciable	2,071	(455)	1,616	21	–	–	(54)	–	(249)	–	1,800	(466)	1,334
<b>Infrastructure:</b>													
– Buildings – non-specialised	25,468	(15,455)	10,013	61	247	–	(525)	365	–	–	26,141	(15,980)	10,161
– Buildings – specialised	58,424	(34,699)	23,725	32	–	–	(1,344)	–	–	–	58,456	(36,043)	22,413
– Other structures	25,266	(9,567)	15,699	272	271	–	(737)	65	–	3,081	28,650	(9,999)	18,651
– Roads <sup>2</sup>	255,242	(54,357)	200,885	3,664	61	–	(3,757)	1,203	–	–	260,170	(58,114)	202,056
– Bridges <sup>2</sup>	70,831	(18,686)	52,145	724	916	–	(696)	1,652	–	–	74,124	(19,383)	54,741
– Footpaths	9,233	(4,000)	5,233	75	232	–	(144)	–	–	–	9,540	(4,144)	5,396
– Bulk earthworks (non-depreciable)	149,002	–	149,002	–	–	–	–	–	–	–	149,002	–	149,002
– Stormwater drainage	9,029	(3,836)	5,193	–	–	–	(113)	–	–	–	9,029	(3,949)	5,080
– Water supply network	73,136	(34,580)	38,556	217	425	353	(1,318)	–	–	342	74,804	(36,229)	38,575
– Sewerage network	34,797	(18,061)	16,736	162	121	–	(579)	60	–	143	35,460	(18,817)	16,643
<b>Other assets:</b>													
– Other	91	(91)	–	–	–	–	–	–	–	–	91	(91)	–
<b>Reinstatement, rehabilitation and restoration assets (refer Note 16):</b>													
– Tip assets	–	–	–	–	–	–	–	–	–	–	–	–	–
– Quarry assets	2,436	(625)	1,811	–	–	(454)	(106)	–	–	–	1,982	(731)	1,251
<b>Total infrastructure, property, plant and equipment</b>	<b>768,298</b>	<b>(217,981)</b>	<b>550,317</b>	<b>12,607</b>	<b>5,718</b>	<b>(530)</b>	<b>(11,975)</b>	<b>(380)</b>	<b>(249)</b>	<b>4,041</b>	<b>788,351</b>	<b>(228,802)</b>	<b>559,549</b>

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

(2) Values have been restated - refer note 17

## C1-8 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) 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	7,123	–	7,123	1,401	2,963	–	–	(3,953)	(84)	–	–	–	7,450	–	7,450
Plant and equipment	34,351	(20,597)	13,754	3,887	89	(611)	(2,578)	4	–	–	–	–	35,731	(21,186)	14,545
Office equipment	1,801	(1,652)	149	65	30	–	(30)	14	–	–	–	–	1,910	(1,682)	228
Furniture and fittings	737	(672)	65	–	–	–	(29)	–	–	–	–	–	737	(701)	36
<b>Land:</b>															
– Operational land	5,801	–	5,801	–	260	–	–	–	–	(46)	–	–	6,015	–	6,015
– Community land	1,429	–	1,429	–	–	–	–	–	–	–	–	–	1,429	–	1,429
Land improvements – depreciable	1,873	(406)	1,467	19	165	–	(49)	14	–	–	–	–	2,071	(455)	1,616
<b>Infrastructure:</b>															
– Buildings – non-specialised	26,234	(15,619)	10,615	–	–	–	(506)	–	–	(96)	–	–	25,468	(15,455)	10,013
– Buildings – specialised	57,709	(33,395)	24,314	614	61	–	(1,305)	41	–	–	–	–	58,424	(34,699)	23,725
– Other structures	24,119	(8,887)	15,232	1,031	100	–	(681)	17	–	–	–	–	25,266	(9,567)	15,699
– Roads <sup>2</sup>	276,386	(67,070)	209,316	2,249	110	–	(4,687)	1,417	–	–	(7,520)	–	255,242	(54,357)	200,885
– Bridges <sup>2</sup>	63,991	(7,422)	56,569	–	–	–	(471)	–	–	–	(3,953)	–	70,831	(18,686)	52,145
– Footpaths	6,535	(2,028)	4,507	36	–	–	(147)	–	–	–	–	836	9,233	(4,000)	5,233
– Bulk earthworks (non-depreciable)	88,645	–	88,645	–	–	–	–	–	–	–	–	60,357	149,002	–	149,002
– Stormwater drainage	8,506	(3,677)	4,829	–	24	–	(111)	6	–	–	–	445	9,029	(3,836)	5,193
– Water supply network	69,216	(32,770)	36,446	683	173	–	(1,484)	2,406	–	–	–	332	73,136	(34,580)	38,556
– Sewerage network	34,139	(17,223)	16,916	296	4	–	(668)	34	–	–	–	154	34,797	(18,061)	16,736
<b>Other assets:</b>															
– Other	91	(91)	–	–	–	–	–	–	–	–	–	–	91	(91)	–
<b>Reinstatement, rehabilitation and restoration assets (refer Note 16):</b>															
– Tip assets	539	(83)	456	–	–	(432)	(24)	–	–	–	–	–	–	–	–
– Quarry assets	1,944	(540)	1,404	–	492	–	(85)	–	–	–	–	–	2,436	(625)	1,811
<b>Total infrastructure, property, plant and equipment</b>	<b>711,169</b>	<b>(212,132)</b>	<b>499,037</b>	<b>10,281</b>	<b>4,471</b>	<b>(1,043)</b>	<b>(12,855)</b>	<b>–</b>	<b>(84)</b>	<b>(142)</b>	<b>(11,473)</b>	<b>62,124</b>	<b>768,298</b>	<b>(217,981)</b>	<b>550,317</b>

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

(2) Values have been restated - refer note 17

## C1-8 Infrastructure, property, plant and equipment (continued)

### Accounting policy

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

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

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

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

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

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	7 to 33	Benches, seats etc.	10 to 20
Computer equipment	4 to 5		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	7 to 20	Buildings: masonry	30 to 90
Other plant and equipment	5 to 30	Buildings: other	15 to 90
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	15 to 200	Drains	80
Bores	20 to 60	Culverts	80
Reticulation pipes	40 to 80		
Pumps and telemetry	10 to 80		
Treatment plants	15 to 80		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	25	Bulk earthworks	Nil
Sealed roads: pavement base	100	Other structures	10 to 70
Sealed roads: pavement sub-base	180	Aerodromes	10 to 60
Unsealed roads	20 to 25		
Bridges: concrete	120	<b>Land improvements</b>	
Bridges: other	35 to 80	Land improvements	5 to 50
Kerb, gutter, footpaths and causeways	15 to 80		

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

### Land under roads

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

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

### Crown reserves

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



## C1-8 Infrastructure, property, plant and equipment (continued)

---

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

### **Rural Fire Service assets**

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

DRAFT

## C1-9 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	710	710
Accumulated amortisation	(681)	(615)
<b>Net book value – opening balance</b>	<b>29</b>	<b>95</b>
<b>Movements for the year</b>		
Other movements	64	–
Amortisation charges	(13)	(66)
<b>Closing values at 30 June</b>		
Gross book value	774	710
Accumulated amortisation	(694)	(681)
<b>Total software – net book value</b>	<b>80</b>	<b>29</b>
<b>Total intangible assets – net book value</b>	<b>80</b>	<b>29</b>

### Accounting policy

#### IT development and software

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

## C2 Leasing activities

### C2-1 Council as a lessee

Council has leases over a Building asset. Information relating to the lease in place and associated balances and transactions is provided below.

