

Rous County Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Rous County Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Rous County Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 October 2021.

Keith Williams
Chairperson
20 October 2021

Sharon Cadwallader
Deputy Chairperson
20 October 2021

Phillip Rudd
General Manager
20 October 2021

Guy Bezrouchko
Responsible Accounting Officer
20 October 2021

Rous County Council

Income Statement

for the year ended 30 June 2021

<i>Original unaudited budget</i>				<i>Actual</i>	<i>Actual</i>
2021	\$ '000		Notes	2021	2020
		Income from continuing operations			
20,689		User charges and fees	B2-1	20,892	20,785
2,461		Other revenue	B2-2	2,397	2,614
1,064		Grants and contributions provided for operating purposes	B2-3	1,163	1,288
4,000		Grants and contributions provided for capital purposes	B2-3	5,235	4,411
549		Interest and investment income	B2-4	368	799
235		Other income	B2-5	205	266
2		Net gains from the disposal of assets	B4-1	315	–
29,000		Total income from continuing operations		30,575	30,163
		Expenses from continuing operations			
9,627		Employee benefits and on-costs	B3-1	9,100	8,395
9,682		Materials and services	B3-2	9,043	10,535
1,833		Borrowing costs	B3-3	1,381	1,546
7,108		Depreciation, amortisation and impairment for non-financial assets	B3-4	6,727	7,287
5		Other expenses	B3-5	–	15
–		Net losses from the disposal of assets	B4-1	–	1
28,255		Total expenses from continuing operations		26,251	27,779
745		Operating result from continuing operations		4,324	2,384
745		Net operating result for the year attributable to Council		4,324	2,384
(3,255)		Net operating result for the year before grants and contributions provided for capital purposes		(911)	(2,027)

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

Rous County Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	<i>Restated</i> 2020 ¹
Net operating result for the year – from Income Statement		4,324	2,384
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>3,062</u>	<u>8,748</u>
Total items which will not be reclassified subsequently to the operating result		<u>3,062</u>	<u>8,748</u>
Total other comprehensive income for the year		<u>3,062</u>	<u>8,748</u>
Total comprehensive income for the year attributable to Council		<u>7,386</u>	<u>11,132</u>

(1) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors

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

Rous County Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020 ¹	Restated 1 July 2019 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	10,880	4,693	2,698
Investments	C1-2	38,000	29,000	29,000
Receivables	C1-4	2,082	2,552	2,414
Inventories	C1-5	436	1,504	464
Other		679	556	502
Total current assets		52,077	38,305	35,078
Non-current assets				
Investments	C1-2	500	1,500	6,000
Receivables	C1-4	13	46	13
Inventories	C1-5	1,162	1,509	1,417
Infrastructure, property, plant and equipment	C1-6	497,086	490,721	482,119
Investment property	C1-7	795	790	740
Intangible Assets	C1-8	772	237	369
Right of use assets	C2-1	293	562	–
Total non-current assets		500,621	495,365	490,658
Total assets		552,698	533,670	525,736
LIABILITIES				
Current liabilities				
Payables	C3-1	2,440	2,386	3,959
Contract liabilities	C3-2	997	84	–
Lease liabilities	C2-1	312	312	–
Borrowings	C3-3	3,398	2,701	2,585
Employee benefit provisions	C3-4	2,225	2,069	1,845
Total current liabilities		9,372	7,552	8,389
Non-current liabilities				
Lease liabilities	C2-1	49	347	–
Borrowings	C3-3	28,960	18,858	21,560
Employee benefit provisions	C3-4	39	21	27
Total non-current liabilities		29,048	19,226	21,587
Total liabilities		38,420	26,778	29,976
Net assets		514,278	506,892	495,760
EQUITY				
Accumulated surplus	C4-1	244,899	240,575	238,191
IPPE revaluation reserve	C4-1	269,379	266,317	257,569
Council equity interest		514,278	506,892	495,760
Total equity		514,278	506,892	495,760

(1) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors

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

Rous County Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21 ¹			as at 30/06/20 ¹		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		240,575	269,517	510,092	238,191	260,722	498,913
Correction of prior period errors	F4-1	–	(3,200)	(3,200)	–	(3,153)	(3,153)
Restated opening balance		240,575	266,317	506,892	238,191	257,569	495,760
Net operating result for the year		4,324	–	4,324	2,384	–	2,384
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	3,062	3,062	–	8,748	8,748
Other comprehensive income		–	3,062	3,062	–	8,748	8,748
Total comprehensive income		4,324	3,062	7,386	2,384	8,748	11,132
Closing balance at 30 June		244,899	269,379	514,278	240,575	266,317	506,892

