

# Annual Report

General Purpose Financial Statements



2020-2021

# Lithgow City Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

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# Lithgow City Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

180 Mort St  
Lithgow NSW 2790

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: <http://www.council.lithgow.com>.

# Lithgow City Council

## General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

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#### 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.

# Lithgow City Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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

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

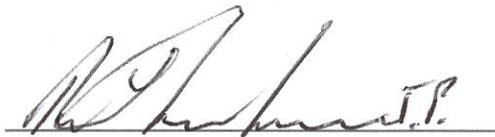
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

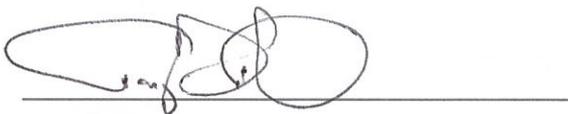
Signed in accordance with a resolution of Council made on 25 October 2021.



Ray Thompson  
Mayor  
25 October 2021



Wayne McAndrew  
Councillor  
25 October 2021



Craig Butler  
General Manager  
25 October 2021



Ross Gurney  
Responsible Accounting Officer  
25 October 2021



## Lithgow City 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>2,045</b>	<b>(852)</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	C1-6	<u>3,868</u>	<u>61,305</u>
<b>Total other comprehensive income for the year</b>		<b>3,868</b>	<b>61,305</b>
<b>Total and comprehensive income for the year attributable to Council</b>		<b><u>5,913</u></b>	<b><u>60,453</u></b>

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

# Lithgow City Council

## Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	8,259	1,981
Investments	C1-2	21,000	24,990
Receivables	C1-4	6,467	6,475
Inventories	C1-5	796	737
Other		749	288
<b>Total current assets</b>		<b>37,271</b>	<b>34,471</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	C1-6	579,817	576,544
Investment property	C1-7	5,706	5,168
Right of use assets	C2-1	1,107	35
<b>Total non-current assets</b>		<b>586,630</b>	<b>581,747</b>
<b>Total assets</b>		<b>623,901</b>	<b>616,218</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	6,900	5,690
Contract liabilities	C3-2	1,488	277
Lease liabilities	C2-1	416	21
Borrowings	C3-3	1,575	1,408
Employee benefit provisions	C3-4	3,818	3,750
Provisions	C3-5	85	–
<b>Total current liabilities</b>		<b>14,282</b>	<b>11,146</b>
<b>Non-current liabilities</b>			
Payables	C3-1	19	28
Lease liabilities	C2-1	614	14
Borrowings	C3-3	12,763	14,338
Employee benefit provisions	C3-4	354	457
Provisions	C3-5	8,964	9,243
<b>Total non-current liabilities</b>		<b>22,714</b>	<b>24,080</b>
<b>Total liabilities</b>		<b>36,996</b>	<b>35,226</b>
<b>Net assets</b>		<b>586,905</b>	<b>580,992</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	215,122	213,077
IPPE revaluation reserve	C4-1	371,783	367,915
<b>Council equity interest</b>		<b>586,905</b>	<b>580,992</b>
<b>Total equity</b>		<b>586,905</b>	<b>580,992</b>

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

## Lithgow City 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		213,077	367,915	580,992	209,803	310,870	520,673
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(134)	-	(134)
<b>Restated opening balance</b>		<b>213,077</b>	<b>367,915</b>	<b>580,992</b>	<b>209,669</b>	<b>310,870</b>	<b>520,539</b>
Net operating result for the year		2,045	-	2,045	(852)	-	(852)
<b>Restated net operating result for the year</b>		<b>2,045</b>	<b>-</b>	<b>2,045</b>	<b>(852)</b>	<b>-</b>	<b>(852)</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	3,868	3,868	-	61,305	61,305
<b>Other comprehensive income</b>		<b>-</b>	<b>3,868</b>	<b>3,868</b>	<b>-</b>	<b>61,305</b>	<b>61,305</b>
<b>Total comprehensive income</b>		<b>2,045</b>	<b>3,868</b>	<b>5,913</b>	<b>(852)</b>	<b>61,305</b>	<b>60,453</b>
Equity Adjustment Buildings - Specialised	10(a)	-	-	-	-	-	-
Transfers between equity items		-	-	-	4,260	(4,260)	-
<b>Closing balance at 30 June</b>		<b>215,122</b>	<b>371,783</b>	<b>586,905</b>	<b>213,077</b>	<b>367,915</b>	<b>580,992</b>

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

## Lithgow City Council

## Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
29,698	Rates and annual charges		27,312	28,945
7,638	User charges and fees		8,616	3,567
374	Investment and interest revenue received		334	737
15,841	Grants and contributions		15,520	12,545
1,183	Other		4,699	5,081
<i>Payments:</i>				
(18,502)	Employee benefits and on-costs		(18,805)	(18,139)
(17,211)	Materials and services		(16,146)	(16,874)
(537)	Borrowing costs		(602)	(632)
(73)	Bonds, deposits and retention amounts refunded		(262)	(73)
(3,694)	Other		(3,542)	(3,622)
14,717	<b>Net cash flows from operating activities</b>	G1-1	<b>17,124</b>	<b>11,535</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investment securities		–	326
500	Sale of infrastructure, property, plant and equipment		689	1,248
<i>Payments:</i>				
–	Purchase of investment securities		–	4,510
500	Acquisition of term deposits		3,990	–
–	Purchase of investment property		–	65
(13,668)	Purchase of infrastructure, property, plant and equipment		(13,899)	(14,153)
(12,668)	<b>Net cash flows from investing activities</b>		<b>(9,220)</b>	<b>(8,004)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(1,408)	Repayment of borrowings		(1,408)	(2,081)
(50)	Principal component of lease payments		(218)	(21)
(1,458)	<b>Net cash flows from financing activities</b>		<b>(1,626)</b>	<b>(2,102)</b>
591	<b>Net change in cash and cash equivalents</b>		<b>6,278</b>	<b>1,429</b>
1,981	Cash and cash equivalents at beginning of year		1,981	552
2,572	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>8,259</b>	<b>1,981</b>
24,990	plus: Investments on hand at end of year	C1-2	21,000	24,990
27,562	<b>Total cash, cash equivalents and investments</b>		<b>29,259</b>	<b>26,971</b>

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

# Lithgow City Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 25 October 2021. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

#### Historical cost convention

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

#### Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-7
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

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

- (i) Impairment of receivables

Council has not made any significant judgements about the impairment of a number of its receivables – refer Note C1-4.

#### COVID 19 Impact

In the 2020/21 financial year the Coronavirus (COVID 19) pandemic continued to impact both communities and business throughout the world, including Australia and the community where Council operates. The Pandemic has had no material financial impact for Council in the financial year ended 30 June 2021. As at the end of the current reporting period Council has only experienced a minor loss of loss of income from COVID 19 from the provision of rental relief packages to commercial tenants based on evaluation of requests received. The financial impact of the rental relief packages have been accounted for and reflected in the financial statements under the relevant income category. No material changes have been noted in asset values or the collection of rates.

## A1-1 Basis of preparation (continued)

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### Monies and other assets received by Council

#### The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

#### The Trust Fund

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

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

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Council has an average of 70 hours per week of volunteer services donated, 60 hours at Eskbank House Museum and 10 hours at the Lithgow library. Council does not recognise this in the income statement on the basis that these services would not be procured if not donated and on the low value/materiality level.

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

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

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

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

### New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2021. None of these standards had a significant impact on reported position or performance.

## B Financial Performance

### B1 Functions or activities

#### B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Functions or activities</b>										
Caring for our community	1,907	584	2,594	2,529	(687)	(1,945)	945	544	3,251	2,842
Strengthening our economy	99	65	1,490	1,139	(1,391)	(1,074)	1,572	–	5,588	7,168
Developing our built environment	24,000	22,299	42,579	41,779	(18,579)	(19,480)	6,956	4,733	557,396	556,151
Enhancing our natural environment	5,469	5,119	3,757	4,470	1,712	649	85	253	49,019	38,366
Governance and leadership	21,119	21,132	129	134	20,990	20,998	5,624	4,973	8,647	11,691
Other	–	–	–	–	–	–	–	1,287	–	–
<b>Total functions and activities</b>	<b>52,594</b>	<b>49,199</b>	<b>50,549</b>	<b>50,051</b>	<b>2,045</b>	<b>(852)</b>	<b>15,182</b>	<b>11,790</b>	<b>623,901</b>	<b>616,218</b>

## B1-2 Components of functions or activities

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

### **Caring for our community**

Includes supporting Aboriginal, cultural and linguistically diverse communities; ageing populations; children and families; community support and information; health; library programs; regulatory/compliance programs; safety; volunteering and youth.

### **Strengthening our economy**

Includes Council's branding and marketing; art and culture; business and industry development and support; education and training; leadership and communication; heritage; and tourism.

### **Developing our built environment**

Includes cemeteries; community commercial and industrial buildings; cycleways and pathways; environmental health; parks and gardens; recreational facilities; transport; sewage infrastructure; streetscape improvements; tradewaste; and water infrastructure.

### **Enhancing our natural environment**

Includes air; biodiversity; climate change; environmental protection and leadership; natural heritage; stormwater and drainage water and waste and recycling.

### **Governance and leadership**

Includes planning for our future; civic leadership; communication; corporate management; customer service; being an employer of choice; information systems management; and plant and equipment.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	7,817	7,541
Farmland	1,942	1,898
Mining	1,652	2,116
Business	1,918	1,834
Less: pensioner rebates (mandatory)	(364)	(344)
<b>Rates levied to ratepayers</b>	<b>12,965</b>	<b>13,045</b>
Pensioner rate subsidies received	200	389
<b>Total ordinary rates</b>	<b>13,165</b>	<b>13,434</b>
<b>Special rates</b>		
Sewerage services	–	6,932
Parking	254	247
<b>Rates levied to ratepayers</b>	<b>254</b>	<b>7,179</b>
<b>Total special rates</b>	<b>254</b>	<b>7,179</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	4,035	4,005
Stormwater management services	240	242
Water supply services	1,731	1,863
Sewerage services	7,372	470
Waste management services (non-domestic)	640	641
Gas mains	19	20
Less: pensioner rebates (mandatory)	(534)	(522)
<b>Annual charges levied</b>	<b>13,503</b>	<b>6,719</b>
Pensioner subsidies received:		
– Water	95	184
– Sewerage	89	172
– Domestic waste management	109	215
<b>Total annual charges</b>	<b>13,796</b>	<b>7,290</b>
<b>Total rates and annual charges</b>	<b>27,215</b>	<b>27,903</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	2021	2020
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	4,846	5,320
Waste management services (non-domestic)	826	14

continued on next page ...