#### Buildings

Council leases land and buildings for the Coonabarrabran Library. The lease was commenced in December 2019 and is for a term of 3 years with an option to extend for a further 3 years.

The building lease contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

#### (a) Right of use assets

\$ '000	Land and Buildings	Total
<b>2021</b>		
Opening balance at 1 July	246	246
Depreciation charge	(49)	(49)
<b>Balance at 30 June</b>	<b>197</b>	<b>197</b>
<b>2020</b>		
Additions to right-of-use assets	295	295
Depreciation charge	(49)	(49)
<b>Balance at 30 June</b>	<b>246</b>	<b>246</b>

#### (b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	47	176	45	223
<b>Total lease liabilities</b>	<b>47</b>	<b>176</b>	<b>45</b>	<b>223</b>

#### (c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
<b>2021</b>					
Cash flows	45	178	–	223	223
<b>2020</b>					
Cash flows	45	200	23	268	268

## C2-1 Council as a lessee (continued)

### (d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	10	6
Depreciation of right of use assets	49	49
	<b>59</b>	<b>55</b>

### (e) Statement of Cash Flows

Total cash outflow for leases	55	32
	<b>55</b>	<b>32</b>

### (f) Leases at significantly below market value – concessionary / peppercorn leases

#### Accounting policy

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

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

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

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

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

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

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

## C2-2 Council as a lessor

---

(ii) Council as a lessor

### Leases at significantly below market value - Concessionary / peppercorn leases

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

- Camp ground
- Community halls
- Tennis courts
- Pre schools
- Men's sheds

The leases are generally between 2 and 20 years and require payments of a maximum amount of \$509 per year. Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

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

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

DRAFT

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Goods and services	1,393	-	413	-
Accrued expenses:				
– Borrowings	48	-	56	-
– Salaries and wages	218	-	169	-
– Other expenditure accruals	448	-	558	-
Security bonds, deposits and retentions	760	-	753	-
Other	31	-	76	-
Prepaid rates	-	-	-	-
<b>Total payables</b>	<b>2,898</b>	<b>-</b>	<b>2,025</b>	<b>-</b>
<b>Total payables</b>	<b>2,898</b>	<b>-</b>	<b>2,025</b>	<b>-</b>

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	760	753
<b>Total payables</b>	<b>760</b>	<b>753</b>

## C3-1 Payables (continued)

### 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.

### 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.

## C3-2 Contract Liabilities

\$ '000	Notes	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)	(i)	1,944	-	1,235	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	38	-	30	-
<b>Total grants received in advance</b>		<b>1,982</b>	<b>-</b>	<b>1,265</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>1,982</b>	<b>-</b>	<b>1,265</b>	<b>-</b>

### Notes

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

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

### Accounting policy

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

## C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured <sup>1</sup>	1,010	1,925	966	2,931
<b>Total borrowings</b>	<b>1,010</b>	<b>1,925</b>	<b>966</b>	<b>2,931</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 22.

### Borrowings relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Externally restricted assets</b>				

**C3-3 Borrowings (continued)**

<b>\$ '000</b>	<b>2021 Current</b>	<b>2021 Non-current</b>	2020 Current	2020 Non-current
Water	104	164	102	267
Borrowings relating to externally restricted assets	104	164	102	267
<b>Total borrowings relating to restricted assets</b>	<b>104</b>	<b>164</b>	102	267
<b>Total borrowings relating to unrestricted assets</b>	<b>906</b>	<b>1,761</b>	<b>864</b>	<b>2,664</b>
<b>Total borrowings</b>	<b>1,010</b>	<b>1,925</b>	966	2,931

**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.

DRAFT



## C3-3 Borrowings (continued)

### (a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
<b>\$ '000</b>							
Loans – secured	3,897	(962)	–	–	–	–	2,935
Lease liability (Note C2-1b)	268	(45)	–	–	–	–	223
<b>Total liabilities from financing activities</b>	<b>4,165</b>	<b>(1,007)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,158</b>

	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
<b>\$ '000</b>							
Loans – secured	4,665	(768)	–	–	–	–	3,897
Lease liability (Note C2-1b)	–	268	–	–	–	–	268
<b>Total liabilities from financing activities</b>	<b>4,665</b>	<b>(500)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,165</b>

### (b) Financing arrangements

<b>\$ '000</b>	2021	2020
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	79	79
<b>Total financing arrangements</b>	<b>579</b>	<b>579</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	25	33
<b>Total drawn financing arrangements</b>	<b>25</b>	<b>33</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	54	46
<b>Total undrawn financing arrangements</b>	<b>554</b>	<b>546</b>

### Additional financing arrangements information

#### Breaches and defaults

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

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

#### Accounting policy

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

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

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

### C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	1,264	–	1,338	–
Long service leave	2,738	–	2,691	–
Other leave	73	–	67	–
ELE on-costs	602	–	551	–
<b>Total employee benefit provisions</b>	<b>4,677</b>	<b>–</b>	<b>4,647</b>	<b>–</b>

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,396	3,375
	<b>3,396</b>	<b>3,375</b>

#### Description of and movements in non-employee benefit provisions

##### 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.

### C3-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current

### C3-5 Provisions (continued)

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	2,675	–	3,102
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>2,675</b>	<b>–</b>	<b>3,102</b>
<b>Total provisions</b>	<b>–</b>	<b>2,675</b>	<b>–</b>	<b>3,102</b>
<b>Provisions relating to restricted assets</b>				
<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>–</b>	<b>2,675</b>	<b>–</b>	<b>3,102</b>
<b>Total provisions</b>	<b>–</b>	<b>2,675</b>	<b>–</b>	<b>3,102</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.

#### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
<b>2021</b>		
At beginning of year	3,102	3,102
Other	(427)	(427)
Total other provisions at end of year	<b>2,675</b>	<b>2,675</b>
<b>2020</b>		
At beginning of year	3,175	3,175
Unwinding of discount	76	76
Remeasurement effects	(149)	(149)
Total other provisions at end of year	<b>3,102</b>	<b>3,102</b>

#### Nature and purpose of provisions

##### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the councils and private gravel quarries it has used.

##### 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 borrowing costs.

## C3-5 Provisions (continued)

### Asset remediation – tips and quarries

#### Restoration

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

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

#### Rehabilitation

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

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

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

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

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

Close-down and restoration costs are a normal consequence of 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.