(1) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors

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

Rous County Council

Statement of Cash Flows

for the year ended 30 June 2021

<i>Original unaudited budget</i>			<i>Actual</i>	<i>Actual</i>
2021	\$ '000	Notes	2021	2020
Cash flows from operating activities				
<i>Receipts:</i>				
20,689	User charges and fees		20,895	20,687
549	Investment and interest revenue received		564	1,007
5,064	Grants and contributions		7,701	5,567
2,696	Other		2,488	2,897
<i>Payments:</i>				
(9,627)	Employee benefits and on-costs		(9,141)	(8,146)
(8,854)	Materials and services		(8,946)	(9,495)
(1,833)	Borrowing costs		(1,391)	(1,577)
(833)	Other		(560)	(1,008)
7,851	Net cash flows from operating activities	F1-1	11,610	9,932
Cash flows from investing activities				
<i>Receipts:</i>				
–	Redemption of term deposits		35,000	47,000
3,250	Sale of real estate assets		4,268	–
2	Sale of infrastructure, property, plant and equipment		165	162
<i>Payments:</i>				
–	Acquisition of term deposits		(43,000)	(42,500)
(17,687)	Purchase of infrastructure, property, plant and equipment		(10,142)	(8,636)
(3,063)	Purchase of real estate assets		(1,748)	(1,121)
–	Purchase of intangible assets		(535)	(6)
(17,498)	Net cash flows from investing activities		(15,992)	(5,101)
Cash flows from financing activities				
<i>Receipts:</i>				
13,500	Proceeds from borrowings		13,500	–
<i>Payments:</i>				
(3,196)	Repayment of borrowings		(2,701)	(2,586)
–	Principal component of lease payments		(230)	(250)
10,304	Net cash flows from financing activities		10,569	(2,836)
657	Net change in cash and cash equivalents		6,187	1,995
4,693	Cash and cash equivalents at beginning of year		4,693	2,698
5,350	Cash and cash equivalents at end of year	C1-1	10,880	4,693
–	plus: Investments on hand at end of year	C1-2	38,500	30,500
5,350	Total cash, cash equivalents and investments		49,380	35,193

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

Rous County Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 20 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain 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) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- (i) Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-3.
- (ii) Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

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:

- Water service
- Flood mitigation services
- Biological weeds management.

A1-1 Basis of preparation (continued)

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has no volunteer services.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants</i>		<i>Carrying amount of assets</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i> ¹
\$ '000										<i>Restated</i>
Functions or activities										
Bulk Water Supply	23,068	22,308	18,472	20,243	4,596	2,065	–	–	406,088	386,024
Commerical Property	1,287	274	420	321	867	(47)	–	–	3,364	4,847
Fleet Operations	153	88	47	50	106	38	–	–	2,207	1,782
Flood Mitigation	949	1,399	1,946	2,320	(997)	(921)	189	530	125,464	126,340
Retail Water Supply	2,620	3,772	3,014	2,487	(394)	1,285	–	–	12,475	12,663
Richmond Water Laboratories	789	922	826	851	(37)	71	–	–	749	790
Weeds Biosecurity	1,709	1,400	1,526	1,507	183	(107)	875	574	2,351	1,224
Total functions and activities	30,575	30,163	26,251	27,779	4,324	2,384	1,064	1,104	552,698	533,670

(1) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors

B1-2 Components of functions or activities

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

Bulk Water Supply

The regional water supply authority providing water in bulk to the local government areas of Lismore (excluding Nimbin), Ballina (excluding Wardell), Byron (excluding Mullumbimby) and Richmond Valley (excluding land to the west of Coraki).

Commerical Property

Real estate development and various rental properties.

Fleet Operations

All functions relating to vehicle investment, improving efficiency and productivity.

Flood Mitigation

Responsible for the construction, replacement and routine maintenance of various flood mitigation infrastructure. This includes floodgates and some rural drains and canals. In addition, we also have a key role in relation to an urban levee designed to protect the central business district of Lismore against a 1 in 10 year flood.

Retail Water Supply

Retail water services that are directly connected to Council's trunk main system.
Water filling stations.

Richmond Water Laboratories

Analyse water to assess drinking water quality, and offer a range of tests designed for rainwatertanks and bores. Also test the environmental quality of waste water and effluent, as well as run off and leachates from contaminated landfill sites.

Weeds Biosecurity

Wide range of activities to combat the spread of targeted weeds across the Northern Rivers region of NSW.

B2 Sources of income

B2-1 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	20,840	20,737
Total specific user charges		20,840	20,737
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	2	10	2
Regulatory/ statutory fees	2	42	46
Total fees and charges – statutory/regulatory		52	48
Total user charges and fees		20,892	20,785
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		20,840	20,737
User charges and fees recognised at a point in time (2)		52	48
Total user charges and fees		20,892	20,785

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 a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Prepaid filling station keys granted by Council are all either short-term or low value and all revenue is recognised at the time that the key is granted.

B2-2 Other revenue

\$ '000	Timing	2021	2020
Assessment on other councils	2	1,472	1,491
Water testing	2	785	913
Other	2	140	210
Total other revenue		2,397	2,614
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,397	2,614
Total other revenue		2,397	2,614

Accounting policy for other revenue

Where the revenue is earned 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.