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

\$ '000	2021	2020
Trade waste	114	78
Septic approval	130	131
<b>Total specific user charges</b>	<b>5,916</b>	<b>5,543</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	526	452
Private works – section 67	32	229
Regulatory/statutory fees	76	21
Section 10.7 certificates (EP&A Act)	70	49
<b>Total fees and charges – statutory/regulatory</b>	<b>704</b>	<b>751</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	202	178
Swimming centres	362	317
Hall and park hire	31	43
Other	32	22
<b>Total fees and charges – other</b>	<b>627</b>	<b>560</b>
<b>Total user charges and fees</b>	<b>7,247</b>	<b>6,854</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)	7,247	6,854
<b>Total user charges and fees</b>	<b>7,247</b>	<b>6,854</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 the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

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

## B2-3 Other revenue

\$ '000	2021	2020
Fines – parking	8	8
Fines – other	34	47
Legal fees recovery – other	60	74
Commissions and agency fees	1	3
Diesel rebate	96	84
Insurance claims recoveries	421	84
Recycling income (non-domestic)	35	31
Sale of abandoned vehicles	37	33
Esbank house	4	2
Inspections	19	5
Library charges	6	10
Sales – aquatic centre	52	59
Sales – tourism	56	47
Credit card surcharge	26	18
RFS Section 44 Reimbursement	–	513
Other	156	105
Other Council properties Hire	66	54

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

\$ '000	2021	2020
Settlement - Water	730	–
Other - Adjustments	(467)	–
<b>Total other revenue</b>	<b>1,340</b>	<b>1,177</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,340	1,177
<b>Total other revenue</b>	<b>1,340</b>	<b>1,177</b>

**Accounting policy for other revenue**

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

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

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

**B2-4 Grants and contributions**

\$ '000	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	1,736	1,798	–	–
Financial assistance – local roads component	631	638	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	1,862	1,872	–	–
Financial assistance – local roads component	672	664	–	–
<b>Amount recognised as income during current year</b>	<b>4,901</b>	<b>4,972</b>	<b>–</b>	<b>–</b>

**Special purpose grants and non-developer contributions (tied)****Cash contributions****Previously specific grants:****Pensioners' rates subsidies:**

Water supplies	–	–	21	–
Sewerage services	–	–	341	–
Community centres	368	159	136	–
Economic development	252	–	–	–
Floodplain management	25	–	–	–
Heritage and cultural	59	–	254	–
Library – per capita	114	116	–	–
Library – special projects	–	16	18	–
LIRS subsidy	55	–	–	–
Recreation and culture	35	–	608	633
Waste services	–	–	–	253
Bushfire relief	1,966	2,567	–	–
Street lighting	73	73	–	–
Other specific grants	50	4	–	–
Transport (roads to recovery)	1,195	1,195	–	–
Transport (other roads and bridges funding)	1,117	–	1,642	515
<b>Previously contributions:</b>				
Other councils – joint works/services	–	1	–	–
Recreation and culture	–	–	–	3

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## B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Employment	74	60	–	–
Transport for NSW contributions (regional roads, block grant)	468	468	–	–
Fire contribution	232	232	–	–
Hazard reduction	–	21	–	–
Rebates	52	67	–	–
Event sponsorships	12	13	–	–
ESL contribution	238	87	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>6,385</b>	<b>5,079</b>	<b>3,020</b>	<b>1,404</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>6,385</b>	<b>5,079</b>	<b>3,020</b>	<b>1,404</b>
<b>Total grants and non-developer contributions</b>	<b>11,286</b>	<b>10,051</b>	<b>3,020</b>	<b>1,404</b>
<b>Comprising:</b>				
– Commonwealth funding	6,815	6,167	–	130
– State funding	4,453	2,885	3,000	1,271
– Other funding	18	999	20	3
	<b>11,286</b>	<b>10,051</b>	<b>3,020</b>	<b>1,404</b>

## Developer contributions

\$ '000	Notes	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>	G4				
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	282	116
S 7.11 – contributions towards amenities/services		–	–	5	22
S 7.12 – fixed development consent levies		–	–	252	132
S 64 – water supply contributions		–	–	64	31
S 64 – sewerage service contributions		–	–	273	34
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>876</b>	<b>335</b>
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>876</b>	<b>335</b>
<b>Total grants and contributions</b>		<b>11,286</b>	<b>10,051</b>	<b>3,896</b>	<b>1,739</b>
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time (1)		–	–	–	–
Grants and contributions recognised at a point in time (2)		11,286	10,051	3,896	1,739
<b>Total grants and contributions</b>		<b>11,286</b>	<b>10,051</b>	<b>3,896</b>	<b>1,739</b>

## 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>				
Unspent funds at 1 July	3,015	2,710	660	611
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,053	385	1,491	310
<b>Add:</b> Funds received and not recognised as revenue in the current year	–	2,536	–	165
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(3,031)	(2,616)	(243)	(404)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	(22)
<b>Unspent funds at 30 June</b>	<b>1,037</b>	<b>3,015</b>	<b>1,908</b>	<b>660</b>
<b>Contributions</b>				
Unspent funds at 1 July	1,985	1,887	–	–
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	567	270	–	–
<b>Add:</b> contributions received and not recognised as revenue in the current year	–	–	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(409)	(172)	–	–
<b>Unspent contributions at 30 June</b>	<b>2,143</b>	<b>1,985</b>	<b>–</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 but include community and infrastructure projects. 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

## B2-4 Grants and contributions (continued)

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.

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)	66	67
– Cash and investments	224	565
Finance income on the net investment in the lease	–	–
<b>Total interest and investment income (losses)</b>	<b>290</b>	<b>632</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	43	51
General Council cash and investments	224	565
<b>Restricted investments/funds – external:</b>		
Water fund operations	23	16
<b>Total interest and investment income</b>	<b>290</b>	<b>632</b>

### Accounting policy

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

**B2-6 Other income**

<b>\$ '000</b>	Notes	<b>2021</b>	2020
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		<b>538</b>	–
<b>Total fair value increment on investment properties</b>	C1-7	<b>538</b>	–
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		<b>652</b>	661
<b>Total Investment properties</b>		<b>652</b>	661
<b>Other lease income</b>			
Leaseback fees - council vehicles		<b>130</b>	123
<b>Total Other lease income</b>		<b>130</b>	123
<b>Total rental income</b>	C2-2	<b>782</b>	784
<b>Total other income</b>		<b>1,320</b>	784

## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	14,277	14,286
Employee termination costs (where material – other than vested leave paid)	4	–
Travel expenses	14	24
Employee leave entitlements (ELE)	2,157	1,852
Superannuation	1,092	1,465
Superannuation – defined benefit plans	513	149
Workers' compensation insurance	735	1,018
Fringe benefit tax (FBT)	72	82
Payroll tax	75	105
Training costs (other than salaries and wages)	154	184
Protective clothing	55	55
Corporate uniforms	14	13
Central west group apprentices	11	88
Other	68	93
<b>Total employee costs</b>	<b>19,241</b>	<b>19,414</b>
Less: capitalised costs	(615)	(1,031)
<b>Total employee costs expensed</b>	<b>18,626</b>	<b>18,383</b>

#### Accounting policy

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

#### Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

#### Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

### B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		5,069	4,715
Contractor and consultancy costs		6,880	7,859
– Contractor and consultancy costs		6	6
Audit Fees	F2-1	108	69
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	140	156
Advertising		108	80
Bank charges		83	84
Computer software charges		53	–
Electricity and heating		964	985
Insurance		801	662
Office expenses (including computer expenses)		676	559
Postage		91	62
Printing and stationery		111	123
Street lighting		356	338
Subscriptions and publications		269	274

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

\$ '000	2021	2020
Telephone and communications	245	242
Valuation fees	116	91
Commissions	57	47
Lease fees	25	28
Other expenses	61	128
<b>Legal Fees:</b>		
– planning and development	123	129
– debt recovery	63	40
– other	119	113
Expenses from short-term leases	5	5
<b>Total materials and services</b>	<b>16,529</b>	<b>16,795</b>
<b>Total materials and services</b>	<b>16,529</b>	<b>16,795</b>

#### Accounting policy

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

### B3-3 Borrowing costs

\$ '000	2021	2020
<b>(i) Interest bearing liability costs</b>		
Interest on leases	9	1
Interest on loans	590	626
<b>Total interest bearing liability costs</b>	<b>599</b>	<b>627</b>
<b>Total interest bearing liability costs expensed</b>	<b>599</b>	<b>627</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustments on recognition of advances and deferred debtors		
– Remediation liabilities	(95)	833
Interest applicable on interest free (and favourable) loans to Council	–	33
<b>Total other borrowing costs</b>	<b>(95)</b>	<b>866</b>
<b>Total borrowing costs expensed</b>	<b>504</b>	<b>1,493</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		474	370
Office equipment		319	315
Furniture and fittings		9	10
<b>Infrastructure:</b>	C1-6		
– Buildings – specialised		1,069	899
– Other structures		681	724
– Roads		5,533	5,380
– Bridges		160	157
– Footpaths		222	438
– Stormwater drainage		394	471
– Water supply network		1,596	1,648
– Sewerage network		1,883	1,849
– Swimming pools		32	33

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

\$ '000	Notes	2021	2020
Right of use assets	C2-1	141	21
<b>Other non-financial assets:</b>			
– Library books		13	24
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5,C1-6	73	81
<b>Total gross depreciation and amortisation costs</b>		<b>12,599</b>	<b>12,420</b>
<b>Total depreciation and amortisation costs</b>		<b>12,599</b>	<b>12,420</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>12,599</b>	<b>12,420</b>

#### Accounting policy

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 15 for right of use assets.

##### Impairment of non-financial assets

Other assets 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		(13)	–
<b>Total impairment of receivables</b>	C1-4	<b>(13)</b>	<b>–</b>
<b>Fair value decrement on investment properties</b>			
Fair value decrement on investment properties		–	274
<b>Total fair value decrement on investment properties</b>	C1-7	<b>–</b>	<b>274</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		–	626
Donations, contributions and assistance to other organisations (Section 356)			
– Contributions emergency services		841	–
– Donations, contributions and assistance		116	60
<b>Total other</b>		<b>957</b>	<b>686</b>
<b>Total other expenses</b>		<b>944</b>	<b>960</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 property (excl. investment property)</b>			
Proceeds from disposal – property		433	1,000
Less: carrying amount of property assets sold/written off		(332)	(420)
<b>Gain (or loss) on disposal</b>		<b>101</b>	<b>580</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		256	248
Less: carrying amount of plant and equipment assets sold/written off		(145)	(161)
<b>Gain (or loss) on disposal</b>		<b>111</b>	<b>87</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(1,559)	(928)
<b>Gain (or loss) on disposal</b>		<b>(1,559)</b>	<b>(928)</b>
<b>Gain (or loss) on disposal of investment property</b>			
	C1-7		
Less: carrying amount of investment property sold/written off		–	(6)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(6)</b>
<b>Gain (or loss) on disposal of investments</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	326
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>326</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>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>(1,347)</b>	<b>59</b>

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 22nd June 2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	28,109	27,215	(894)	(3)% <b>U</b>
<b>User charges and fees</b>	8,015	7,247	(768)	(10)% <b>U</b>
<b>Other revenues</b>	518	1,340	822	159% <b>F</b>
This variance relates to \$730K settlement for NSW water in relation to the Fish River water supply.				
<b>Operating grants and contributions</b>	8,326	11,286	2,960	36% <b>F</b>
This variance relates to Bushfire Relief grants \$1.966M and the LRCI1 grant \$1.117M				
<b>Capital grants and contributions</b>	515	3,896	3,381	657% <b>F</b>
This variance relates to \$608K grant for a Pump Track in Lithgow and various transport infrastructure grants as COVID 19 stimulus.				
<b>Interest and investment revenue</b>	705	290	(415)	(59)% <b>U</b>
This variance was due to record low interest rates and lower levels of reserves than budgeted.				
<b>Net gains from disposal of assets</b>	1,075	-	(1,075)	(100)% <b>U</b>
This variance occurred as Council did not dispose of plant as budgeted.				
<b>Other income</b>	785	1,320	535	68% <b>F</b>
This variation relates the \$538k investment property valuation increase.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	18,687	18,626	61	0% <b>F</b>
<b>Materials and services</b>	13,824	16,529	(2,705)	(20)% <b>U</b>
This variance is direct correlation to the increase in operating grants				
<b>Borrowing costs</b>	590	504	86	15% <b>F</b>
This variation is due to decrease in interest after five year interest negotiation and repayment of \$1.0M off the loan.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	12,454	12,599	(145)	(1)% <b>U</b>
<b>Other expenses</b>	916	944	(28)	(3)% <b>U</b>
<b>Net losses from disposal of assets</b>	105	1,347	(1,242)	(1,183)% <b>U</b>
This variation relates to the loss on disposal of road assets when they are resealed and not budgeted.				

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>STATEMENT OF CASH FLOWS</b>				
<b>Cash flows from operating activities</b>	14,717	17,124	2,407	16% <b>F</b>
This variation is due increased cashflow from grants for fire relief and LRCI1.				
<b>Cash flows from investing activities</b>	(12,668)	(9,220)	3,448	(27)% <b>F</b>
This variance relates increased cashflow from grants being invested and reflecting in cash, cash equivalents and investment balances.				
<b>Cash flows from financing activities</b>	(1,458)	(1,626)	(168)	12% <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	8,259	1,981
<b>Total cash and cash equivalents</b>	<b>8,259</b>	<b>1,981</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	8,259	1,981
<b>Balance as per the Statement of Cash Flows</b>	<b>8,259</b>	<b>1,981</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>Debt securities at amortised cost</b>				
Long term deposits	21,000	-	24,990	-
<b>Total</b>	<b>21,000</b>	<b>-</b>	<b>24,990</b>	<b>-</b>
<b>Total financial investments</b>	<b>21,000</b>	<b>-</b>	<b>24,990</b>	<b>-</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>29,259</b>	<b>-</b>	<b>26,971</b>	<b>-</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

## C1-2 Financial investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

### Fair value through other comprehensive income – equity instruments

Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

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

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

### Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments of \$21M in the Statement of Financial Position.