#### Self-insurance

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

## C4 Reserves

### C4-1 Nature and purpose of reserves

---

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

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

DRAFT

## D Council structure

### D1 Results by fund

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

#### D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>Income from continuing operations</b>			
Rates and annual charges	10,415	1,940	1,778
User charges and fees	3,431	1,736	186
Interest and investment revenue	163	15	20
Other revenues	1,501	10	6
Grants and contributions provided for operating purposes	18,192	–	38
Grants and contributions provided for capital purposes	8,353	842	347
Net gains from disposal of assets	795	–	–
Other income	11	–	–
<b>Total income from continuing operations</b>	<b>42,861</b>	<b>4,543</b>	<b>2,375</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	12,253	1,288	556
Materials and services	9,128	604	224
Borrowing costs	173	9	–
Depreciation, amortisation and impairment of non-financial assets	10,010	1,419	608
Other expenses	834	733	477
<b>Total expenses from continuing operations</b>	<b>32,398</b>	<b>4,053</b>	<b>1,865</b>
<b>Operating result from continuing operations</b>	<b>10,463</b>	<b>490</b>	<b>510</b>
<b>Net operating result for the year</b>	<b>10,463</b>	<b>490</b>	<b>510</b>
<b>Net operating result attributable to each council fund</b>	<b>10,463</b>	<b>490</b>	<b>510</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,110</b>	<b>(352)</b>	<b>163</b>

## D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	724	385	4,241
Investments	16,537	–	–
Receivables	3,154	1,377	738
Inventories	561	6	–
Contract assets and contract cost assets	1,850	277	69
Other	967	–	–
<b>Total current assets</b>	<b>23,793</b>	<b>2,045</b>	<b>5,048</b>
<b>Non-current assets</b>			
Inventories	299	–	–
Infrastructure, property, plant and equipment	499,439	42,058	18,052
Investments accounted for using the equity method	455	–	–
Intangible assets	80	–	–
Right of use assets	197	–	–
<b>Total non-current assets</b>	<b>500,470</b>	<b>42,058</b>	<b>18,052</b>
<b>TOTAL ASSETS</b>	<b>524,263</b>	<b>44,103</b>	<b>23,100</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,894	4	–
Contract liabilities	1,977	5	–
Lease liabilities	47	–	–
Borrowings	906	104	–
Employee benefit provision	4,248	351	78
<b>Total current liabilities</b>	<b>10,072</b>	<b>464</b>	<b>78</b>
<b>Non-current liabilities</b>			
Lease liabilities	176	–	–
Borrowings	1,761	164	–
Provisions	2,675	–	–
<b>Total non-current liabilities</b>	<b>4,612</b>	<b>164</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>14,684</b>	<b>628</b>	<b>78</b>
<b>Net assets</b>	<b>509,579</b>	<b>43,475</b>	<b>23,022</b>
<b>EQUITY</b>			
Accumulated surplus	401,536	20,388	12,024
Revaluation reserves	108,043	23,087	10,998
<b>Council equity interest</b>	<b>509,579</b>	<b>43,475</b>	<b>23,022</b>
<b>Total equity</b>	<b>509,579</b>	<b>43,475</b>	<b>23,022</b>

## D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

<b>Details of individual internal loans</b>	<b>Internal Loan 1</b>
Borrower (by purpose)	General Fund
Lender (by purpose)	Sewer Fund
Date of Minister's approval	23/12/2012
Date raised	01/07/2012
Term years	10
Dates of maturity	30/6/2021
Rate of interest (%)	5.8%
Amount originally raised (\$'000)	1,500,000

DRAFT



## D2 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
<b>Council's share of net assets</b>		
<b>Net share of interests in joint ventures and associates using the equity method – assets</b>		
Joint ventures	455	444
<b>Total net share of interests in joint ventures and associates using the equity method – assets</b>	<b>455</b>	<b>444</b>
Total Council's share of net assets	455	444

### D2-1 Interests in joint arrangements

#### Net carrying amounts – Council's share

\$ '000	Nature of relationship	Place of business	Interest in ownership			
			2021	2020	2021	2020
Macquarie Regional Library	Joint venture	Dubbo, Coolah, Dunedoo, Coonabarabran, Narromine and Wellington	19.6%	20.0%	454	444
<b>Total carrying amounts – material joint ventures</b>					<b>454</b>	<b>444</b>

#### Macquarie Regional Library

Council needs to enter custom text here : Macquarie Regional Library !

#### Material joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

#### Details

	Principal activity	Measurement method
Macquarie Regional Library	Community library services	Equity

#### Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Macquarie Regional Library	19.6%	20.0%	25.0%	25.0%

## D2-1 Interests in joint arrangements (continued)

### Summarised financial information for joint ventures

\$ '000	Macquarie Regional Library	
	2021	2020
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,988	1,860
Other current assets	86	73
<b>Non-current assets</b>		
	1,186	1,244
<b>Current liabilities</b>		
Other current liabilities	829	809
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	30	22
<b>Net assets</b>	<b>2,401</b>	<b>2,346</b>
<b>Statement of comprehensive income</b>		
Income	3,129	2,983
Interest income	14	23
Depreciation and amortisation	(400)	(390)
Other expenses	(2,688)	(2,394)
<b>Profit/(loss) from continuing operations</b>	<b>55</b>	<b>222</b>
<b>Profit/(loss) for the period</b>	<b>55</b>	<b>222</b>
<b>Total comprehensive income</b>	<b>55</b>	<b>222</b>
<b>Share of income – Council (%)</b>	<b>19.6%</b>	<b>20.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>11</b>	<b>44</b>
<b>Total comprehensive income – Council (\$)</b>	<b>11</b>	<b>44</b>
<b>Reconciliation</b>		
Reconciliation of carrying amount of interest in joint venture to summarised financial information for individually material joint ventures accounted for using the equity method.		
	Current year end \$'000	Prior year end \$'000
Share of 20.0% (20.1%) of net assets	469	426
Adjustment to share	(25)	(26)
Carrying amount	444	400
Fair value of investment (if there is a quoted price)	444	426
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	2,346	2,124
Profit/(loss) for the period	55	222
<b>Closing net assets</b>	<b>2,401</b>	<b>2,346</b>
<b>Council's share of net assets (%)</b>	<b>19.6%</b>	<b>20.0%</b>
<b>Council's share of net assets (\$)</b>	<b>469</b>	<b>469</b>

## D2-1 Interests in joint arrangements (continued)

### Accounting policy

The council has determined that it has joint ventures only.

#### **Joint ventures:**

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

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

DRAFT

## 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	5,350	6,859	-	6,859
Receivables	5,269	3,766	-	3,679
Investments				
– Debt securities at amortised cost	16,537	11,500	-	11,500
<b>Total financial assets</b>	<b>27,156</b>	<b>22,125</b>	<b>-</b>	<b>22,038</b>
<b>Financial liabilities</b>				
Payables	2,898	2,025	-	2,017
Borrowings	2,935	3,897	-	3,897
<b>Total financial liabilities</b>	<b>5,833</b>	<b>5,922</b>	<b>-</b>	<b>5,914</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.

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

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

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

The risks associated with the instruments held are:

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

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

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

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

\$ '000	2021	2020
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
<p>Impact of a 1% movement in interest rates</p>		
– Equity / Income Statement	150	150
<p>Impact of a 10% movement in price of investments</p>		
– Equity / Income Statement	–	–

DRAFT

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

### (b) Credit risk

Council's major receivables comprise rates and annual charges and other receivables. The latter comprises of accrued income for government grants, user charges and fees, interest and extra charges, other debtors.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

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

Council makes suitable provision for doubtful receivables as required based on the lifetime expected credit loss at each reporting date.

A profile of Council's receivables credit risk at the reporting date follows.