B2-3 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Weed biosecurity	1,2	875	574	-	-
Flood mitigation	2	189	530	-	-
Previously contributions:					
Bulk supply network	2	17	47	47	8
Flood mitigation	2	82	135	-	-
Weed biosecurity	2	-	2	-	-
Total special purpose grants and non-developer contributions – cash		1,163	1,288	47	8
Total special purpose grants and non-developer contributions (tied)		1,163	1,288	47	8
Total grants and non-developer contributions		1,163	1,288	47	8
Comprising:					
– State funding		1,064	1,104	-	-
– Other funding		99	184	47	8
		1,163	1,288	47	8

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 64 – water supply contributions		2	-	-	5,188	4,403
Total developer contributions			-	-	5,188	4,403
Total grants and contributions			1,163	1,288	5,235	4,411
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			130	-	-	-
Grants and contributions recognised at a point in time (2)			1,033	1,288	5,235	4,411
Total grants and contributions			1,163	1,288	5,235	4,411

B2-3 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	<i>Operating 2021</i>	<i>Operating 2020</i>	<i>Capital 2021</i>	<i>Capital 2020</i>
Unspent grants				
Unspent grants at 1 July	35	280	-	7
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	180	-	-	-
Less: Funds received in prior year but revenue recognised and funds spent in current year	(35)	(245)	-	(7)
Unspent grants at 30 June	180	35	-	-

Weed grants:

- Miconia funding from the Queensland Department of Agriculture & Fisheries.
- North Coast Bushfire Recovery from NSW Local Land Services.
- Tropical Soda Apple landholder engagement program from NSW Department of Primary Industries.

Contributions

Unspent funds at 1 July	152	119	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	88	86	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(60)	(53)	-	-
Unspent contributions at 30 June	180	152	-	-

Flood Fund receives a number of operating contribution each year. They consist of:

- Private landholder contributions
- Constituent Council contributions for drainage union maintenance

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time, whereas over time recognition is where the control of the services is ongoing throughout the project.

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

Capital grants

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

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

B2-3 Grants and contributions (continued)

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.

B2-4 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue user fees and charges	1	5
– Cash and investments	367	794
Total interest and investment income (losses)	368	799

Accounting policy

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

B2-5 Other income

\$ '000	2021	2020
Fair value increment on investment properties	5	50
Rental income	200	148
Total other income	205	266

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	6,664	6,380
Employee leave entitlements (ELE)	1,426	1,341
Superannuation	810	732
Workers' compensation insurance	127	113
Fringe benefit tax (FBT)	31	33
Payroll tax	237	136
Training costs (other than salaries and wages)	175	215
Other	128	83
Total employee costs	9,598	9,033
Less: capitalised costs	(498)	(638)
Total employee costs expensed	9,100	8,395

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 D3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		5,426	4,959
Contractor and consultancy costs		2,781	4,735
Audit Fees	E2-1	81	75
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	E1-2	109	116
Advertising		5	44
Bank fees		4	8
Electricity		31	34
Insurance		256	216
Postage		14	4
Printing and stationery		11	10
Subscriptions and publications		52	39
Telephone		36	49
Internal audit		31	37
Water billing and collection		64	59
Other expenses		75	35
Legal expenses:			
– Other		4	8
Expenses from leases of low value assets		63	107
Total materials and services		9,043	10,535

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2021	2020
(i) Interest bearing liability costs		
Interest on leases	14	26
Interest on loans	1,367	1,520
Total borrowing costs expensed	1,381	1,546

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		440	502
Office equipment		122	148
Furniture and fittings		33	30
Land improvements (depreciable)		76	63
Infrastructure:			
– Buildings		126	129
– Water supply network		4,937	5,252
– Flood mitigation assets		684	766
Right of use assets	C2-1	202	259
Intangible assets	C1-8	107	138
Total depreciation and amortisation costs		6,727	7,287
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR INTANGIBLES AND IPP&E		6,727	7,287

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE assets and Note C1-8 for intangible assets and Note C2-1 for right of use assets.

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	2021	2020
Other		
Contributions and donations	–	15
Total other expenses	–	15

Accounting policy

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

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(81)	–
Gain (or loss) on disposal		(81)	–
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		165	162
Less: carrying amount of plant and equipment assets sold/written off		(92)	(163)
Gain (or loss) on disposal		73	(1)
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(771)	–
Gain (or loss) on disposal		(771)	–
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		4,268	–
Less: carrying amount of real estate assets sold/written off		(3,174)	–
Gain (or loss) on disposal		1,094	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		35,000	47,000
Less: carrying amount of term deposits sold/redeemed/matured		(35,000)	(47,000)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		315	(1)

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 17/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
User charges and fees	20,689	20,892	203	1% F
Other revenues	2,461	2,397	(64)	(3)% U
Operating grants and contributions	1,064	1,163	99	9% F
Capital grants and contributions	4,000	5,235	1,235	31% F
Grants and Contributions provided for capital purposes resulted in an increase of \$1.2M (F) (31%) above budget. The revenue increase can be attributed to increased receipts for Section 64 Developer Contributions.				
Interest and investment revenue	549	368	(181)	(33)% U
Interest and Investment revenue was \$181k (U) (33%) below the original budget. The original budget for investment interest was based on an average portfolio balance of \$26M calculated on an average rate of return of 2%. The portfolio size remained consistently higher due to Section 64 Developer Contributions and slower than anticipated cash flow requirements for capital works, with an average held balance of \$35M. However, interest rates remained low resulting in decreased returns.				
Net gains from disposal of assets	2	315	313	15,650% F
Traditionally, Council provides a modest budget for gain on disposal of assets due to the inherent difficulty in estimating proceeds from asset disposal. As a result actual gain on disposal of assets has produced a variance of \$313k (F). This gain is comprised of a \$1.094M (F) from the sale of all lots associated with the Perradenya release 6 stage and \$73k (F) Plant, Property & Equipment. Offset by loss from the disposal of Infrastructure assets \$771k (U) and \$81k (U) for rural buildings.				
Other income	235	205	(30)	(13)% U
The original budgets for rental income were developed prior to AASB 16 consideration. Additionally, Investment properties are valued annually, with any increment or decrement appearing on the Income Statement. Due to the difficulty in estimating valuations, Council has not provided a budget. This financial year, the property is fully tenanted and has increased in value by \$5k.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	9,627	9,100	527	5%	F
Materials and services	9,682	9,043	639	7%	F
Borrowing costs	1,833	1,381	452	25%	F
The original budget had anticipated a new \$13.5M loan being drawn down through the financial year. This loan was only sourced in June 2021, which reduced the expected loan interest payable for the year.					
Depreciation, amortisation and impairment of non-financial assets	7,108	6,727	381	5%	F
Other expenses	5	-	5	100%	F
Other Expenses were \$5k (F) (100%) below the original budget forecast. No donations were paid in the 2020/21 year.					
Net losses from disposal of assets	-	-	-	∞	F