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

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
<b>Total cash, cash equivalents and investments</b>	<b>29,259</b>	<b>–</b>	<b>26,971</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions	26,010	–	20,473	–
Internal restrictions	3,249	–	6,498	–
Unrestricted	–	–	–	–
	<b>29,259</b>	<b>–</b>	<b>26,971</b>	<b>–</b>

\$ '000	2021	2020
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### Details of restrictions

#### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	5,455	3,651
Specific purpose unexpended grants – water fund	24	24
Specific purpose unexpended loans – general	1,561	1,570
Specific purpose unexpended loans – water	129	950
Specific purpose unexpended loans – sewer	–	9
<b>External restrictions – included in liabilities</b>	<b>7,169</b>	<b>6,204</b>

#### External restrictions – other

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

Developer contributions – general	2,143	1,985
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continued on next page ...

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

\$ '000	2021	2020
Water fund	2,401	–
Sewer fund	7,889	7,532
Domestic waste management	6,408	4,752
<b>External restrictions – other</b>	<b>18,841</b>	<b>14,269</b>
<b>Total external restrictions</b>	<b>26,010</b>	<b>20,473</b>
<b>Internal restrictions</b>		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	3	429
Employees leave entitlement	754	754
Carry over works	221	1,291
Deposits, retentions and bonds	296	558
Election	160	110
Land and building	1,218	1,558
Works in progress	597	1,798
Working Capital	–	–
<b>Total internal restrictions</b>	<b>3,249</b>	<b>6,498</b>
<b>Total restrictions</b>	<b>29,259</b>	<b>26,971</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	1,853	–	1,737	–
Interest and extra charges	275	–	253	–
User charges and fees	1,872	–	3,241	–
Accrued revenues				
– Interest on investments	34	–	100	–
– Other income accruals	–	–	30	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	1,926	–	1,053	–
Net GST receivable	230	–	160	–
Other debtors	482	–	129	–
<b>Total</b>	<b>6,672</b>	<b>–</b>	<b>6,703</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(181)	–	(194)	–
Other debtors	(24)	–	(34)	–
<b>Total provision for impairment – receivables</b>	<b>(205)</b>	<b>–</b>	<b>(228)</b>	<b>–</b>
<b>Total net receivables</b>	<b>6,467</b>	<b>–</b>	<b>6,475</b>	<b>–</b>

## C1-4 Receivables (continued)

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Other	2,479	–	3,508	–
<b>Sewerage services</b>				
– Other	868	–	831	–
<b>Total external restrictions</b>	<b>3,347</b>	<b>–</b>	<b>4,339</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>3,120</b>	<b>–</b>	<b>2,136</b>	<b>–</b>
<b>Total net receivables</b>	<b>6,467</b>	<b>–</b>	<b>6,475</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)	204	228
<b>Balance at the end of the year</b>	<b>204</b>	<b>228</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 90 days past due.

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 7 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

## C1-4 Receivables (continued)

### COVID 19

Council's rate and annual charges collections have not been significantly impacted by the COVID-19 Pandemic in the 2020/21 year, therefore, no adjustment has been made to the impairment provision. There has been an increase in the rates and annual charges outstanding percentage which is attributed to a decline in economic conditions. There is no material impact of the COVID-19 pandemic on other receivables.

## C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(i) Inventories at cost</b>				
Stores and materials	796	-	737	-
<b>Total inventories at cost</b>	<b>796</b>	<b>-</b>	<b>737</b>	<b>-</b>
<b>Total inventories</b>	<b>796</b>	<b>-</b>	<b>737</b>	<b>-</b>

### Externally restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Water</b>				
Stores and materials	246	-	576	-
<b>Total water</b>	<b>246</b>	<b>-</b>	<b>576</b>	<b>-</b>
<b>Sewerage</b>				
Stores and materials	23	-	46	-
<b>Total sewerage</b>	<b>23</b>	<b>-</b>	<b>46</b>	<b>-</b>
<b>Total externally restricted assets</b>	<b>269</b>	<b>-</b>	<b>622</b>	<b>-</b>
<b>Total internally restricted assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total unrestricted assets</b>	<b>527</b>	<b>-</b>	<b>115</b>	<b>-</b>
<b>Total inventories</b>	<b>796</b>	<b>-</b>	<b>737</b>	<b>-</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.

## C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	1,491	–	1,491	942	1,082	–	–	(374)	–	3,141	–	3,141
Plant and equipment	17,512	(13,571)	3,941	923	–	(145)	(474)	–	–	17,800	(13,555)	4,245
Office equipment	1,473	(830)	643	79	–	1	(319)	–	–	1,552	(1,148)	404
Furniture and fittings	422	(350)	72	–	8	–	(9)	–	–	430	(359)	71
<b>Land:</b>												
– Operational land	17,086	–	17,086	8	–	(332)	–	–	–	16,762	–	16,762
– Community land	23,529	–	23,529	–	1,184	–	–	–	–	24,713	–	24,713
<b>Infrastructure:</b>												
– Buildings – specialised	76,012	(28,180)	47,832	625	530	(408)	(1,069)	240	–	76,682	(28,932)	47,750
– Other structures	26,762	(8,472)	18,290	404	429	(39)	(681)	–	–	27,548	(9,145)	18,403
– Roads	341,782	(82,920)	258,862	2,820	1,715	(660)	(5,533)	134	–	345,389	(88,051)	257,338
– Bridges	21,896	(2,856)	19,040	274	221	(25)	(160)	–	2,855	27,044	(4,839)	22,205
– Footpaths	17,536	(4,050)	13,486	271	96	(108)	(222)	–	–	17,754	(4,231)	13,523
– Bulk earthworks (non-depreciable)	27,411	–	27,411	–	–	(1)	–	–	–	27,410	–	27,410
– Stormwater drainage	41,269	(14,811)	26,458	195	–	–	(394)	–	–	41,464	(15,205)	26,259
– Water supply network	98,998	(61,033)	37,965	680	157	(75)	(1,596)	–	293	100,593	(63,169)	37,424
– Sewerage network	122,392	(45,519)	76,873	565	689	(2)	(1,883)	–	682	124,755	(47,831)	76,924
– Swimming pools	2,810	(233)	2,577	–	–	(240)	(32)	–	38	2,445	(102)	2,343
<b>Other assets:</b>												
– Library books	994	(981)	13	–	–	–	(13)	–	–	994	(994)	–
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>												
– Tip assets	8,210	(7,235)	975	–	–	–	(73)	–	–	8,210	(7,308)	902
<b>Total infrastructure, property, plant and equipment</b>	<b>847,585</b>	<b>(271,041)</b>	<b>576,544</b>	<b>7,786</b>	<b>6,111</b>	<b>(2,034)</b>	<b>(12,458)</b>	<b>–</b>	<b>3,868</b>	<b>864,686</b>	<b>(284,869)</b>	<b>579,817</b>

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

## C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	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	6,526	–	6,526	267	488	–	–	(5,792)	–	–	–	1,491	–	1,491
Plant and equipment	18,048	(15,378)	2,670	1,743	–	(161)	(370)	24	36	–	–	17,512	(13,571)	3,941
Office equipment	1,069	(515)	554	33	253	–	(315)	118	–	–	–	1,473	(830)	643
Furniture and fittings	418	(340)	78	4	–	–	(10)	–	–	–	–	422	(350)	72
<b>Land:</b>														
– Operational land	16,721	–	16,721	–	–	–	–	–	(279)	–	644	17,086	–	17,086
– Community land	20,164	–	20,164	–	–	(70)	–	–	279	–	3,156	23,529	–	23,529
<b>Infrastructure:</b>														
– Buildings – specialised	64,224	(18,689)	45,535	138	1,072	(31)	(899)	233	751	–	1,033	76,012	(28,180)	47,832
– Other structures	27,151	(12,470)	14,681	799	651	(273)	(724)	547	(704)	–	3,313	26,762	(8,472)	18,290
– Roads	289,848	(77,917)	211,931	3,790	1,191	(385)	(5,380)	2	–	–	47,713	341,782	(82,920)	258,862
– Bridges	21,570	(2,698)	18,872	–	134	–	(157)	192	–	–	–	21,896	(2,856)	19,040
– Footpaths	17,604	(3,955)	13,649	59	359	(37)	(438)	40	–	(150)	–	17,536	(4,050)	13,486
– Bulk earthworks (non-depreciable)	25,639	–	25,639	51	–	(74)	–	–	–	–	1,796	27,411	–	27,411
– Stormwater drainage	42,476	(18,402)	24,074	–	78	–	(471)	–	–	–	2,777	41,269	(14,811)	26,458
– Water supply network	92,684	(60,152)	32,532	2,327	174	(127)	(1,648)	4,395	–	–	311	98,998	(61,033)	37,965
– Sewerage network	120,561	(43,247)	77,314	577	28	–	(1,849)	93	–	–	712	122,392	(45,519)	76,873
– Swimming pools	2,811	(200)	2,611	–	–	–	(33)	–	–	–	–	2,810	(233)	2,577
<b>Other assets:</b>														
– Library books	994	(957)	37	–	–	–	(24)	–	–	–	–	994	(981)	13
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>														
– Tip assets	8,210	(7,154)	1,056	–	–	–	(81)	–	–	–	–	8,210	(7,235)	975
<b>Total infrastructure, property, plant and equipment</b>	<b>776,718</b>	<b>(262,074)</b>	<b>514,644</b>	<b>9,788</b>	<b>4,428</b>	<b>(1,158)</b>	<b>(12,399)</b>	<b>(148)</b>	<b>83</b>	<b>(150)</b>	<b>61,455</b>	<b>847,585</b>	<b>(271,041)</b>	<b>576,544</b>

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

## C1-6 Infrastructure, property, plant and equipment (continued)

### Accounting policy

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
		<b>Stormwater assets</b>	
<b>Water and sewer assets</b>		Drains	80 to 100
Dams and reservoirs	80 to 100	Culverts	50 to 80
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Bulk earthworks	20
Sealed roads: surface	12 to 20	Swimming pools	50
Sealed roads: structure	50	Unsealed roads	20
Unsealed roads	20	Other open space/recreational assets	5 to 50
Bridge: concrete	100	Other infrastructure	5 to 50
Bridge: other	50		
Road pavements	70		
Kerb, gutter and footpaths	32 to 80		

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

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

### Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. 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.

## C1-6 Infrastructure, property, plant and equipment (continued)

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

### Rural Fire Service assets

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

- Council recognises the RFS buildings on Council controlled land, however does not recognise the vehicles as it has no control of these assets.
- Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant and vehicles consistent with Council's guidelines on recognition of Rural Fire Service Assets.

## Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
Plant and equipment	117	98	19	206	183	23
Office equipment	141	85	56	141	42	99
Land						
Infrastructure	100,593	63,169	37,424	98,998	61,033	37,965
<b>Total water supply</b>	<b>100,851</b>	<b>63,352</b>	<b>37,499</b>	<b>99,345</b>	<b>61,258</b>	<b>38,087</b>
<b>Sewerage services</b>						
WIP	1,374	–	1,374	453	–	453
Plant and equipment	325	218	107	369	255	114
Land						
Infrastructure	124,765	47,831	76,934	122,392	45,519	76,873
<b>Total sewerage services</b>	<b>126,464</b>	<b>48,049</b>	<b>78,415</b>	<b>123,214</b>	<b>45,774</b>	<b>77,440</b>
<b>Domestic waste management</b>						
Land						
– Operational land	959	–	959	951	–	951
– Community land	605	–	605	605	–	605
<b>Total domestic waste management</b>	<b>1,564</b>	<b>–</b>	<b>1,564</b>	<b>1,556</b>	<b>–</b>	<b>1,556</b>
<b>Total restricted infrastructure, property, plant and equipment</b>	<b>228,879</b>	<b>111,401</b>	<b>117,478</b>	<b>224,115</b>	<b>107,032</b>	<b>117,083</b>

## C1-7 Investment properties

\$ '000	2021	2020
<b>Owned investment property</b>		
Investment property on hand at fair value	5,706	5,168
<b>Total owned investment property</b>	<b>5,706</b>	<b>5,168</b>

### Owned investment property

#### At fair value

Opening balance at 1 July	5,168	5,513
Disposals during year	–	(6)
Net gain/(loss) from fair value adjustments	538	(274)
Other movements	–	(65)
<b>Closing balance at 30 June</b>	<b>5,706</b>	<b>5,168</b>

#### Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

## C2 Leasing activities

### C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

#### Terms and conditions of leases

#### Vehicles

Council leases machinery with lease terms varying from 3 to 5 years; the lease payments are fixed during the lease term.

#### Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

#### (a) Right of use assets

\$ '000	Plant & Equipment	Ready to use	Total
<b>2021</b>			
Opening balance at 1 July	35	–	35
Additions to right-of-use assets	1,213	–	1,213
Depreciation charge	(141)	–	(141)
<b>Balance at 30 June</b>	<b>1,107</b>	<b>–</b>	<b>1,107</b>
<b>2020</b>			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	56	–	56
Depreciation charge	(21)	–	(21)
<b>Balance at 30 June</b>	<b>35</b>	<b>–</b>	<b>35</b>

#### (b) Lease liabilities

2021	2021	2020	2020
------	------	------	------

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

\$ '000	Current	Non-current	Current	Non-current
Lease liabilities	416	614	21	14
<b>Total lease liabilities</b>	<b>416</b>	<b>614</b>	<b>21</b>	<b>14</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	416	614	–	1,030	1,030
<b>2020</b>					
Cash flows	–	–	–	–	35

**(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	9	2
Depreciation of right of use assets	141	21
Expenses relating to short-term leases	5	5
	<b>155</b>	<b>28</b>

**Accounting policy**

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

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

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

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

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

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

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

**Exceptions to lease accounting**

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

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

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

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

## C2-2 Council as a lessor

### Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-7) in the Statement of Financial Position.

Council provides operating leases on Council buildings for the purpose of Commercial, Charitable & the Community, the table below relates to operating leases on assets disclosed in C1-6.

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

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

#### (i) Assets held as investment property

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

Lease income (excluding variable lease payments not dependent on an index or rate)	652	661
<b>Total income relating to operating leases for investment property assets</b>	<b>652</b>	<b>661</b>

#### Operating lease expenses

Direct operating expenses that generated rental income	105	134
<b>Total expenses relating to operating leases</b>	<b>105</b>	<b>134</b>

#### Repairs and maintenance: investment property

#### (ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	130	123
<b>Total income relating to operating leases for Council assets</b>	<b>130</b>	<b>123</b>

#### Reconciliation of IPPE assets leased out as operating leases

<b>Opening balance as at 1 July</b>	<b>5,167</b>	<b>5,513</b>
Additions renewals	–	16
Carrying value of disposals	–	(6)
Impairment loss/revaluation decrements (recognised in P/L)	538	(274)
Transfers from/(to) investment property	–	(82)
<b>Closing balance as at 30 June</b>	<b>5,705</b>	<b>5,167</b>

#### (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

**C2-2 Council as a lessor (continued)**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
payments to be received after reporting date for operating leases:		
< 1 year	<b>513</b>	569
1–2 years	<b>528</b>	512
2–3 years	<b>162</b>	489
3–4 years	<b>143</b>	122
4–5 years	<b>108</b>	109
> 5 years	<b>345</b>	453
<b>Total undiscounted lease payments to be received</b>	<b>1,799</b>	<b>2,254</b>

**Accounting policy**

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

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

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

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

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	953	–	511	–
Accrued expenses:				
– Borrowings	40	–	42	–
– Salaries and wages	209	–	353	–
– Other expenditure accruals	3,611	19	2,658	28
Security bonds, deposits and retentions	294	–	556	–
Other	87	–	90	–
Prepaid rates	1,706	–	1,480	–
<b>Total payables</b>	<b>6,900</b>	<b>19</b>	<b>5,690</b>	<b>28</b>
<b>Total payables</b>	<b>6,900</b>	<b>19</b>	<b>5,690</b>	<b>28</b>

#### Accounting policy

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

#### 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)	1,488	–	277	–
<b>Total grants received in advance</b>		<b>1,488</b>	<b>–</b>	<b>277</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>1,488</b>	<b>–</b>	<b>277</b>	<b>–</b>

#### Notes

(i) Council has received funding to construct assets including building revitalisations and recycling facilities. 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.

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

\$ '000	2021	2020
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	137	–
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>137</b>	<b>–</b>

#### 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	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	1,575	12,763	1,408	14,338
<b>Total borrowings</b>	<b>1,575</b>	<b>12,763</b>	<b>1,408</b>	<b>14,338</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 E1-1.

#### 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.

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

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	15,746	(1,408)	–	–	–	–	14,338
Lease liability (Note C2-1b)	35	995	–	–	–	–	1,030
Loan discount	–	–	–	–	–	–	–
<b>Total liabilities from financing activities</b>	<b>15,781</b>	<b>(413)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15,368</b>

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	17,827	(2,081)	–	–	–	–	15,746
Lease liability (Note C2-1b)	–	35	–	–	–	–	35
<b>Total liabilities from financing activities</b>	<b>17,827</b>	<b>(2,046)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15,781</b>

#### (b) Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	105	105
<b>Total financing arrangements</b>	<b>605</b>	<b>605</b>

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

#### Drawn facilities

– Credit cards/purchase cards	18	19
<b>Total drawn financing arrangements</b>	<b>18</b>	<b>19</b>

#### Undrawn facilities

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	87	86
<b>Total undrawn financing arrangements</b>	<b>587</b>	<b>586</b>

#### Additional financing arrangements information

### C3-3 Borrowings (continued)

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**Breaches and defaults**

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

**Security over loans**

Loans are secured over the general rating income of Council.

**Bank overdrafts**

The bank overdraft is secured over the general rating income of Council.

**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	1,415	–	1,451	–
Long service leave	2,403	354	2,299	457
<b>Total employee benefit provisions</b>	<b>3,818</b>	<b>354</b>	<b>3,750</b>	<b>457</b>

### Employee benefit provisions relating to restricted assets

<b>Total employee benefit provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total employee benefit provisions relating to unrestricted assets</b>	<b>3,818</b>	<b>354</b>	<b>3,750</b>	<b>457</b>
<b>Total employee benefit provisions</b>	<b>3,818</b>	<b>354</b>	<b>3,750</b>	<b>457</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	2,397	2,320
	<b>2,397</b>	<b>2,320</b>

### Description of and movements in provisions

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
<b>2021</b>			
At beginning of year	1,451	2,756	4,207
Other	(36)	1	(35)
Total ELE provisions at end of year	<b>1,415</b>	<b>2,757</b>	<b>4,172</b>
<b>2020</b>			
At beginning of year	1,245	2,697	3,942
Other	206	59	265
Total ELE provisions at end of year	<b>1,451</b>	<b>2,756</b>	<b>4,207</b>

### Accounting policy

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

### Short-term obligations

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

### Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels,

### C3-4 Employee benefit provisions (continued)

experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### On-costs

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

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

### C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
<b>Other provisions</b>				
Other	85	-	-	-
<b>Sub-total – other provisions</b>	<b>85</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	-	8,964	-	9,243
<b>Sub-total – asset remediation/restoration</b>	<b>-</b>	<b>8,964</b>	<b>-</b>	<b>9,243</b>
<b>Total provisions</b>	<b>85</b>	<b>8,964</b>	<b>-</b>	<b>9,243</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>85</b>	<b>8,964</b>	<b>-</b>	<b>9,243</b>
<b>Total provisions</b>	<b>85</b>	<b>8,964</b>	<b>-</b>	<b>9,243</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	9,243	9,243
Unwinding of discount	(96)	(96)
Amounts used (payments)	(183)	(183)
Total other provisions at end of year	<b>8,964</b>	<b>8,964</b>
<b>2020</b>		
At beginning of year	8,477	8,477
Unwinding of discount	833	833
Amounts used (payments)	(68)	(68)
Other	1	1
Total other provisions at end of year	<b>9,243</b>	<b>9,243</b>

## C3-5 Provisions (continued)

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### Nature and purpose of provisions

#### Asset remediation

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

#### Accounting policy

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

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

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

#### Asset remediation – tips and quarries

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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

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

## D Council structure

### D1 Results by fund

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

#### D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>Income from continuing operations</b>			
Rates and annual charges	18,447	1,558	7,210
User charges and fees	1,438	5,628	181
Interest and investment revenue	267	23	–
Other revenues	1,339	1	–
Grants and contributions provided for operating purposes	11,245	(51)	92
Grants and contributions provided for capital purposes	3,218	64	614
Other income	1,320	–	–
<b>Total income from continuing operations</b>	<b>37,274</b>	<b>7,223</b>	<b>8,097</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	14,885	1,917	1,824
Materials and services	9,679	3,761	3,089
Borrowing costs	130	46	328
Depreciation, amortisation and impairment of non-financial assets	9,068	1,640	1,891
Other expenses	944	–	–
Net losses from the disposal of assets	1,313	47	(13)
<b>Total expenses from continuing operations</b>	<b>36,019</b>	<b>7,411</b>	<b>7,119</b>
<b>Operating result from continuing operations</b>	<b>1,255</b>	<b>(188)</b>	<b>978</b>
<b>Net operating result for the year</b>	<b>1,255</b>	<b>(188)</b>	<b>978</b>
<b>Net operating result attributable to each council fund</b>	<b>1,255</b>	<b>(188)</b>	<b>978</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(1,963)</b>	<b>(252)</b>	<b>364</b>

#### D1-2 Statement of Financial Position by fund

##### ASSETS

##### Current assets

Cash and cash equivalents	(2,184)	2,554	7,889
Investments	21,000	–	–
Receivables	3,120	2,479	868
Inventories	527	246	23
Other	749	–	–
<b>Total current assets</b>	<b>23,212</b>	<b>5,279</b>	<b>8,780</b>

##### Non-current assets

Infrastructure, property, plant and equipment	463,913	37,499	78,405
Investment property	5,706	–	–
Right of use assets	1,107	–	–
<b>Total non-current assets</b>	<b>470,726</b>	<b>37,499</b>	<b>78,405</b>
<b>TOTAL ASSETS</b>	<b>493,938</b>	<b>42,778</b>	<b>87,185</b>

## D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2021	Water 2021	Sewer 2021
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	4,753	1,760	387
Income received in advance	–	–	–
Contract liabilities	1,488	–	–
Lease liabilities	416	–	–
Borrowings	740	164	671
Employee benefit provision	3,818	–	–
Provisions	85	–	–
<b>Total current liabilities</b>	<b>11,300</b>	<b>1,924</b>	<b>1,058</b>
<b>Non-current liabilities</b>			
Payables	19	–	–
Lease liabilities	614	–	–
Borrowings	2,047	1,408	9,308
Employee benefit provision	354	–	–
Provisions	8,964	–	–
<b>Total non-current liabilities</b>	<b>11,998</b>	<b>1,408</b>	<b>9,308</b>
<b>TOTAL LIABILITIES</b>	<b>23,298</b>	<b>3,332</b>	<b>10,366</b>
<b>Net assets</b>	<b>470,640</b>	<b>39,446</b>	<b>76,819</b>
<b>EQUITY</b>			
Accumulated surplus	160,255	15,467	39,400
Revaluation reserves	310,385	23,979	37,419
<b>Council equity interest</b>	<b>470,640</b>	<b>39,446</b>	<b>76,819</b>
<b>Total equity</b>	<b>470,640</b>	<b>39,446</b>	<b>76,819</b>

## D2 Interests in other entities

### Interests in associates

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

\$ '000	Nature of relationship	Place of business	Interest in ownership			
			2021	2020	2021	2020
Upper Macquarie County Council	Associate	Bathurst	25%	25%	292	257
<b>Total carrying amounts – material associates</b>					<b>292</b>	<b>257</b>

## D2-1 Interests in associates (continued)

### Details

	Principal activity	Measurement method
Upper Macquarie County Council	Weed Control	Equity

### Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Upper Macquarie County Council	25%	25%	25%	25%

### Summarised financial information for associates

\$ '000	Upper Macquarie County Council	
	2021	2020
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,327	1,107
Other current assets	123	61
<b>Non-current assets</b>		
	75	92
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	44	44
Other current liabilities	289	165
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	26	22
<b>Net assets</b>	<b>1,166</b>	<b>1,029</b>
<b>Statement of comprehensive income</b>		
Income	1,712	1,256
Interest income	24	20
Depreciation and amortisation	(42)	(48)
Other expenses	(1,556)	(1,184)
<b>Profit/(loss) from continuing operations</b>	<b>138</b>	<b>44</b>
<b>Profit/(loss) for period</b>	<b>138</b>	<b>44</b>
<b>Total comprehensive income</b>	<b>138</b>	<b>44</b>
<b>Share of income – Council (%)</b>	<b>25%</b>	<b>25%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>35</b>	<b>11</b>
<b>Total comprehensive income – Council (\$)</b>	<b>35</b>	<b>11</b>
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	246	130
Cash flows from investing activities	(26)	(16)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>220</b>	<b>114</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	1,029	1,025
Profit/(loss) for the period	–	4
<b>Closing net assets</b>	<b>1,029</b>	<b>1,029</b>