#### Credit risk profile

##### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	2,346	–	–	–	–	2,346
<b>2020</b>						
Gross carrying amount	–	1,367	85	158	–	1,610

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

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2021</b>						
Gross carrying amount	3,162	428	–	–	–	3,590
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
<b>2020</b>						
Gross carrying amount	1,431	805	21	2	550	2,809
Expected loss rate (%)	1.00%	2.00%	10.00%	24.00%	68.80%	14.65%
ECL provision	14	16	2	–	378	410

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

### (c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2021</b>							
Trade/other payables	0.00%	760	-	-	-	760	2,898
Borrowings	0.00%	-	-	-	-	-	2,935
<b>Total financial liabilities</b>		<b>760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>760</b>	<b>5,833</b>
<b>2020</b>							
Trade/other payables	0.00%	753	1,264	-	-	2,017	2,025
Borrowings	4.70%	-	966	2,931	-	3,897	3,897
<b>Total financial liabilities</b>		<b>753</b>	<b>2,230</b>	<b>2,931</b>	<b>-</b>	<b>5,914</b>	<b>5,922</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;">C1-8</span>									
Plant and equipment		30/06/20		–	–	–	14,545	–	14,545
Office equipment		30/06/20		–	–	–	228	–	228
Furniture and fittings		30/06/20		–	–	–	36	–	36
Land – Community		30/06/16		–	74	–	1,355	–	1,429
Land – Operational		30/06/18		–	2,981	–	3,034	–	6,015
Land improvements – depreciable		30/06/16		–	–	–	1,616	–	1,616
Buildings		30/06/18		–	–	–	33,738	–	33,738
Other structures		30/06/16		–	–	–	15,699	–	15,699
Roads		30/06/20		–	–	–	200,885	–	200,885
Bridges		30/06/20		–	–	–	52,145	–	52,145
Footpaths		30/06/20		–	–	–	5,233	–	5,233
Bulk earthworks		30/06/20		–	–	–	149,002	–	149,002
Stormwater drainage		30/06/20		–	–	–	5,193	–	5,193
Water supply network		30/06/17		–	–	–	38,556	–	38,556
Sewerage network		30/06/17		–	–	–	16,736	–	16,736
Tip assets		30/06/20		–	–	–	–	–	–
Quarry assets		30/06/19		–	–	–	1,811	–	1,811
<b>Total infrastructure, property, plant and equipment</b>				<b>–</b>	<b>3,055</b>	<b>–</b>	<b>539,812</b>	<b>–</b>	<b>542,867</b>

### Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for 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)

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

Plant and equipment, office equipment and furniture, fixtures and fittings

Plant and equipment, office equipment and furniture, and fixtures and fittings are all valued at depreciated cost (original purchase price) as this assessment is considered to approximate fair value.

### Roads, bulk earthworks, bridges, footpaths and stormwater drainage

The values currently displayed are based on the following:

The current replacement cost for these asset classes has been derived from a 2019/20 valuation survey undertaken, for this purpose, by AssetVal Valuers. All asset are assigned useful lives except for bulk earthworks and are condition rated at the time of valuation effective as at 30 June 2020.

Roads are componentised into pavement and surface with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on regional, local and urban. Roads also include causeways and kerb and gutter.

Bridges are componentised into bridges sub-structure, super-structure and deck and major culverts.

Stormwater drainage assets include both pits and pipes.

### Quarry and tip remediation liabilities

Council recognises remediation assets for quarries under its control. These assets are based on the estimated cost to remediate the sites at the end of their useful life. Estimated remediation costs are based on engineering assessments and take into account the inputs needed to rehabilitate the quarry/tip sites. As the final remediation will not happen for several years the input costs are indexed out to the estimated remediation date through the use of CPI, and then discounted back to arrive at the present value, with the discount rate being the ten year government bond rate. No estimate is made for potential increases in rehabilitation scope in future years as such changes can not be reliably measured. Further details on these assets can be found in note 11.

Council has ceased to recognise tip remediation asset based on in-house review conducted during 2019/20 due to following factors:

- Capping/closure of cell in 5 years time – Capping of waste cell is being undertaken every year for the part of cell which has been used. The cost of capping is charged as operational expenditure on as we go basis. Therefore, although the cell will be fully capped/closed in 5 years time i.e. in 2025 but it would be only that part of cell that will be used in that year.
- Closure of Coonabarabran waste site – Based on recent survey/study conducted by Waste Services, it is estimated that the remaining life of Coonabarabran waste site is 45 years. However, Council is not aware of any obligation where Council has to restore/remediate the site at the end of 45 years. Council will be putting new cells and closing them as part of waste operations during the next 45 years as discussed above but will not be liable to restore the site at the end of useful life.

### Operational and community land

Land has been valued at market value, having regard to the "highest and best use", after identifying elements that would be taken into account by buyers and sellers in settling the price. These elements include: land description and dimensions, planning and other constraints on development and the potential for alternative use. Operational land has been valued by Assetval in 2017/18 using a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs). For community land, some are valued by Assetval in 2017/18 using observable inputs (level 2 inputs) while the majority is previously valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values.

### Other structures and land improvements (depreciable)

The value of structures and depreciable land improvements have been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for preliminaries and professional fees. These values have been derived from a valuation by Australis Asset Advisory Group for 30/6/2016.

This asset class includes Aerodromes, Pools, landscaping, gardens, sport change rooms, grand stands etc., Major components include pool structures, walls, roofs, pumps, fences, sheds, garden beds etc. Each component is assigned a useful life and long life component, based on engineering estimates and are condition rated at the time of valuation. In some cases Council has limited data for this asset class in relation to original construction date, age, and past maintenance and renewals history.

### Water and sewer network

In recent years current replacement costs for water and sewer assets have been derived by Modern Engineering Equivalent Replacement Asset (MEERA) unit costs and lump sums. Water and sewer assets are componentised into mains, treatment plants, pumping stations, and reservoirs. All asset components are assigned a long life component, useful life and remaining useful life, and were condition rated at time of revaluation, with the condition rating determining the remaining useful life. Valuations require a level of professional judgement from both the valuer and Council engineers and the valuation was carried out through the use of condition assessments including through the use of cameras and maintenance/break histories for assets that could not be accessed through a simple inspection. Limitation on current valuations include further data issues around Council mains break historical data, and a lack of long term historical data on renewals.

### Buildings

## E2-1 Fair value measurement (continued)

---

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs from over 120 Councils across NSW by Council's valuer (Valued by Assetval in 2017/18). Buildings assets are componentised into Super structure, Sub structure, Finishes, Fittings and Services . Each component is assigned a useful life and remaining useful life with the remaining useful life based on the condition assessment at the time of valuation. Further improvements to the valuation could be achieved with further details on the level of componentisation, as well as more in-depth maintenance history.

**DRAFT**

## E2-1 Fair value measurement (continued)

---

Fair value measurements using significant unobservable inputs (level 3)

**DRAFT**

## E2-1 Fair value measurement (continued)

---

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

Warrumbungle Shire Council undertakes to recognise its assets at fair value. Whilst this method does not suit some asset categories such as Plant & Equipment or Office furniture it is the best available method to determine the value of assets such as roads and buildings.

The process by council determines is through:

- \* A re examination of the fair value of the relevant asset classes as specified by the OLG on a five year rotation;
- \* Seek an external valuer with good knowledge and reputation to undertake the valuation;
- \* The "Valuer" selects a sample of assets and in conjunction with Council Staff will then examine the sample to determine any adjustments required;
- \* During this process the adequacy and accuracy of costing and usage assumptions are analysed and addressed as required;
- \* After the physical examination the Valuer goes over the findings with Council and invites questions and feedback;
- \* In conjunction with Council's input the Valuer will then make a determination on which Council will act.