STATEMENT OF CASH FLOWS

Cash flows from operating activities	7,851	11,610	3,759	48%	F
Cash flows from operating activities was \$3.759m (F) (48%) above the original forecast budget. The majority of the increase relates to additional S64 developer contributions (\$1.23M), new grant funding (\$962K) and outstanding grant funds from 2019/20 (\$475k). This increased further due to a reduction in employee costs (\$486k) and borrowing costs (\$442k) due to a new \$13.5M loan being sourced in June 2021, which reduced the expected loan interest payable for the year, as discussed above in 'Borrowing costs.'					
Cash flows from investing activities	(17,498)	(15,992)	1,506	(9)%	F
Cash flows from financing activities	10,304	10,569	265	3%	F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	267	157
Cash-equivalent assets		
– Deposits at call	10,613	4,536
Total cash and cash equivalents	10,880	4,693

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,880	4,693
Balance as per the Statement of Cash Flows	10,880	4,693

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
Debt securities at amortised cost				
Long term deposits	38,000	500	29,000	1,500
Total financial investments	38,000	500	29,000	1,500
Total cash assets, cash equivalents and investments	48,880	500	33,693	1,500

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.

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.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	48,880	500	33,693	1,500
attributable to:				
External restrictions	4,081	–	3,216	–
Internal restrictions	43,369	500	29,048	1,500
Unrestricted	1,430	–	1,429	–
	48,880	500	33,693	1,500

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	176	–
Other	821	–
External restrictions – included in liabilities	997	–

External restrictions – other

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

Specific purpose unexpended grants (recognised as revenue) – general fund	4	35
Other	3,080	3,181
External restrictions – other	3,084	3,216

Total external restrictions

Internal restrictions

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

Flood Fund	802	805
Weeds Bio Fund	1,131	843
Retail Water Fund	2,564	2,602
Richmond Water Laboratories Fund	400	449
Commercial Property Fund	1,103	1,033
Fleet Fund	1,110	933
Bulk Fund - Building & structures	188	266
Bulk Fund - Assets & programs	30,676	17,729
Bulk Fund - Employees leave entitlement	2,264	2,090
Bulk Fund - Electricity	2,587	2,577
Bulk Fund - Office equipment & computers	936	1,126
Bulk Fund - Greenhouse gas abatement	108	95
Total internal restrictions	43,869	30,548

Total restrictions

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
User charges and fees	71	–	140	–
Accrued revenues				
– Interest on investments	122	–	318	–
– Other income accruals	893	–	1,221	–
Finance lease receivable	74	13	42	46
Government grants and subsidies	145	–	483	–
Sundry debtors	543	–	78	–
Other debtors	234	–	270	–
Total	2,082	13	2,552	46
Total net receivables	2,082	13	2,552	46

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.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Inventories at cost				
Real estate for resale (refer to (i) below)	48	936	1,127	1,283
Stores and materials	388	226	377	226
Total inventories at cost	436	1,162	1,504	1,509
Total inventories	436	1,162	1,504	1,509
(i) Real estate development				
Residential – undeveloped	48	936	1,127	1,283
Total real estate for resale	48	936	1,127	1,283

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.

Real estate held for resale/capitalisation of borrowing costs

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020 ¹			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	Transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	12,004	–	12,004	1,909	1,817	–	–	(11,027)	–	4,704	–	4,704
Plant and equipment	4,232	(3,077)	1,155	–	505	(92)	(440)	70	–	4,508	(3,311)	1,197
Office equipment	1,809	(1,541)	268	–	212	–	(122)	–	–	2,021	(1,663)	358
Furniture and fittings	734	(368)	366	–	21	–	(33)	–	–	755	(401)	354
Land:												
– Operational land	10,506	–	10,506	–	–	–	–	–	–	10,506	–	10,506
– Non-depreciable land improvements	2,374	–	2,374	–	–	–	–	–	–	2,374	–	2,374
– Depreciable land improvements	3,247	(887)	2,360	–	–	–	(76)	124	–	3,371	(963)	2,408
Infrastructure:												
– Buildings	4,853	(2,846)	2,007	–	104	(81)	(126)	26	–	4,555	(2,625)	1,930
– Water supply network	468,146	(132,655)	335,491	3,891	2,772	(738)	(4,937)	10,152	3,062	486,651	(136,958)	349,693
– Flood mitigation	136,357	(12,167)	124,190	84	–	(33)	(684)	5	–	136,393	(12,831)	123,562
Total infrastructure, property, plant and equipment	644,262	(153,541)	490,721	5,884	5,431	(944)	(6,418)	(650)	3,062	655,838	(158,752)	497,086