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**D2-1 Interests in associates (continued)**

<b>\$ '000</b>	<b>Upper Macquarie County Council</b>	
	<b>2021</b>	<b>2020</b>
<b>Council's share of net assets (%)</b>	<b>25%</b>	25%
<b>Council's share of net assets (\$)</b>	<b>292</b>	257

**County Councils**

Council is a member of the Upper Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control weeds. Council is one of four constituent councils and does not have significant influence over the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	8,259	1,981	8,259	26,971
Receivables	6,467	6,475	6,467	6,475
Investments				
– Financial Assets at amortised cost	21,000	26,070	21,000	–
<b>Total financial assets</b>	<b>35,726</b>	<b>34,526</b>	<b>35,726</b>	<b>33,446</b>
<b>Financial liabilities</b>				
Lease Liability	1,030	35	1,030	35
Loans/advances	14,338	15,746	14,338	15,746
Payables	6,919	5,718	6,919	5,718
<b>Total financial liabilities</b>	<b>22,287</b>	<b>21,499</b>	<b>22,287</b>	<b>21,499</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 market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

The risks associated with the instruments held are:

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

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

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

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

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	149	104
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

### (b) Credit risk

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

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

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

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

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

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

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

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	45	1,232	244	202	130	1,853
<b>2020</b>						
Gross carrying amount	200	1,020	183	181	153	1,737

#### 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.

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

\$ '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	2,858	790	36	204	931	4,819
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	8.80%	1.70%
<b>ECL provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82</b>	<b>82</b>
<b>2020</b>						
Gross carrying amount	3,035	299	36	45	1,551	4,966
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.21%	0.69%
<b>ECL provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>34</b>

### (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(c) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
<b>2021</b>							
Trade/other payables	0.00%	294	4,928	-	-	5,222	5,213
Loans and advances	0.00%	-	1,542	5,920	7,462	14,924	14,338
<b>Total financial liabilities</b>		<b>294</b>	<b>6,470</b>	<b>5,920</b>	<b>7,462</b>	<b>20,146</b>	<b>19,551</b>
<b>2020</b>							
Trade/other payables	0.00%	556	2,840	28	-	3,424	4,238
Loans and advances	3.49%	-	1,408	5,887	8,450	15,745	15,746
<b>Total financial liabilities</b>		<b>556</b>	<b>4,248</b>	<b>5,915</b>	<b>8,450</b>	<b>19,169</b>	<b>19,984</b>

## E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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).

## E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy									
		Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>											
<b>Financial assets</b>											
Financial investments	C1-2										
– ‘Held to maturity’		30/06/21	30/06/20	<b>21,000</b>	24,990	–	–	–	–	<b>21,000</b>	24,990
<b>Total financial assets</b>				<b>21,000</b>	<b>24,990</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,000</b>	<b>24,990</b>

## E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy									
		Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Financial liabilities</b>											
Bonds and security deposits		30/06/21	30/06/20	-	-	237	558	-	-	237	558
Accrued interest		30/06/21	30/06/20	34	100	-	-	-	-	34	100
<b>Total financial liabilities</b>				<b>34</b>	<b>100</b>	<b>237</b>	<b>558</b>	<b>-</b>	<b>-</b>	<b>271</b>	<b>658</b>
<b>Investment property</b>											
Investment properties	C1-7	30/06/21	30/06/20	-	-	-	-	5,706	5,168	5,706	5,168
<b>Total investment property</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,706</b>	<b>5,168</b>	<b>5,706</b>	<b>5,168</b>
<b>Infrastructure, property, plant and equipment</b>											
Operational land	C1-6	30/06/20	30/06/20	-	-	-	-	16,762	17,086	16,762	17,086
Community land		30/06/20	30/06/20	-	-	-	-	24,713	23,529	24,713	23,529
Plant and equipment		30/06/20	30/06/20	-	-	-	-	4,245	3,941	4,245	3,941
Office equipment		30/06/20	30/06/20	-	-	-	-	404	646	404	646
Furniture and fittings		30/06/20	30/06/20	-	-	-	-	71	71	71	71
Buildings		30/06/20	30/06/20	-	-	-	-	47,750	47,832	47,750	47,832
Other structures		30/06/20	30/06/20	-	-	-	-	18,403	18,290	18,403	18,290
Roads		30/06/20	30/06/20	-	-	-	-	257,338	259,842	257,338	259,842
Bridges		30/06/21	01/02/17	-	-	-	-	22,205	19,040	22,205	19,040
Footpaths		30/06/20	30/06/20	-	-	-	-	13,523	10,605	13,523	10,605
Bulk earthworks		30/06/20	30/06/20	-	-	-	-	27,410	27,411	27,410	27,411
Stormwater drainage		30/06/20	30/06/20	-	-	-	-	26,259	26,458	26,259	26,458
Water supply		30/06/20	30/06/20	-	-	-	-	37,424	37,965	37,424	37,965
Sewerage network		30/06/20	30/06/20	-	-	-	-	76,924	76,873	76,924	76,873
Swimming pools		30/06/21	01/02/17	-	-	-	-	2,343	2,577	2,343	2,577
Library books		30/06/18	30/06/18	-	-	-	-	-	13	-	13
Tip asset rehabilitation		30/06/18	30/06/18	-	-	-	-	902	975	902	975
Work in Progress		30/06/21	30/06/20	-	-	-	-	3,141	1,469	3,141	1,469
<b>Total infrastructure, property, plant and equipment</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>579,817</b>	<b>574,623</b>	<b>579,817</b>	<b>574,623</b>
<b>Non-recurring fair value measurements</b>											

## E2-1 Fair value measurement (continued)

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

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

Water and Sewer assets are subject to a full revaluation process by a registered valuer each 5 years.

During the interim years water and sewer assets are incrementally revalued via an index published by the NSW Office of Water.

Tip Assets shown in the balance sheet represent the taking up of, and restatement of the provision for tip remediation. In this regard the Tip Asset represents the net present value of the future expenditure on tip remediation and then depreciated over the life of the tip.

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

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

\$ '000	Fair value (30/6/21) 2021	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Specialised buildings	47,750	Depreciated historical cost	Cost per sq metre, consumption rate, condition, useful life
Road infrastructure	257,338	Depreciated historical cost	Cost per sq metres dimensions and specification, pattern of consumption components useful life residual value asset condition
Bulk earthworks	27,410	Current replacement cost	Cost per Sq metre
Footpaths	13,523	Depreciated historical cost	Cost per sq metre pattern of consumption components useful lives asset conditions
Bridges	22,205	Depreciated historical cost	Cost per Sq metre, dimensions and specifications, pattern of consumption components, useful lives, asset conditions
Stormwater drainage	26,259	Depreciated historical cost	Cost per unit/ per metre
Water supply network	37,424	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Sewerage network	76,934	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Other structures	18,403	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Library books	–	Depreciated historical cost	Unit Costs
Tip assets	902	Depreciated historical cost	Unit Costs
Swimming pools	2,343	Depreciated historical cost	Cost per unit

## E2-1 Fair value measurement (continued)

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

\$ '000	Property, plant and equipment	
	2021	2020
<b>Opening balance</b>	<b>573,663</b>	514,645
<b>Total gains or losses for the period</b>		
Recognised in other comprehensive income – revaluation surplus	<b>3,718</b>	61,455
<b>Other movements</b>		
Transfers from/(to) another asset class	–	83
Purchases (GBV)	<b>13,897</b>	14,216
Disposals (WDV)	<b>(2,034)</b>	(1,158)
Depreciation and impairment	<b>(12,458)</b>	(12,399)
FV losses - other comprehensive income	<b>3,031</b>	(3,031)
Other movement - transfer from WIP to P&L	–	(148)
Other movement - transfer to other comprehensive income	–	–
<b>Closing balance</b>	<b>579,817</b>	573,663

## E2-1 Fair value measurement (continued)

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### Highest and best use

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

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

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

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

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

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

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

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current future service employer contribution rates are::

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

\* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2020 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 175,211.62. The last valuation of the Scheme was performed by Richard Boyfield FIAA on 30 June 2020, and covers the period ended 30 June 2021.

## E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$232,308.12.

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

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

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

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

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

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

\* Plus promotional increases

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

### (ii) Statewide Limited

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

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

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

### (iii) StateCover Limited

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

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

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

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

### (iv) Other guarantees

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

## 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.

## E3-1 Contingencies (continued)

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

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

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

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

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

## ASSETS NOT RECOGNISED

### (i) Land under roads

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

### (ii) Infringement notices/fines

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

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

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

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

## F People and relationships

### F1 Related party disclosures

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

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

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

\$ '000	2021	2020
<b>Compensation:</b>		
Post-employment benefits	156	122
Short-term benefits	1,333	1,253
<b>Total</b>	<b>1,489</b>	<b>1,375</b>

## 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	24	26
Councillors' fees	100	106
Other Councillors' expenses (including Mayor)	16	24
<b>Total</b>	<b>140</b>	<b>156</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	79	46
<b>Remuneration for audit and other assurance services</b>	<b>79</b>	<b>46</b>
<b>Total Auditor-General remuneration</b>	<b>79</b>	<b>46</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Other audit and assurance services – internal audit services	29	23
<b>Remuneration for audit and other assurance services</b>	<b>29</b>	<b>23</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>29</b>	<b>23</b>
<b>Total audit fees</b>	<b>108</b>	<b>69</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>2,045</b>	<b>(852)</b>
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	12,599	12,420
Net losses/(gains) on disposal of assets	1,347	(59)
Adoption of AASB 15/1058	–	(134)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(538)	274
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	–	33
Unwinding of discount rates on reinstatement provisions	(96)	833

## G1-1 Statement of Cash Flows information (continued)

\$ '000	2021	2020
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	31	(1,508)
Increase/(decrease) in provision for impairment of receivables	(23)	–
Decrease/(increase) in inventories	(59)	(61)
Decrease/(increase) in other current assets	(461)	(72)
Increase/(decrease) in payables	442	(1,553)
Increase/(decrease) in accrued interest payable	(2)	(5)
Increase/(decrease) in other accrued expenses payable	800	1,545
Increase/(decrease) in other liabilities	(39)	198
Increase/(decrease) in contract liabilities	1,211	277
Increase/(decrease) in provision for employee benefits	(35)	265
Increase/(decrease) in other provisions	(98)	(66)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>17,124</b>	<b>11,535</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:		
<b>Property, plant and equipment</b>		
Buildings	1,038	333
Water assets	159	111
Roads	–	120
Domestic Waste	2,466	–
Wastewater Assets	604	–
Other Structures	199	–
<b>Total commitments</b>	<b>4,466</b>	<b>564</b>

## G2-1 Commitments (continued)

---

### Details of capital commitments

Council's capital commitments relate to the Union theatre for Buildings and the Water Assets capital commitments relates to Smart Meters and network. The road asset commitment is the Hartley Vale Bridge.

## G3-1 Events occurring after the reporting date

---

Council is aware of the following 'non-adjusting events' that merit disclosure:

The Coronavirus (COVID 19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. This Pandemic has had financial impact for Council in the financial year ended 30 June 2021, which was reported to Council, and is expected to further impact the following financial year.

The scale, timing and duration of potential impacts on Council is unknown, however, it is expected that there will be a decrease in projected income.

In the period after balance sheet date to signing of this report, Council was financially sound and there have not been any additional significant adverse operational or financial impacts as a result of COVID 19 Pandemic or other circumstances and any known impacts to date have been reflected in the 30 June 2021 financial statements.

## G4 Statement of developer contributions as at 30 June 2021

### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	1,098	1	-	-	-	-	1,099	-
Bushfire	135	4	-	-	-	-	139	-
<b>S7.11 contributions – under a plan</b>	<b>1,233</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,238</b>	<b>-</b>
<b>S7.12 levies – under a plan</b>	<b>531</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>(147)</b>	<b>-</b>	<b>636</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>1,764</b>	<b>257</b>	<b>-</b>	<b>-</b>	<b>(147)</b>	<b>-</b>	<b>1,874</b>	<b>-</b>
S7.4 planning agreements	221	281	-	-	(233)	-	269	-
<b>Total contributions</b>	<b>1,985</b>	<b>538</b>	<b>-</b>	<b>-</b>	<b>(380)</b>	<b>-</b>	<b>2,143</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.