DRAFT

## 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>		
Plant and equipment	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Office equipment	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Furniture and fittings	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Operational land	Market approach	* Similar local property prices * Alternative use
Community land	Land Values from NSW VG	* Unimproved capital value from Valuer General
Land improvements (depreciable)	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Buildings	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other structures	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Roads	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bridges	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Footpaths	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bulk earthworks	Cost approach (replacement cost)	* Gross Replacement Cost
Stormwater drainage	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Water supply network	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Sewer supply network	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other	Cost approach	* Asset Condition * Remaining Useful Life
Tip assets	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes
Quarry assets	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes

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

	Plant and equipment	Office equipment	Furniture and fittings	Land
--	---------------------	------------------	------------------------	------

## E2-1 Fair value measurement (continued)

\$ '000	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>14,545</b>	13,754	<b>228</b>	149	<b>36</b>	65	<b>4,389</b>	4,435
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class / held for sale assets	-	-	-	-	-	-	-	(46)
Purchases (GBV)	-	3,980	-	109	-	-	-	-
Disposals (WDV)	-	(611)	-	-	-	-	-	-
Depreciation and impairment	-	(2,578)	-	(30)	-	(29)	-	-
<b>Closing balance</b>	<b>14,545</b>	14,545	<b>228</b>	228	<b>36</b>	36	<b>4,389</b>	4,389

\$ '000	Land imp – depreciable		Buildings		Other structures		Roads	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>1,616</b>	1,467	<b>33,738</b>	34,929	<b>15,699</b>	15,232	<b>200,885</b>	209,316
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class / held for sale assets	-	-	-	(96)	-	-	-	-
Purchases (GBV)	-	198	-	716	-	1,148	-	3,776
Depreciation and impairment	-	(49)	-	(1,811)	-	(681)	-	(4,687)
Revaluation decrement	-	-	-	-	-	-	-	(7,520)
<b>Closing balance</b>	<b>1,616</b>	1,616	<b>33,738</b>	33,738	<b>15,699</b>	15,699	<b>200,885</b>	200,885

DRAFT

## E2-1 Fair value measurement (continued)

\$ '000	Bridges		Footpaths		Bulk earthworks		Stormwater drainage	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>52,145</b>	56,569	<b>5,233</b>	4,507	<b>149,002</b>	88,645	<b>5,193</b>	4,829
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	-	-	-	37	-	-	-	30
Depreciation and impairment	-	(471)	-	(147)	-	-	-	(111)
Revaluation increment	-	-	-	836	-	60,357	-	445
Revaluation decrement	-	(3,953)	-	-	-	-	-	-
<b>Closing balance</b>	<b>52,145</b>	52,145	<b>5,233</b>	5,233	<b>149,002</b>	149,002	<b>5,193</b>	5,193

\$ '000	Water supply network		Sewerage network		Tip asset		Quarry asset	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>38,556</b>	36,446	<b>16,736</b>	16,916	-	456	<b>1,811</b>	1,404
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	-	3,262	-	334	-	-	-	492
Disposals (WDV)	-	-	-	-	-	(432)	-	-
Depreciation and impairment	-	(1,484)	-	(668)	-	(24)	-	(85)
Revaluation increment	-	332	-	154	-	-	-	-
<b>Closing balance</b>	<b>38,556</b>	38,556	<b>16,736</b>	16,736	-	-	<b>1,811</b>	1,811

DRAFT

**E2-1 Fair value measurement (continued)**

\$ '000	Total	
	2021	2020
<b>Opening balance</b>	<b>539,812</b>	<b>489,119</b>
Transfers from/(to) another asset class	–	(142)
Purchases (GBV)	–	14,082
Disposals (WDV)	–	(1,043)
Depreciation and impairment	–	(12,855)
Revaluation increment	–	62,124
Revaluation decrement	–	(11,473)
<b>Closing balance</b>	<b>539,812</b>	<b>539,812</b>

**Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:**

No transfers were made during the year.

**Highest and best use**

All of Council's non-financial assets are considered as being utilised for their highest and best use.

DRAFT



## E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

##### *Description of the funding arrangements.*

Pooled employers are required to pay 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 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 121,728.58 The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$111,614.20.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	

## E3-1 Contingencies (continued)

Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$76,900 as at 30 June 2020.

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

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

### (ii) Statewide Limited

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

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

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

### (iii) StateCover Limited

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

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

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

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

### (iv) Other guarantees

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

## E3-1 Contingencies (continued)

---

### 2. Other liabilities

#### (i) Third party claims

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

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

#### (ii) 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) Potential Liability relating to the TRRRC development

Council received funding from State and Federal governments to construct the Three Rivers Regional Retirement Community (TRRRC). After tendering the project, Council engaged a contractor to undertake the construction of the facility. The contract with the contractor was terminated on 2 August 2018 due to default of contract. The contractor has listed the matter for consideration through the Supreme Court, which is being defended by Council. This action may lead to a future liability which at this stage is unable to be determined. Council has resolved to prefer an option to demolish all partially completed units, and seek permission from the two funding bodies to utilise remaining funding for site infrastructure and civil works relating to the project in possible readiness for construction of a smaller number of units if future funding is forthcoming.

DRAFT

## 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	744	759
Superannuation	95	98
<b>Total</b>	<b>839</b>	<b>857</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.

There are no other disclosures to be made by KMP.

## 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	27
Councillors' fees	109	107
Other Councillors' expenses (including Mayor)	13	17
<b>Total</b>	<b>149</b>	<b>151</b>

DRAFT

## F2 Other relationships

### F2-1 Audit fees

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

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

#### Auditors of the Council - NSW Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements

	58	54
<b>Remuneration for audit and other assurance services</b>	<b>58</b>	<b>54</b>

<b>Total Auditor-General remuneration</b>	<b>58</b>	<b>54</b>
---	-----------	-----------

Total audit fees	<b>58</b>	<b>54</b>
------------------	-----------	-----------

DRAFT

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>11,463</b>	2,260
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	12,037	12,970
Net losses/(gains) on disposal of assets	(795)	(599)
Non-cash capital grants and contributions	-	(714)
Adoption of AASB 15/1058	-	317
Unwinding of discount rates on reinstatement provisions	-	76
Share of net (profits)/losses of associates/joint ventures using the equity method	(11)	(44)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(1,517)	(458)
Increase/(decrease) in provision for impairment of receivables	14	193
Decrease/(increase) in inventories	158	33
Decrease/(increase) in other current assets	(914)	36
Decrease/(increase) in contract assets	(551)	(1,645)
Increase/(decrease) in payables	980	(143)
Increase/(decrease) in accrued interest payable	(8)	46
Increase/(decrease) in other accrued expenses payable	(61)	(1)
Increase/(decrease) in other liabilities	(38)	85
Increase/(decrease) in contract liabilities	717	1,265
Increase/(decrease) in provision for employee benefits	30	201
Increase/(decrease) in other provisions	(427)	(149)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>21,077</b>	<b>13,729</b>
<b>(b) Non-cash investing and financing activities</b>		
Asset contributions	-	714
<b>Total non-cash investing and financing activities</b>	<b>-</b>	<b>714</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

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

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

#### Property, plant and equipment

Land and buildings	-	53
Plant and equipment	-	363
Infrastructure	-	1,620
<b>Total commitments</b>	<b>-</b>	<b>2,036</b>

#### These expenditures are payable as follows:

Within the next year	-	2,036
<b>Total payable</b>	<b>-</b>	<b>2,036</b>

#### Details of capital commitments

The Council has committed to various capital projects which mainly includes information technology, regional roads, sporting facilities, council properties, town streets, water and sewer over the next 12 months.