(1) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors

(2) 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 ¹			Asset movements during the reporting period						At 30 June 2020 ¹		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	Transfers	Revaluation increments to equity (ARR) ¹	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	9,099	–	9,099	5,056	2,146	–	–	(4,297)	–	12,004	–	12,004
Plant and equipment	4,154	(2,683)	1,471	–	291	(124)	(502)	19	–	4,232	(3,077)	1,155
Office equipment	1,780	(1,469)	311	–	106	(1)	(148)	–	–	1,809	(1,541)	268
Furniture and fittings	715	(338)	377	–	17	–	(30)	2	–	734	(368)	366
Land:												
– Operational land	10,506	–	10,506	–	–	–	–	–	–	10,506	–	10,506
Land improvements – non-depreciable	2,374	–	2,374	–	–	–	–	–	–	2,374	–	2,374
Land improvements – depreciable	3,247	(824)	2,423	–	–	–	(63)	–	–	3,247	(887)	2,360
Infrastructure:												
– Buildings	4,853	(2,717)	2,136	–	–	–	(129)	–	–	4,853	(2,846)	2,007
– Water supply network	460,397	(126,234)	334,163	656	–	(37)	(5,252)	2,832	3,128	468,146	(132,655)	335,491
– Flood mitigation	131,624	(12,365)	119,259	75	–	–	(766)	2	5,620	136,357	(12,167)	124,190
Total infrastructure, property, plant and equipment	628,749	(146,630)	482,119	5,787	2,560	(162)	(6,890)	(1,442)	8,748	644,262	(153,541)	490,721

(1) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors.

(2) 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

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

Useful lives of IPPE

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:

	Useful lives
Equipment, furniture and fittings	2 - 20 yrs
Land	Infinite
Land improvements	5 - 20 yrs
Infrastructure:	
– Buildings and other structures	20 - 100 yrs
– Bulk earthworks	Infinite
– Water supply network	15 - 150 yrs
– Open space / recreational assets	5 - 20 yrs
– Flood mitigation infrastructure	20 - 100 yrs

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

C1-7 Investment properties

\$ '000	2021	2020
Owned investment property		
Investment property on hand at fair value	795	790
Total owned investment property	795	790
At fair value		
Opening balance at 1 July	790	740
Net gain/(loss) from fair value adjustments	5	50
Closing balance at 30 June	795	790

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 a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	1,145	1,139
Accumulated amortisation	(908)	(770)
Net book value – opening balance	237	369
Movements for the year		
Purchases	642	6
Amortisation charges	(107)	(138)
Closing values at 30 June		
Gross book value	1,787	1,145
Accumulated amortisation	(1,015)	(908)
Total software – net book value	772	237
Total intangible assets – net book value	772	237

Accounting policy

IT development and software

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

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases land and buildings for their corporate office; the lease is generally 5 years and includes a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

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

Extension options

Council includes options in the building lease to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$624,000 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

\$ '000	<i>Administration building</i>	<i>Total</i>
2021		
Opening balance at 1 July 2020	562	562
Adjustments due to re-measurement of lease liability	(67)	(67)
Depreciation charge	(202)	(202)
Balance at 30 June	293	293
2020		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	821	821
Depreciation charge	(259)	(259)
Balance at 30 June	562	562

(b) Lease liabilities

\$ '000	<i>2021 Current</i>	<i>2021 Non-current</i>	<i>2020 Current</i>	<i>2020 Non-current</i>
Lease liabilities	312	49	312	347
Total lease liabilities	312	49	312	347

(c) (i) The maturity analysis

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

\$ '000	<i>< 1 year</i>	<i>1 – 5 years</i>	<i>> 5 years</i>	<i>Total</i>	<i>Total per Statement of Financial Position</i>
2021					
Cash flows	312	52	–	364	361
2020					
Cash flows	312	364	–	676	659

continued on next page ...

C2-1 Council as a lessee (continued)

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	14	26
Interest income from sub-leasing right of use assets	7	6
Depreciation of right of use assets	202	259
Expenses relating to low-value leases	63	107
	286	398

(e) Statement of Cash Flows

Total cash outflow for leases	230	250
	230	250

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 is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

C2-2 Council as a lessor

(a) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-7)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

\$ '000	2021	2020
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(i) Assets held as investment property

Investment property operating leases relate to Council owned buildings not required for the operations of Council business.

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)	79	68
Total income relating to operating leases for investment property assets	79	68

Operating lease expenses

Direct operating expenses that generated rental income	9	8
Direct operating expenses that did not generate rental income	4	4
Total expenses relating to operating leases	13	12

Repairs and maintenance: investment property

Other	11	9
Total repairs and maintenance: investment property	11	9

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council land and buildings that are currently not required for operational purposes.