### G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN</b>								
Roads	1,098	1	-	-	-	-	1,099	-
Bushfire	135	4	-	-	-	-	139	-
<b>Total</b>	<b>1,233</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,238</b>	<b>-</b>

### S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN</b>								
Other S 7.12 Plan 12/13	275	252	-	-	(296)	-	231	-
Other (previous yrs)	256	-	-	-	149	-	405	-
<b>Total</b>	<b>531</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>(147)</b>	<b>-</b>	<b>636</b>	<b>-</b>

## G5 Statement of performance measures

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

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
<b>1. Operating performance ratio</b>						
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(1,055)</b>	<b>(2.19)%</b>	(5.01)%	(3.08)%	(1.99)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>48,160</b>					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>36,874</b>	<b>70.84%</b>	76.01%	77.28%	73.97%	> 60.00%
Total continuing operating revenue	<b>52,056</b>					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions	<b>7,645</b>	<b>2.23x</b>	3.60x	1.93x	1.81x	> 1.50x
Current liabilities less specific purpose liabilities	<b>3,424</b>					
<b>4. Debt service cover ratio</b>						
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>12,048</b>	<b>5.66x</b>	3.21x	3.71x	4.49x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>2,130</b>					
<b>5. Rates and annual charges outstanding percentage</b>						
Rates and annual charges outstanding	<b>1,947</b>	<b>6.70%</b>	6.12%	4.66%	5.92%	< 10.00%
Rates and annual charges collectable	<b>29,077</b>					
<b>6. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	<b>29,259</b>	<b>8.57 mths</b>	7.81 mths	0.16 mths	12.95 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>3,415</b>					

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

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

## G5-2 Statement of performance measures by fund

\$ '000	General Indicators <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>(3.48)%</b>	(11.42)%	<b>(3.52)%</b>	6.80%	<b>4.86%</b>	11.15%	> 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>60.63%</b>	66.78%	<b>99.82%</b>	97.07%	<b>91.28%</b>	97.28%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.23x</b>	3.60x	<b>2.74x</b>	2.46x	<b>8.30x</b>	12.05x	> 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>4.57x</b>	1.99x	<b>31.17x</b>	54.00x	<b>7.88x</b>	6.79x	> 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>9.59%</b>	8.81%	<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>5.51</b>	7.49	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>mths</b>	mths					mths

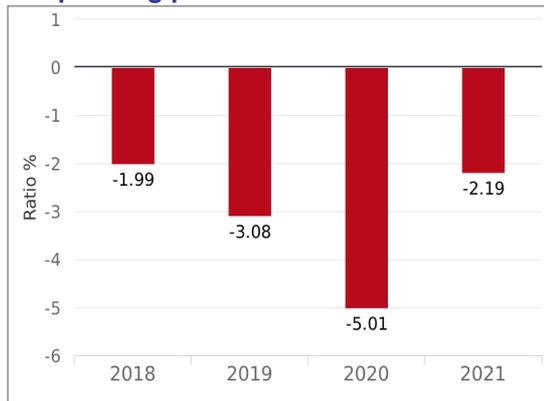
(1) - (2) Refer to Notes at Note G6-1 above.

(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 (2.19)%

While Council has not met this ratio, it has improved on the previous year due to the increase in grants.

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 70.84%

While Council has met this KPI it has dropped from the previous year due to the increase in grants.

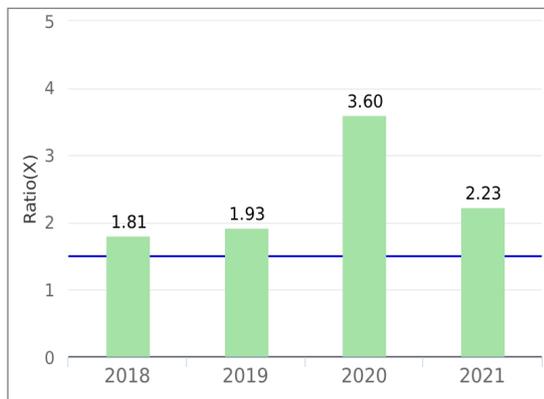
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 2.23x

Council continues to perform above the benchmark at historical level.

Benchmark: — > 1.50x

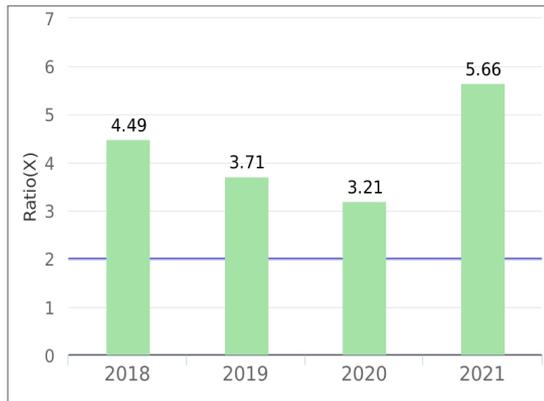
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 5.66x**

Council continues to perform above the benchmark, 2.8 increase is due to Council holding more funds in on call accounts.

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 6.70%**

While Council's performance is strong and below the benchmark of 10%, the increase of 0.58% is due to generally harder economic conditions in the Lithgow LGA. Council is conducting an unpaid rates sale in February 2022 which will improve it's performance on this benchmark.

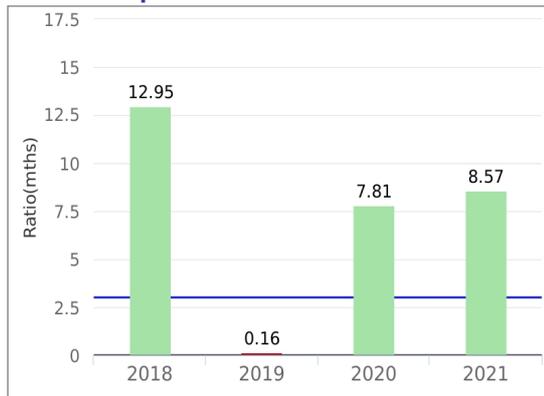
Benchmark: — < 10.00%

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 8.57 mths**

While Council has met this benchmark, it has adjusted it's investment strategy to the current financial environment and investment opportunity, holding a 28% in on call deposits and the remainder in six month term deposits to maximise investment returns.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## H1-2 Council information and contact details

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**Principal place of business:**

180 Mort St  
Lithgow NSW 2790

### Contact details

**Mailing Address:**

PO Box 19  
Lithgow NSW 2790

**Telephone:** 02 6354 9999

**Facsimile:** 02 6351 4259

**Opening hours:**

Monday to Friday  
8:15am to 4:30pm

**Internet:** <http://www.council.lithgow.com>

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

### Officers

**General Manager**

Craig Butler

**Responsible Accounting Officer**

Ross Gurney

**Public Officer**

Ross Gurney

**Auditors**

NSW Audit office  
Level 19  
Tower 2 Darling Park  
201 Sussex Street  
SYDNEY NSW 2000

### Elected members

**Mayor**

Ray Thompson

**Councillors**

Cassandra Coleman  
Deanna Goodsell  
Darryl Goodwin  
Stephen Lesslie  
Wayne McAndrew  
Steven Ring  
Ronald Smith  
Maree Statham

### Other information

**ABN:** 59 986 092 492



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Lithgow City Council**

To the Councillors of the Lithgow City Council

## Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

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



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

16 November 2021  
SYDNEY



Cr Ray Thompson  
Mayor  
Lithgow City Council  
PO Box 19  
LITHGOW NSW 2790

Contact: Chariee Bultitude  
Phone no: 02 9275 7104  
Our ref: D2125288/1755

16 November 2021

Dear Mayor

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

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

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

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

## **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

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

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

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

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

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

## INCOME STATEMENT

### Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	27.2	27.9	↓ 2.5
Grants and contributions revenue	15.2	11.8	↑ 28.8
Operating result from continuing operations	2.0	(0.8)	↑ 350
Net operating result before capital grants and contributions	(1.9)	(2.6)	↑ 27

The Council's operating result from continuing operations was a surplus of \$2.0 million (\$0.8 million deficit for the year ended 30 June 2020). The increase of \$2.8 million is mainly due to the additional \$3.4 million increase in grants and contributions revenue.

The net operating result before capital grants and contributions was a deficit of \$1.9 million (\$2.6 million deficit for the year ended 30 June 2020). The increase is mainly due to an increase of \$1.2 million in grants and contributions for operating purposes.

Rates and annual charges revenue was \$27.2 million (\$27.9 million for the year ended 30 June 2020). Despite an increase in ordinary rates in line with the 2.6% rate peg and an increase in the total number of rateable properties there was an overall decrease of \$0.7 million (2.5%). This is mainly due to a decrease of \$0.4 million in Pensioner Rebate Subsidies and a decrease of \$0.5 million in Rates - Mining.

Grants and contributions revenue was \$15.2 million (\$11.8 million for the year ended 30 June 2020). The increase of \$3.4 million (29.9%) was primarily due to the Council receiving:

- \$0.4 million for Water and Sewerage services;
- \$0.9 million for Town Planning
- \$2.8 million for the Roads and Bridges.

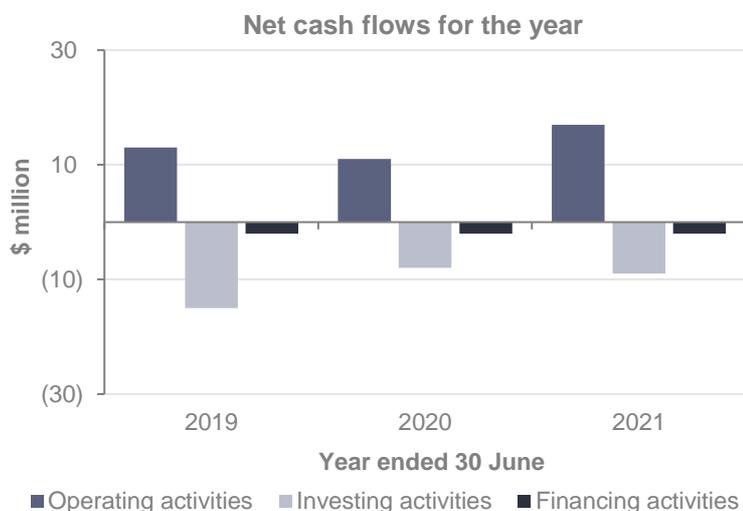
## STATEMENT OF CASH FLOWS

Council's cash and cash equivalents was \$8.3 million (\$2.0 million for the year ended 30 June 2020). There was a net increase of cash and cash equivalents of \$6.3 million during the 2020-21 financial year.

Cash flows from operating activities has increased by \$5.6 million. This is mainly due an increase in user charges and fees by \$5.0 million and grants and contributions by \$4.5 million.

Council's cash outflows used in investing activities was \$9.2 million. This is due to payments for infrastructure, property, plant and equipment and additional investment in term deposit and a decrease in receipts for sale of infrastructure, property, plant and equipment.

Net cash from financing activities has been steady over the previous three years.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>29.2</b>	<b>26.9</b>	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$5.5 million is primarily due to a \$1.8 million increase in specific purpose unexpended grants – general fund, a \$2.4 million increase for water fund and a \$1.7 million increase for domestic waste management.</li> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of work and any forward plans identified by Council. The decrease of \$3.3 million is mainly due to a \$2.3 million decrease in the restriction for carry over (uncompleted) works and works in progress.</li> </ul>
Restricted cash and investments:			
• External restrictions	26.0	20.5	
• Internal restrictions	3.2	6.5	
• Unrestricted	-	-	

### Debt

At 30 June 2021, Council recognised \$14.3 million in loans (30 June 2020: \$15.7 million). The loan decrease is primarily due to principal repayments made in accordance with the loan schedule.