DRAFT



### G3-1 Events occurring after the reporting date

---

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

**DRAFT**

## G4 Changes from prior year statements

### G4-1 Changes in accounting policy

#### Adoption of new accounting standards – not retrospective

During the year ended 30 June 2021, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2020 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2020.

The impacts of adopting these standards and associated transition disclosures are provided below:

#### Adjustments to the current year figures for the year ended 30 June 2021

##### Statement of Financial Position

### G4-2 Correction of errors

#### Nature of prior-period error

Council needs to enter custom text here : Nature of prior-period error !

Council needs to enter custom text here : PLUS EITHER: !

#### Changes to the opening Statement of Financial Position at 1 July 2019

##### Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Net assets	-	-	-

#### Adjustments to the comparative figures for the year ended 30 June 2020

##### Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Net assets	-	-	-

##### Income Statement

##### Statement of Comprehensive Income

## G5 Statement of developer contributions as at 30 June 2021

### G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	5	-	-	-	-	-	5	-
Open space	7	-	-	-	-	-	7	-
Community facilities	6	-	-	-	-	-	6	-
Other	2	-	-	-	-	-	2	-
Bushfire	12	-	-	-	-	-	12	-
<b>S7.11 contributions – under a plan</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>-</b>
S7.11 not under plans	169	54	-	-	-	-	223	-
S64 contributions	134	-	-	-	-	-	134	-
<b>Total contributions</b>	<b>335</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>389</b>	<b>-</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.

## G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN – WARRUMBUNGLE SHIRE COUNCIL</b>								
Roads	5	-	-	-	-	-	5	-
Open space	7	-	-	-	-	-	7	-
Community facilities	6	-	-	-	-	-	6	-
Bushfire	12	-	-	-	-	-	12	-
Other	2	-	-	-	-	-	2	-
<b>Total</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>-</b>

## G5-3 Contributions not under plans

### CONTRIBUTIONS – NOT UNDER A PLAN

Other	169	54	-	-	-	-	223	-
<b>Total</b>	<b>169</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223</b>	<b>-</b>

## G5-4 S64 contributions

### S64 Contributions

Water	102	-	-	-	-	-	102	-
Sewer	32	-	-	-	-	-	32	-
<b>Total</b>	<b>134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134</b>	<b>-</b>

## G6 Statement of performance measures

### G6-1 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>	1,133	2.87%	(5.09)%	(17.10)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	39,431				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	21,201	43.29%	53.08%	47.51%	> 60.00%
Total continuing operating revenue <sup>1</sup>	48,973				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	21,115	3.57x	2.95x	4.37x	> 1.50x
Current liabilities less specific purpose liabilities	5,921				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	13,352	11.23x	10.47x	5.05x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,189				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	2,377	14.86%	10.93%	10.07%	< 10.00%
Rates and annual charges collectable	16,001				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	21,887	9.53	7.74	6.97	> 3.00
Monthly payments from cash flow of operating and financing activities	2,296	mths	mths	mths	mths

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

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

## G6-2 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>3.92%</b>	(3.38)%	<b>(9.51)%</b>	(22.92)%	<b>8.04%</b>	(1.10)%	> 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>36.88%</b>	46.41%	<b>81.47%</b>	93.89%	<b>83.79%</b>	93.23%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>3.57x</b>	3.43x	<b>4.41x</b>	5.16x	<b>64.72x</b>	50.95x	> 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>9.75x</b>	9.21x	<b>119.56x</b>	25.30x	∞	∞	> 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>19.35%</b>	14.24%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	< 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>7.52 mths</b>	5.99 mths	∞	∞	∞	∞	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

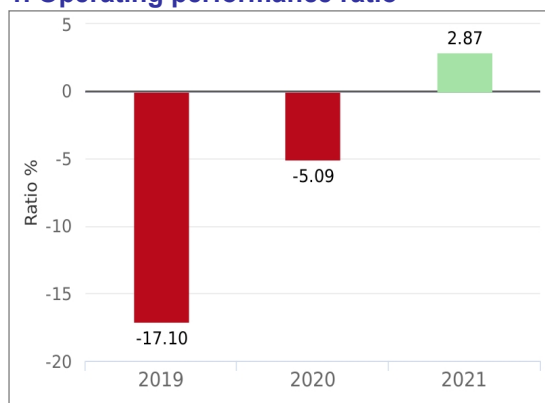
(1) - (2) Refer to Notes at Note 28a above.

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

## H Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 2.87%

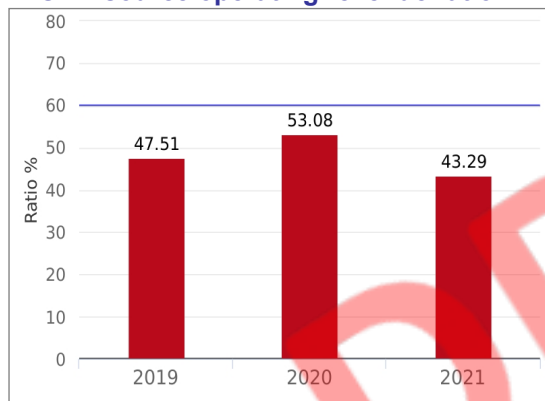
Benchmark: — > 0.00%

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 43.29%

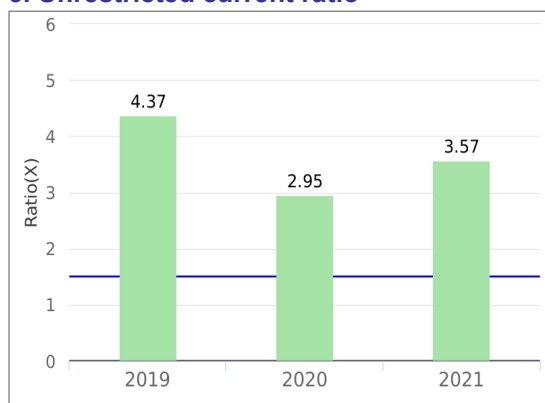
Benchmark: — > 60.00%

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 3.57x

Benchmark: — > 1.50x

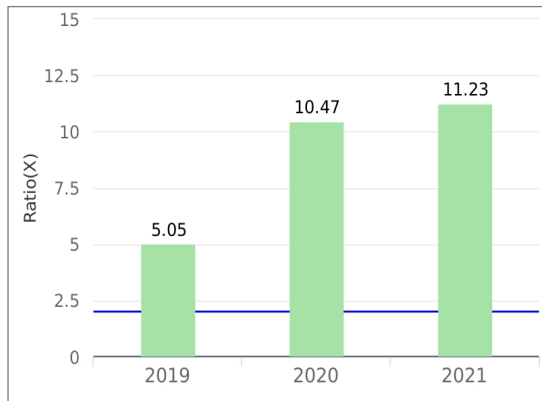
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 11.23x