Lease income (excluding variable lease payments not dependent on an index or rate)	113	148
Total income relating to operating leases for Council assets	113	148

Other leased assets expenses

Other	37	43
Total expenses relating to other leases assets	37	43

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

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

< 1 year	54	80
1–2 years	–	51
Total undiscounted lease payments to be received	54	131

C2-2 Council as a lessor (continued)

(b) Finance leases

\$ '000	2021	2020
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Council has sub-leased a section of the Administration building and has classified this as finance leases since the sub-lease is for the remaining life of the Council's lease to the building.

Finance income on the net investment in the lease	76	42
Total Income relating to finance leases	76	42

Maturity analysis of undiscounted lease payments to be received after reporting date for finance leases:

< 1 year	74	42
1–2 years	13	42
2–3 years	–	8
Total lease payments receivable	87	92

Unearned finance income	1	4
Net investment in the lease	86	88

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services	608	-	505	-
Capital creditors	1,224	-	593	-
Accrued expenses:				
– Borrowings	280	-	290	-
– Salaries and wages	-	-	215	-
Accrued expenses	328	-	777	-
Other	-	-	6	-
Total payables	2,440	-	2,386	-

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

\$ '000	2021	2020
Total payables	-	-

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants received prior to performance obligation being satisfied	(i)	926	-	64	-
Contributions received prior to performance obligation being satisfied		71	-	20	-
Total contract liabilities		997	-	84	-

Notes

(i) Council acts in an agency capacity for several grant projects.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Loans – secured ¹	3,398	28,960	2,701	18,858
Total borrowings	3,398	28,960	2,701	18,858

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note D1-1.

(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	21,559	(2,701)	13,500	–	–	–	32,358
Lease liability (Note C2-1b)	659	(230)	–	–	–	(68)	361
Total liabilities from financing activities	22,218	(2,931)	13,500	–	–	(68)	32,719

\$ '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	24,145	(2,586)	–	–	–	–	21,559
Lease liability (Note C2-1b)	–	(312)	–	–	945	26	659
Total liabilities from financing activities	24,145	(2,898)	–	–	945	26	22,218

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	100	100
Credit cards/purchase cards	110	110
Total financing arrangements	210	210
Undrawn facilities		
– Bank overdraft facilities	100	100
– Credit cards/purchase cards	110	110
Total undrawn financing arrangements	210	210

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	695	–	653	–
Long service leave	1,486	39	1,355	21
TIL	44	–	61	–
Total employee benefit provisions	2,225	39	2,069	21

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,546	1,355
	1,546	1,355

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Risks and accounting uncertainties

D1-1 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.

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

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

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

The risks associated with the financial instruments held are:

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

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

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

(a) Market risk – interest rate and price risk

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

Impact of a 1% movement in interest rates		
– Equity / Income Statement	494	352

(b) Credit risk

Council's major receivables comprise user charges and fees, contributions from constituent councils and sundry debtors.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

D1-1 Risks relating to financial instruments held (continued)

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 debtors.

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

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors 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 have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	2,008	–	3	56	28	2,095
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	100.00%	1.34%
ECL provision	–	–	–	–	28	28
2020						
Gross carrying amount	2,108	3	476	–	11	2,598
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	100.00%	0.42%
ECL provision	–	–	–	–	11	11

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	–	2,440	–	–	2,440	2,440
Loans and advances	4.96%	–	4,955	19,184	16,378	40,517	32,358
Total financial liabilities		–	7,395	19,184	16,378	42,957	34,798
2020							
Trade/other payables	0.00%	–	2,386	–	–	2,386	2,386
Loans and advances	6.58%	–	4,078	16,128	6,861	27,067	21,559
Total financial liabilities		–	6,464	16,128	6,861	29,453	23,945

D2 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements									
Investment property C1-7									
Commercial property		30/6/21	30/06/20	795	790	–	–	795	790
Total investment property				795	790	–	–	795	790
Infrastructure, property, plant and equipment C1-6									
Buildings		30/6/18	30/06/18	–	–	1,930	2,007	1,930	2,007
Land		30/6/18	30/06/18	–	–	10,506	10,506	10,506	10,506
Non-depreciable land improvements		30/06/17	30/06/17	–	–	2,374	2,374	2,374	2,374
Depreciable land improvements		30/06/17	30/6/17	–	–	2,408	2,360	2,408	2,360
Water infrastructure: water distribution assets		30/6/17	30/6/17	–	–	175,531	162,072	175,531	162,072
Water infrastructure: dams and treatment assets		30/6/17	30/6/17	–	–	174,161	173,419	174,161	173,419
Flood mitigation infrast. ¹		30/6/20	30/6/20	–	–	123,562	124,190	123,562	124,190
Total infrastructure, property, plant and equipment				–	–	490,472	476,928	490,472	476,928

(1) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors.

Valuation techniques

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

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

Investment property

For Investment property, council obtains external valuations by independent valuers on an annual basis.

The last revaluation was performed by Acumentis Pty Ltd for the 2020/21 financial year.

Acumentis Pty Ltd is an independent entity and is not an employee of Council.