# PERFORMANCE

## Performance measures

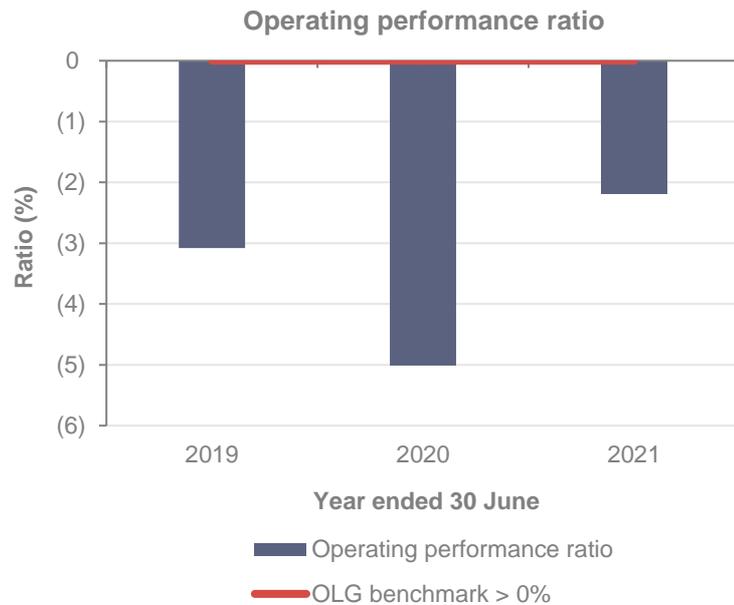
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

### Operating performance ratio

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

The negative operating performance ratio of 2.19 percent is below the industry benchmark of zero percent which indicates that Council has higher operating expenditures than operating revenue and cannot contain the operating expenditures within operating income.

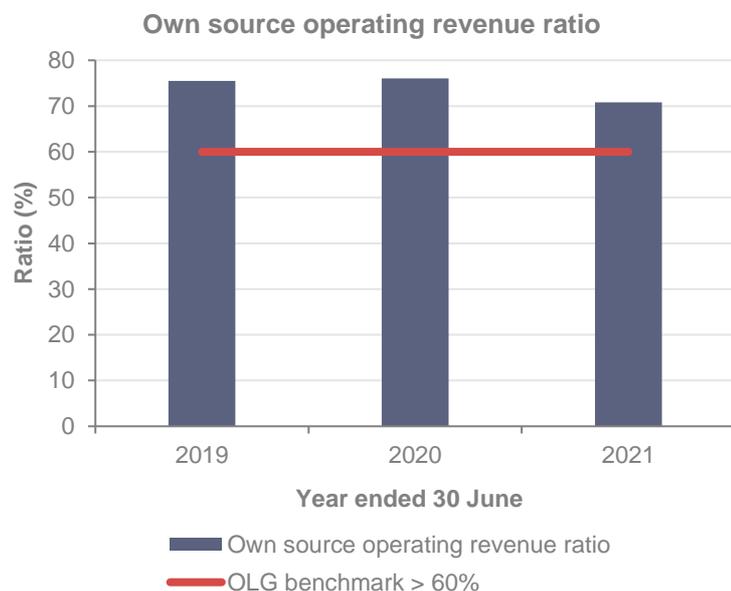
The operating performance ratio improved to -2.19 per cent (2020: - 5.01 per cent) due to the increase in income for user charges and fees as well as grants and contributions for operating purposes. Additionally, there was a decrease of \$1.0 million in borrowing costs.



### Own source operating revenue ratio

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

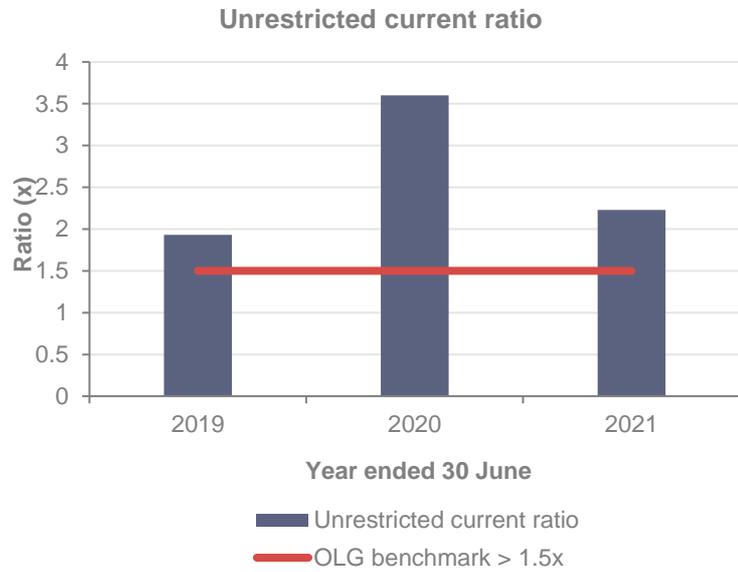
The Council exceeded the OLG benchmark for the current reporting period.



### Unrestricted current ratio

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

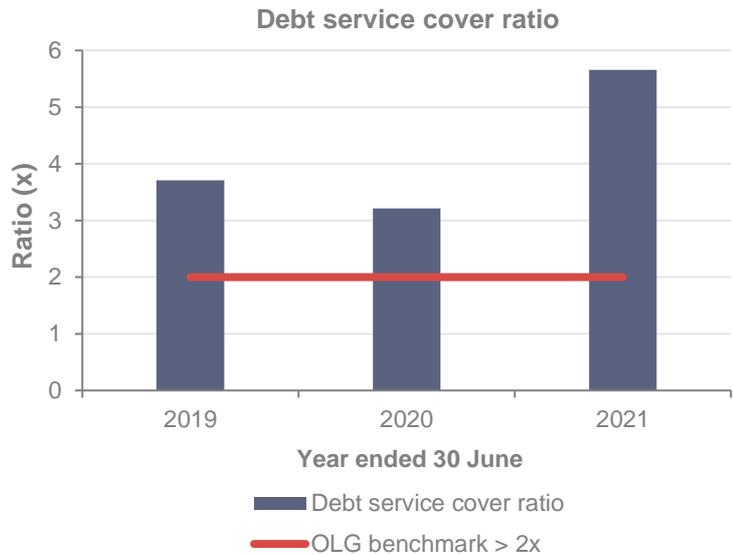
The Council exceeded the OLG benchmark for the current reporting period.



### Debt service cover ratio

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

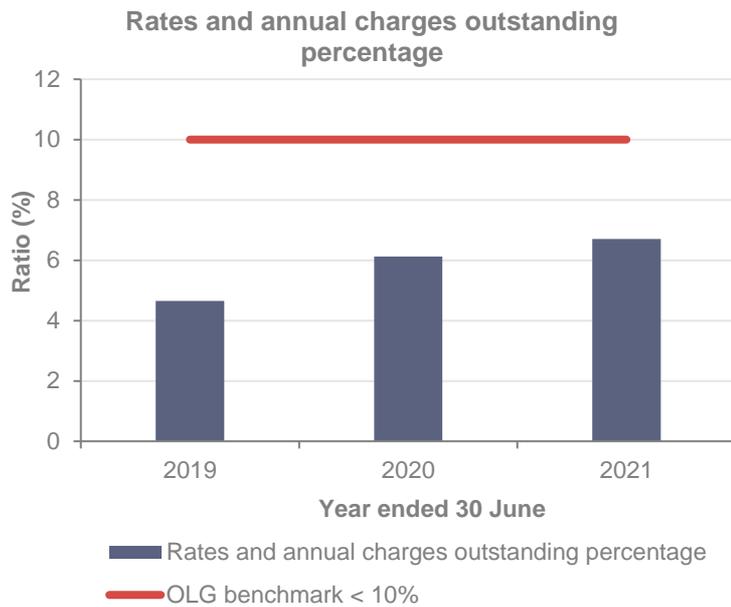
The Council exceeded the OLG benchmark for the current reporting period.



### Rates and annual charges outstanding percentage

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

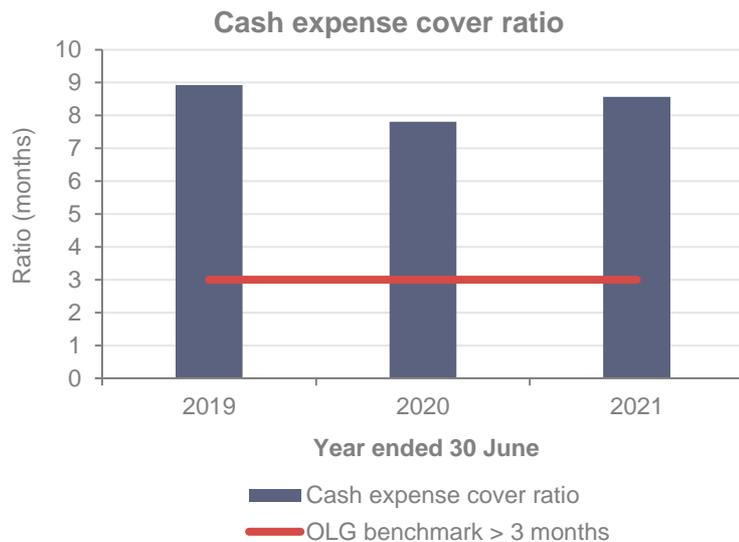
The Council result was within the OLG benchmark for the current reporting period. The rates and annual charges outstanding have been increasing over the last two years, which is likely due to the impact of COVID-19 on property owner's liquidity.



### Cash expense cover ratio

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

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



### Infrastructure, property, plant and equipment renewals

During the 30 June 2021 financial year, Council recognised \$13.9 million in additions and renewals (30 June 2020: \$14.2 million). Council performed a revaluation of bridges and swimming pool asset categories. This resulted in a revaluation increment of \$2.9 million.

## OTHER MATTERS

### Legislative compliance

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

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



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

cc: Mr Craig Butler, General Manager  
Mr Neil Maltby, Chair of the Audit, Risk and Improvement Committee  
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

# Lithgow City Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

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### Background

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

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

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

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

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

## Lithgow City 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.

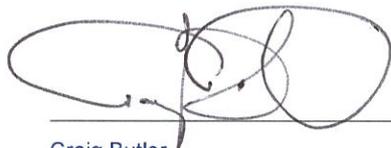
Signed in accordance with a resolution of Council made on 25 October 2021.



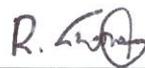
Ray Thompson  
Mayor  
25 October 2021



Wayne McAndrew  
Councillor  
25 October 2021



Craig Butler  
General Manager  
25 October 2021



Ross Gurney  
Responsible Accounting Officer  
25 October 2021

## Lithgow City 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	1,558	1,697
User charges	4,848	5,318
Fees	780	78
Interest	23	16
Grants and contributions provided for non-capital purposes	(51)	184
Other income	1	17
<b>Total income from continuing operations</b>	<b>7,159</b>	<b>7,310</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,917	1,809
Borrowing costs	46	41
Materials and services	2,176	2,931
Depreciation, amortisation and impairment	1,640	1,676
Water purchase charges	1,328	–
Loss on sale of assets	47	127
Other expenses	257	229
<b>Total expenses from continuing operations</b>	<b>7,411</b>	<b>6,813</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(252)</b>	<b>497</b>
Grants and contributions provided for capital purposes	64	31
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(188)</b>	<b>528</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(188)</b>	<b>528</b>
Less: corporate taxation equivalent [based on result before capital]	–	(137)
<b>Surplus (deficit) after tax</b>	<b>(188)</b>	<b>391</b>
<b>Plus accumulated surplus</b>	<b>15,421</b>	<b>14,893</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	137
<b>Closing accumulated surplus</b>	<b>15,233</b>	<b>15,421</b>
<b>Return on capital %</b>	<b>(0.5)%</b>	<b>1.4%</b>
<b>Subsidy from Council</b>	<b>765</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(188)	391
Less: capital grants and contributions (excluding developer contributions)	(64)	(31)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>360</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>180</b>

## Lithgow City 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	7,210	7,245
Liquid trade waste charges	114	78
Fees	67	50
Grants and contributions provided for non-capital purposes	92	179
Other income	–	1
<b>Total income from continuing operations</b>	<b>7,483</b>	<b>7,553</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,824	1,876
Borrowing costs	328	467
Materials and services	2,680	2,094
Depreciation, amortisation and impairment	1,891	1,863
Loss on sale of assets	(13)	(4)
Other expenses	409	415
<b>Total expenses from continuing operations</b>	<b>7,119</b>	<b>6,711</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>364</b>	<b>842</b>
Grants and contributions provided for capital purposes	614	27
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>978</b>	<b>869</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>978</b>	<b>869</b>
Less: corporate taxation equivalent [based on result before capital]	(95)	(232)
<b>Surplus (deficit) after tax</b>	<b>883</b>	<b>637</b>
<b>Plus accumulated surplus</b>	<b>36,317</b>	<b>35,448</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	95	232
<b>Closing accumulated surplus</b>	<b>37,295</b>	<b>36,317</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>1.7%</b>
<b>Subsidy from Council</b>	<b>476</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	883	637
Less: capital grants and contributions (excluding developer contributions)	(614)	(27)
<b>Surplus for dividend calculation purposes</b>	<b>269</b>	<b>610</b>
<b>Potential dividend calculated from surplus</b>	<b>135</b>	<b>305</b>