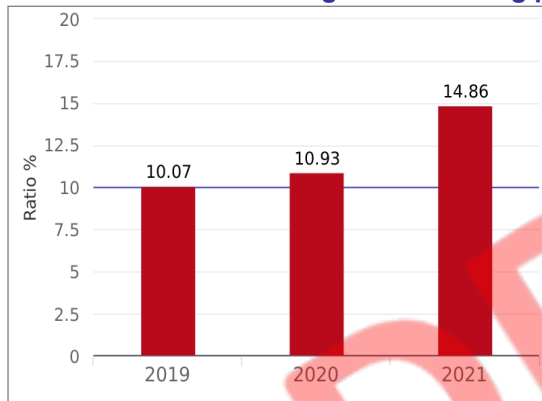
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



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

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

#### Commentary on 2020/21 result

2020/21 ratio 14.86%

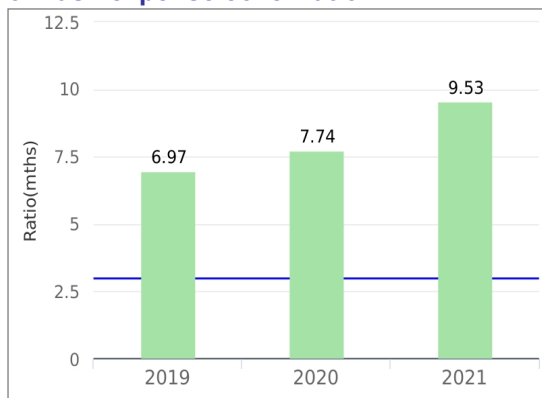
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 9.53 mths

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



## Warrumbungle Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2021

#### Independent Auditor's Reports:

---

On the Financial Statements (Sect 417 [2])

#### Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

**DRAFT**

## Warrumbungle Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2021

#### Independent Auditor's Reports: (continued)

---

On the Financial Statements (Sect 417 [3])

#### Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

**DRAFT**

DRAFT

# Warrumbungle Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

---



# Warrumbungle Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

---

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Special Purpose Financial Statements:</b>	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Income Statement of Warrumbungle Quarry	6
Statement of Financial Position of water supply business activity	7
Statement of Financial Position of sewerage business activity	8
Statement of Financial Position of Warrumbungle Quarry	9
<b>Note – Significant Accounting Policies</b>	<b>10</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>13</b>

---

### 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).

# Warrumbungle Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

---

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on dd MMMM yyyy.

---

[Mayor]

**Mayor**

dd MMMM yyyy

---

[Councillor]

**Councillor**

dd MMMM yyyy

---

[GeneralManager]

**General Manager**

dd MMMM yyyy

---

[ResponsibleAccountingOfficer]

**Responsible Accounting Officer**

dd MMMM yyyy

## Warrumbungle Shire 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	1,940	1,855
User charges	1,731	1,686
Fees	5	–
Interest	15	62
Other income	10	9
<b>Total income from continuing operations</b>	<b>3,701</b>	<b>3,612</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,288	1,037
Borrowing costs	9	30
Materials and services	604	691
Depreciation, amortisation and impairment	1,419	1,557
Other expenses	733	1,125
<b>Total expenses from continuing operations</b>	<b>4,053</b>	<b>4,440</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(352)</b>	<b>(828)</b>
Grants and contributions provided for capital purposes	842	235
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>490</b>	<b>(593)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>490</b>	<b>(593)</b>
<b>Surplus (deficit) after tax</b>	<b>490</b>	<b>(593)</b>
<b>Plus accumulated surplus</b>	<b>19,898</b>	<b>20,463</b>
<b>Plus/less: other adjustments</b>	<b>–</b>	<b>28</b>
<b>Closing accumulated surplus (deficit)</b>	<b>20,388</b>	<b>19,898</b>
<b>Return on capital %</b>	<b>(0.8)%</b>	<b>(1.9)%</b>
<b>Subsidy from Council</b>	<b>970</b>	<b>1,163</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	490	(593)
Less: capital grants and contributions (excluding developer contributions)	(842)	(235)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Warrumbungle Shire 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	1,778	1,737
User charges	110	119
Liquid trade waste charges	76	63
Interest	20	76
Grants and contributions provided for non-capital purposes	38	–
Other income	6	2
<b>Total income from continuing operations</b>	<b>2,028</b>	<b>1,997</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	556	552
Materials and services	224	205
Depreciation, amortisation and impairment	608	701
Other expenses	477	561
<b>Total expenses from continuing operations</b>	<b>1,865</b>	<b>2,019</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>163</b>	<b>(22)</b>
Grants and contributions provided for capital purposes	347	145
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>510</b>	<b>123</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>510</b>	<b>123</b>
Less: corporate taxation equivalent [based on result before capital]	(42)	–
<b>Surplus (deficit) after tax</b>	<b>468</b>	<b>123</b>
<b>Plus accumulated surplus</b>	<b>11,514</b>	<b>11,391</b>
– Corporate taxation equivalent	42	–
<b>Closing accumulated surplus (deficit)</b>	<b>12,024</b>	<b>11,514</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>(0.1)%</b>
<b>Subsidy from Council</b>	<b>106</b>	<b>178</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	468	123
Less: capital grants and contributions (excluding developer contributions)	(347)	(145)
<b>Surplus for dividend calculation purposes</b>	<b>121</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>60</b>	<b>–</b>

## Warrumbungle Shire Council

### Income Statement of Warrumbungle Quarry

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>Income from continuing operations</b>		
User charges	226	787
<b>Total income from continuing operations</b>	<b>226</b>	<b>787</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	21	156
Borrowing costs	10	7
Materials and services	270	393
Depreciation, amortisation and impairment	106	55
Other expenses	36	492
<b>Total expenses from continuing operations</b>	<b>443</b>	<b>1,103</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(217)</b>	<b>(316)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(217)</b>	<b>(316)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(217)</b>	<b>(316)</b>
<b>Surplus (deficit) after tax</b>	<b>(217)</b>	<b>(316)</b>
<b>Plus accumulated surplus</b>	<b>217</b>	<b>188</b>
<b>Closing accumulated surplus (deficit)</b>	<b>-</b>	<b>(128)</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>(73.4)%</b>
<b>Subsidy from Council</b>	<b>207</b>	<b>313</b>

DRAFT



## Warrumbungle Shire 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>		
Contract assets and contract cost assets	277	174
Cash and cash equivalents	385	354
Receivables	1,377	1,219
Inventories	6	6
<b>Total current assets</b>	<b>2,045</b>	<b>1,753</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	42,058	41,461
<b>Total non-current assets</b>	<b>42,058</b>	<b>41,461</b>
<b>Total assets</b>	<b>44,103</b>	<b>43,214</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	5	29
Payables	4	5
Borrowings	104	102
Employee benefit provisions	351	204
<b>Total current liabilities</b>	<b>464</b>	<b>340</b>
<b>Non-current liabilities</b>		
Borrowings	164	267
<b>Total non-current liabilities</b>	<b>164</b>	<b>267</b>
<b>Total liabilities</b>	<b>628</b>	<b>607</b>
<b>Net assets</b>	<b>43,475</b>	<b>42,607</b>
<b>EQUITY</b>		
Accumulated surplus	20,388	19,898
Revaluation reserves	23,087	22,709
<b>Total equity</b>	<b>43,475</b>	<b>42,607</b>