D2 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

For land, buildings and infrastructure council obtains external valuations by independent valuers every five years. The last revaluation was performed by:

- Water Infrastructure – APV Valuers & Asset Management for the 2016/17 financial year. APV Valuers & Asset Management is an independent entity and is not an employee of Council.
- Flood Mitigation Infrastructure – Assetic for the 2019/20 financial year. Assetic is an independent entity and is not an employee of Council.
- Land & Buildings – Taylor Byrne Pty Ltd for the 2017/18 financial year. Taylor Byrne Pty Ltd is an independent entity and is not an employee of Council.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices.

In accordance with AASB 13 Fair Value Measurement no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

The following non-current assets categorised above have been measured as either level 2 or level 3 based on the following valuation techniques and inputs:

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Council considers information from a variety of sources, including:

- Current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
- Discounted cash flow projections based on reliable estimates of future cash flows.
- Capitalised income projections based on a property's estimated not market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3.

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated replacement cost for each building componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Newly Completed Buildings are categorised as level 2, as the initial measurement is recognised at cost and is represented accordingly until subject to revaluation. This is considered appropriate as, once assets are brought into use, there is no longer an identical correlation with the "shelf product". Council did not have any of these assets at reporting date.

For infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is current replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs.

For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial.

Water Infrastructure Assets

Council's water infrastructure assets include Distributions assets (such as water pipelines) Treatment Assets (such as treatment plants) and Source Assets (such as Rocky Creek Dam) and Catchment Assets.

These assets are valued by an external valuer every 5 years using the cost approach.

In between full revaluations, these assets are indexed each year in line with the NSW Reference Rates Manuals as published by the NSW Office of Water.

Whilst the units rates based on linear metres of certain diameter pipes and prices per unit per pit or similar capacity can be supported by market evidence (Level 2), other inputs (such as estimates or residual value, useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value.

D2 Fair value measurement (continued)

As such, this asset class is classified as being valued using Level 3 inputs. There has been no change to the valuation process during the reporting period.

The current replacement cost of each asset is calculated to assess fair value. The current replacement cost of the individual infrastructure assets is assessed by referencing to building costs in external publications such as the Rawlinson's Australian Construction Handbook and with allowances made for the regional locations as well as internal project costs for similar assets. The useful economic life of the assets is assessed in accordance with Council's Asset Capitalisation Policy as described in Note A1-1. The remaining economic life is assessed based upon physical depreciation and obsolescence. The council provides details to the valuer, of any known structural faults and future planning which may involve the demolition or removal of an asset. Any new assets constructed in between full revaluation years are included and where refurbishment has been undertaken the capital expenditure is reflected in the remaining life of the asset.

Construction costs used to establish gross replacement cost are not expected to have significant variations, unless new construction is impacted by building/construction variations. Sensitivity to changes in unobservable inputs may significantly impact on fair value. Council's exposure to sensitivity of the unobservable inputs is generally limited to the projected increase in infrastructure construction costs which has historically been in the range of 2-5% per annum. Disclosure of additional quantitative information about significant unobservable inputs is considered immaterial.

Flood Mitigation Infrastructure

The current replacement cost of each asset is calculated to assess fair value. The current replacement cost of the individual infrastructure assets is assessed by referencing to building costs in external publications such as the Rawlinson's Australian Construction Handbook and with allowances made for the regional locations as well as internal project costs for similar assets. The useful economic life of the assets is assessed in accordance with Council's Asset Capitalisation Policy as described in Note A1-1. The remaining economic life is assessed based upon physical depreciation and obsolescence. The council provides details to the valuer, of any known structural faults and future planning which may involve the demolition or removal of an asset. Any new assets constructed in between full revaluation years are included and where refurbishment has been undertaken the capital expenditure is reflected in the remaining life of the asset.

Construction costs used to establish gross replacement cost are not expected to have significant variations, unless new construction is impacted by building/construction variations. The Council is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.

Highest and best use

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

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

D3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$71,616.59. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA, and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$71,617. Council's expected contribution to the plan for the next annual reporting period is \$73,198.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$42,900 as at 30 June 2021.

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

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

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

* Plus promotional increases

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

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

E People and relationships

E1 Related party disclosures

E1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	321	345
Post-employment benefits	23	23
Other long-term benefits	3	6
Total	347	374

E1-2 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:

Chairperson's fee	17	17
Councillors' fees	81	81
Councillors' (incl. Chairperson) expenses	11	18
Total	109	116

E2 Other relationships

E2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	81	71
Remuneration for audit and other assurance services	81	71
Total Auditor-General remuneration	81	71
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services	-	4
Remuneration for audit and other assurance services	-	4
Total remuneration of non NSW Auditor-General audit firms	-	4
Total audit fees	81	75

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	4,324	2,384
Adjust for non-cash items:		
Depreciation and amortisation	6,727	7,287
Net losses/(gains) on disposal of assets	(315)	1
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(5)	(50)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	503	(82)
Decrease/(increase) in inventories	(11)	(11)
Decrease/(increase) in other current assets	(123)	(54)
Increase/(decrease) in payables	103	108
Increase/(decrease) in accrued interest payable	(10)	(31)
Increase/(decrease) in other accrued expenses payable	(664)	510
Increase/(decrease) in other liabilities	(6)	(432)
Increase/(decrease) in contract liabilities	913	84
Increase/(decrease) in provision for employee benefits	174	218
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	11,610	9,932

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	83	18
Plant and equipment	197	315
Infrastructure	12,940	6,993
Land development	157	1,099
Total commitments	13,377	8,425

Details of capital commitments

Council has committed to progressing the St Helena 600 upgrade.