## Lithgow City Council

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

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,554	974
Receivables	2,479	3,508
Inventories	246	288
<b>Total current assets</b>	<b>5,279</b>	<b>4,770</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	37,499	38,087
<b>Total non-current assets</b>	<b>37,499</b>	<b>38,087</b>
<b>Total assets</b>	<b>42,778</b>	<b>42,857</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,383	449
Income received in advance	377	283
Borrowings	164	1,210
<b>Total current liabilities</b>	<b>1,924</b>	<b>1,942</b>
<b>Non-current liabilities</b>		
Borrowings	1,408	1,572
<b>Total non-current liabilities</b>	<b>1,408</b>	<b>1,572</b>
<b>Total liabilities</b>	<b>3,332</b>	<b>3,514</b>
<b>Net assets</b>	<b>39,446</b>	<b>39,343</b>
<b>EQUITY</b>		
Accumulated surplus	15,467	15,657
Revaluation reserves	23,979	23,686
<b>Total equity</b>	<b>39,446</b>	<b>39,343</b>

## Lithgow City Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,889	142
Investments	–	7,400
Receivables	868	831
Inventories	23	23
<b>Total current assets</b>	<b>8,780</b>	<b>8,396</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	78,405	77,440
<b>Total non-current assets</b>	<b>78,405</b>	<b>77,440</b>
<b>Total assets</b>	<b>87,185</b>	<b>85,836</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	387	163
Borrowings	671	534
<b>Total current liabilities</b>	<b>1,058</b>	<b>697</b>
<b>Non-current liabilities</b>		
Borrowings	9,308	9,978
<b>Total non-current liabilities</b>	<b>9,308</b>	<b>9,978</b>
<b>Total liabilities</b>	<b>10,366</b>	<b>10,675</b>
<b>Net assets</b>	<b>76,819</b>	<b>75,161</b>
<b>EQUITY</b>		
Accumulated surplus	39,400	38,424
Revaluation reserves	37,419	36,737
<b>Total equity</b>	<b>76,819</b>	<b>75,161</b>

## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

##### a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the Lithgow area.

##### b. Sewerage (Waste Water) Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the Lithgow area.

#### Category 2

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

Council does not operate any Category 2 businesses.

### 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%**

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

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

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

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

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

### Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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

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

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

## Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

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

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

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

### (iii) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Lithgow City Council

## Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

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



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

16 November 2021  
SYDNEY

# Lithgow City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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# Lithgow City Council

## Special Schedules

for the year ended 30 June 2021

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#### **Special Schedules:**

Permissible income for general rates

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Report on infrastructure assets as at 30 June 2021

7

# Lithgow City 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	13,885	14,265
Plus or minus adjustments <sup>2</sup>	b	3	25
<b>Notional general income</b>	c = a + b	<b>13,888</b>	<b>14,290</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)	361	286
Special variation percentage			
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>14,249</b>	<b>14,576</b>
Plus (or minus) last year's carry forward total	l	4	(12)
<b>Sub-total</b>	n = (l + m)	<b>4</b>	<b>(12)</b>
<b>Total permissible income</b>	o = k + n	<b>14,253</b>	<b>14,564</b>
Less notional general income yield	p	14,265	14,564
<b>Catch-up or (excess) result</b>	q = o - p	<b>(11)</b>	<b>-</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	-	124
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(11)</b>	<b>124</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.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single 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.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Lithgow City Council

To the Councillors of Lithgow City Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



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

16 November 2021  
SYDNEY

## Lithgow City 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	Estimated cost to bring to the agreed level of service set by Council					\$ '000	\$ '000	1	2	3
<b>Buildings</b>	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	1,556	1,556	570	940	47,749	76,682	11.7%	30.5%	46.8%	10.7%	0.3%
	Other	–	–	–	–	1	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>1,556</b>	<b>1,556</b>	<b>570</b>	<b>940</b>	<b>47,750</b>	<b>76,682</b>	<b>11.7%</b>	<b>30.5%</b>	<b>46.8%</b>	<b>10.7%</b>	<b>0.3%</b>
<b>Other structures</b>	Other structures	239	239	1,460	2,076	18,403	27,548	29.9%	20.2%	46.8%	2.4%	0.8%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>239</b>	<b>239</b>	<b>1,460</b>	<b>2,076</b>	<b>18,403</b>	<b>27,548</b>	<b>29.9%</b>	<b>20.2%</b>	<b>46.8%</b>	<b>2.4%</b>	<b>0.8%</b>
<b>Roads</b>	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	1,540	1,540	1,394	1,152	256,394	344,015	7.6%	4.1%	86.2%	1.8%	0.2%
	Unsealed roads	6	6	1,666	2,167	944	1,374	7.4%	19.7%	70.6%	2.3%	0.0%
	Bridges	424	424	15	17	22,476	27,070	8.4%	34.5%	47.9%	9.0%	0.2%
	Footpaths	36	36	131	231	13,523	17,754	22.7%	1.5%	75.0%	0.7%	0.1%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	138	138	–	–	27,410	27,410	6.7%	4.2%	86.9%	1.8%	0.4%
	Other	–	–	–	–	(271)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>2,144</b>	<b>2,144</b>	<b>3,206</b>	<b>3,567</b>	<b>320,476</b>	<b>417,623</b>	<b>8.3%</b>	<b>6.0%</b>	<b>83.3%</b>	<b>2.2%</b>	<b>0.2%</b>
<b>Water supply network</b>	Water supply network	3,325	3,325	1,612	1,720	37,424	100,593	17.2%	7.4%	58.6%	15.8%	0.9%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>3,325</b>	<b>3,325</b>	<b>1,612</b>	<b>1,720</b>	<b>37,424</b>	<b>100,593</b>	<b>17.2%</b>	<b>7.4%</b>	<b>58.6%</b>	<b>15.8%</b>	<b>0.9%</b>
<b>Sewerage network</b>	Sewerage network	2,194	2,194	753	1,073	76,924	124,765	41.5%	16.6%	34.1%	6.8%	1.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>2,194</b>	<b>2,194</b>	<b>753</b>	<b>1,073</b>	<b>76,924</b>	<b>124,765</b>	<b>41.5%</b>	<b>16.6%</b>	<b>34.1%</b>	<b>6.8%</b>	<b>1.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	226	157	26,259	41,464	0.8%	0.0%	99.2%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>226</b>	<b>157</b>	<b>26,259</b>	<b>41,464</b>	<b>0.8%</b>	<b>0.0%</b>	<b>99.2%</b>	<b>0.0%</b>	<b>0.0%</b>

# Lithgow City Council

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

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					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	10	10	53	54	2,343	2,727	94.7%	0.0%	3.3%	2.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>10</b>	<b>10</b>	<b>53</b>	<b>54</b>	<b>2,343</b>	<b>2,727</b>	<b>94.7%</b>	<b>0.0%</b>	<b>3.3%</b>	<b>2.0%</b>	<b>0.0%</b>
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</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>9,468</b>	<b>9,468</b>	<b>7,880</b>	<b>9,587</b>	<b>529,579</b>	<b>791,402</b>	<b>15.6%</b>	<b>10.4%</b>	<b>68.1%</b>	<b>5.4%</b>	<b>0.4%</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

## Lithgow City Council

## Report on infrastructure assets as at 30 June 2021

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
<b>Buildings and infrastructure renewals ratio</b>						
Asset renewals <sup>1</sup>	<b>5,988</b>					
Depreciation, amortisation and impairment	<b>11,570</b>	<b>51.75%</b>	110.16%	71.09%	86.97%	>= 100.00%
<b>Infrastructure backlog ratio</b>						
Estimated cost to bring assets to a satisfactory standard	<b>9,468</b>					
Net carrying amount of infrastructure assets	<b>532,720</b>	<b>1.78%</b>	1.76%	5.82%	6.04%	< 2.00%
<b>Asset maintenance ratio</b>						
Actual asset maintenance	<b>9,587</b>					
Required asset maintenance	<b>7,880</b>	<b>121.66%</b>	88.64%	87.03%	74.89%	> 100.00%
<b>Cost to bring assets to agreed service level</b>						
Estimated cost to bring assets to an agreed service level set by Council	<b>9,468</b>	<b>1.20%</b>	1.21%	4.04%	4.23%	
Gross replacement cost	<b>791,402</b>					

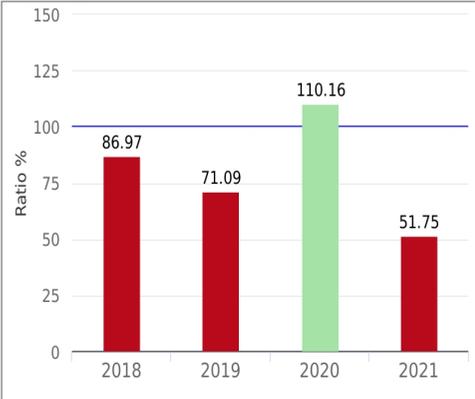
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Lithgow City 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**

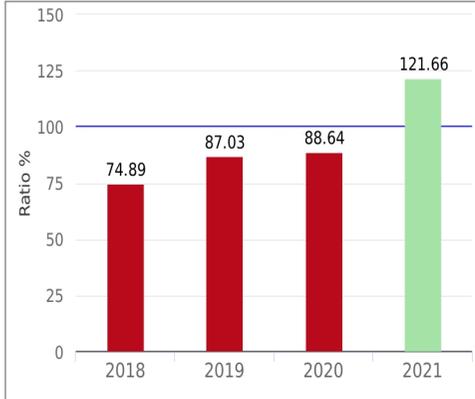
20/21 ratio 51.75%

Council's performance has decreased due to implementing a strategy to reduce capital works to facilitate an increase in cash flows.

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark ■ Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

### 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**

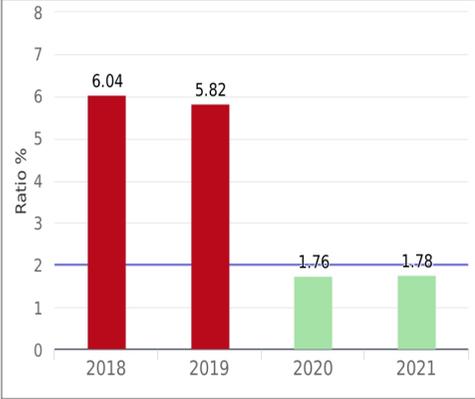
20/21 ratio 121.66%

Council has met this KPI due to the implementation of the Asset Management module on Technology One and implementing Asset Management Plans.

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark ■ Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

**Commentary on result**

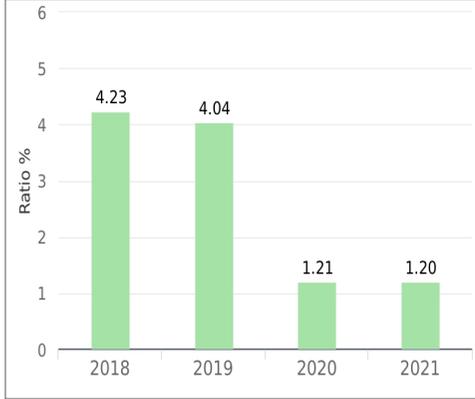
20/21 ratio 1.78%

Council has met this KPI due to the implementation of the Asset Management module on Technology One and implementing Asset Management Plans.

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark ■ Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

### 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 1.20%

Council has met this KPI due to the implementation of the Asset Management module on Technology One and implementing Asset Management Plans.

## Lithgow City Council

## Report on infrastructure assets as at 30 June 2021

## Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>58.61%</b>	66.48%	<b>42.61%</b>	407.89%	<b>30.06%</b>	36.24%	>= 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>0.94%</b>	0.93%	<b>8.88%</b>	8.76%	<b>2.85%</b>	2.84%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>123.19%</b>	92.34%	<b>106.70%</b>	83.84%	<b>142.50%</b>	77.61%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>0.70%</b>	0.69%	<b>3.31%</b>	3.36%	<b>1.76%</b>	1.79%	

(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.