## Warrumbungle Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets and contract cost assets	69	18
Cash and cash equivalents	4,241	3,806
Receivables	738	660
<b>Total current assets</b>	<b>5,048</b>	<b>4,484</b>
<b>Non-current assets</b>		
Receivables	–	192
Infrastructure, property, plant and equipment	18,052	17,767
<b>Total non-current assets</b>	<b>18,052</b>	<b>17,959</b>
<b>Total assets</b>	<b>23,100</b>	<b>22,443</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Employee benefit provisions	78	88
<b>Total current liabilities</b>	<b>78</b>	<b>88</b>
<b>Total liabilities</b>	<b>78</b>	<b>88</b>
<b>Net assets</b>	<b>23,022</b>	<b>22,355</b>
<b>EQUITY</b>		
Accumulated surplus	12,024	11,514
Revaluation reserves	10,998	10,841
<b>Total equity</b>	<b>23,022</b>	<b>22,355</b>

DRAFT

## Warrumbungle Shire Council

### Statement of Financial Position of Warrumbungle Quarry

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	-	62
Inventories	-	197
<b>Total current assets</b>	<b>-</b>	<b>259</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	-	421
<b>Total non-current assets</b>	<b>-</b>	<b>421</b>
<b>Total assets</b>	<b>-</b>	<b>680</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to General Fund	-	440
Payables	-	108
Borrowings	-	49
<b>Total current liabilities</b>	<b>-</b>	<b>597</b>
<b>Non-current liabilities</b>		
Borrowings	-	211
<b>Total non-current liabilities</b>	<b>-</b>	<b>211</b>
<b>Total liabilities</b>	<b>-</b>	<b>808</b>
<b>Net assets</b>	<b>-</b>	<b>(128)</b>
<b>EQUITY</b>		
Accumulated surplus (deficit)	-	(128)
<b>Total equity</b>	<b>-</b>	<b>(128)</b>

DRAFT

## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

##### Warrumbungle Shire Council Combined Water Supply

All individual Water Funds are now combined into one entity known as Warrumbungle Water Fund. This entity incorporates the previous individual Operations and Net Assets of the Water Supply Systems of the towns of Baradine, Binnaway, Coonabarabran, Coolah, Dunedoo and Mendooran.

#### Category 2

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

##### a. Warrumbungle Shire Council Sewerage Service

All individual Sewerage Services are now combined into one entity known as Warrumbungle Sewerage Fund. This entity incorporates the previous individual Operations and Net Assets of the Sewerage Treatment and Reticulation Systems of the towns Baradine, Coonabarabran, Coolah and Dunedoo.

##### b. Warrumbungle Quarry

### 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 – 27.5%

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

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

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

### Income tax

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

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

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

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

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

The rate applied of 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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

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

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

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

The rate of return is calculated as follows:

## Note – Significant Accounting Policies (continued)

---

### Operating result before capital income + interest expense

---

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

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

#### (iii) Dividends

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

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

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

- 550% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

DRAFT

## Warrumbungle Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2021

---

**DRAFT**

DRAFT

# Warrumbungle Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

---





Warrumbungle Shire Council

Special Schedules

for the year ended 30 June 2021

---

Contents

Page

**Special Schedules:**

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2021 4

DRAFT

## Warrumbungle Shire Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	8,153	8,353
Plus or minus adjustments <sup>2</sup>	b	6	(4)
<b>Notional general income</b>	c = a + b	<b>8,159</b>	<b>8,349</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	212	167
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>8,371</b>	<b>8,516</b>
Plus (or minus) last year's carry forward total	l	(2)	15
<b>Sub-total</b>	n = (l + m)	<b>(2)</b>	<b>15</b>
<b>Total permissible income</b>	o = k + n	<b>8,369</b>	<b>8,531</b>
Less notional general income yield	p	8,353	8,570
<b>Catch-up or (excess) result</b>	q = o - p	<b>16</b>	<b>(39)</b>
Less unused catch-up <sup>5</sup>	s	(1)	3
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>15</b>	<b>(36)</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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (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.

## Warrumbungle Shire Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance <sup>a</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Buildings</b>	Other	-	-	-	-	32,574	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	-	-	-	-	<b>32,574</b>	-	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	-	-	-	-	18,651	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	-	-	-	-	<b>18,651</b>	-	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Other	-	-	-	-	411,195	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	-	-	-	-	<b>411,195</b>	-	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total – all assets</b>		-	-	-	-	<b>522,718</b>	-	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</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

## Warrumbungle Shire 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>0.00%</b>	48.80%	53.48%	>= 100.00%
Depreciation, amortisation and impairment	<b>9,213</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	-	<b>0.00%</b>	0.57%	0.64%	< 2.00%
Net carrying amount of infrastructure assets	<b>533,037</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	-	∞	104.00%	105.40%	> 100.00%
Required asset maintenance	-				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	-	∞	4.51%	5.05%	
Gross replacement cost	-				

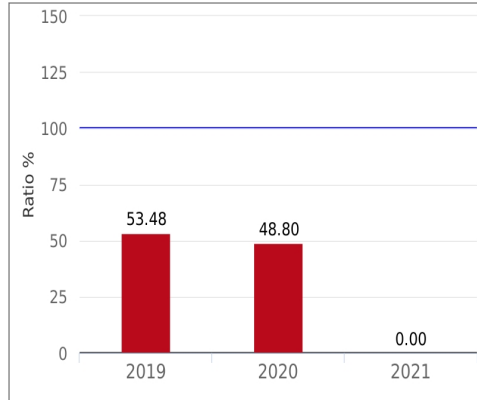
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

# Warrumbungle Shire Council

## Report on infrastructure assets as at 30 June 2021

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

Commentary on result	
20/21 ratio	0.00%

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	∞

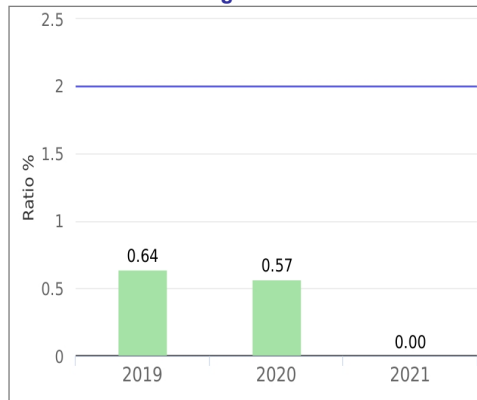
Benchmark: —  $> 100.00\%$

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	0.00%

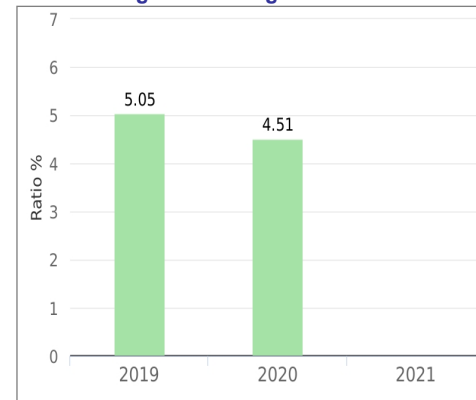
Benchmark: —  $< 2.00\%$

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	∞

## Warrumbungle Shire Council

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

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>	0.00%	49.70%	0.00%	46.02%	0.00%	44.31%	>= 100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard	0.00%	0.53%	0.00%	0.70%	0.00%	1.56%	< 2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	∞	100.35%	∞	130.33%	∞	100.36%	> 100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	∞	3.74%	∞	4.96%	∞	17.00%	
Gross replacement cost							

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