F3-1 Events occurring after the reporting date

The financial impact of COVID-19 on Council has not been material, with service levels to the constituent councils and members of the public maintained.

As at 30 June 2021, Council assessed the impact of COVID-19 on the fair value of its non-current physical and financial assets. These assets include land, buildings, infrastructure and receivables. This was based on historical sales information, expectation of macroeconomic conditions and outlook at the time of assessment. Given continued uncertainty of the COVID-19 factor, it is possible that post 30 June 2021 there may be some new evidence that impacts this fair value assessment materially.

There are no other known events that would impact on the Council or have a material impact on the financial statements.

F4 Changes from prior year statements

F4-1 Correction of errors

Nature of prior-period error

As a result of discussions regarding control and ownership of infrastructure assets the following prior period error has been identified:

Lismore City Council received grant funding to construct the Lismore Airport Floodway over the existing South Lismore drain asset. The South Lismore drain was recognised in Rous County Council's asset register. While assessing the correct accounting treatment for the transfer of the new works, by applying the Conceptual Framework for Financial Reporting criteria, it was determined that control of the South Lismore drain asset has always been with Lismore City Council and therefore it should be derecognised.

Summary of prior year items impacting on Infrastructure, property, plant and equipment	\$'000
Flood mitigation – drains	(3,153)
Total for correction of prior period errors at 1 July 2019	(3,153)
Flood mitigation – drains	(47)
Total for correction of prior period errors at 30 June 2020	(3,200)
Summary of prior year items impacting on IPPE Revaluation Reserve	
Flood mitigation – drains	(3,153)
Total for correction of prior period errors at 1 July 2019	(3,153)
Flood mitigation – drains	(47)
Total for correction of prior period errors at 30 June 2020	(3,200)

Council considers the error to be material and has corrected the 2018/19 and 2019/20 affected financial statement line items, as follows:

As at 1 July 2019:

Infrastructure, property, plant and equipment	\$3,153,000	Decrease
Revaluation Reserve	\$3,153,000	Decrease

As at 30 June 2020:

Infrastructure, property, plant and equipment	\$3,200,000	Decrease
Revaluation Reserve	\$3,200,000	Decrease

The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to the IPPE revaluation reserve at that date. When the asset was originally added to Council's asset register in 2011, it was brought on through the IPPE revaluation reserve. A further \$47,000 was removed in 2019/20 that related to the revaluation increment for the Flood mitigation - drain.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, property, plant and equipment	485,272	(3,153)	482,119
Total non-current assets	493,811	(3,153)	490,658
Total assets	528,889	(3,153)	525,736
IPPE Revaluation Reserve	260,722	(3,153)	257,569
Council equity interest	498,913	(3,153)	495,760
Total equity	498,913	(3,153)	495,760

F4-1 Correction of errors (continued)

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

Statement of Financial Position

<i>\$ '000</i>	<i>Original Balance 30 June, 2020</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2020</i>
Infrastructure, property, plant and equipment	493,921	(3,200)	490,721
Total non-current assets	498,565	(3,200)	495,365
Total assets	536,870	(3,200)	533,670
IPPE Revaluation reserve	269,517	(3,200)	266,317
Council equity interest	510,092	(3,200)	506,892
Total equity	510,092	(3,200)	506,892

Statement of Comprehensive Income

<i>\$ '000</i>	<i>Original Balance 30 June, 2020</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2020</i>
Gain (loss) on revaluation of infrastructure, property, plant and equipment	8,795	(47)	8,748
Total items which will not be reclassified subsequently to the operating result	8,795	(47)	8,748
Total other comprehensive income for the year	8,795	(47)	8,748
Total comprehensive income for the year	8,795	(47)	8,748

F5 Statement of developer contributions as at 30 June 2021

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.

F5-1 S64 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					
S64								
S64 contributions	–	5,188	–	–	(5,188)	–	–	–
Total	–	5,188	–	–	(5,188)	–	–	–

F6 Statement of performance measures

F6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020 ²	2019	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,231)	(4.92)%	(8.08)%	(4.43)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	25,020				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	23,857	78.85%	81.07%	76.33%	> 60.00%
Total continuing operating revenue ¹	30,255				
3. Unrestricted current ratio					
Current assets less all external restrictions	47,996	7.03x	5.24x	5.42x	> 1.50x
Current liabilities less specific purpose liabilities	6,829				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,877	1.59x	1.54x	1.80x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,312				
5. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	49,380	25.80	18.31	21.11	> 3.00
Monthly payments from cash flow of operating and financing activities	1,914	mths	mths	mths	mths

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

(2) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors.

(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

Rous County Council

General Purpose Financial Statements

for the year ended 30 June 2021

Independent Auditor's Report

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

Rous County Council

General Purpose Financial Statements

for the year ended 30 June 2021

Independent Auditor's Report

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

Rous County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Rous County 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).

Rous County 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 20 October 2021.

Keith Williams
Chairperson
20 October 2021

Sharon Cadwallader
Deputy Chairperson
20 October 2021

Phillip Rudd
General Manager
20 October 2021

Guy Bezrouchko
Responsible Accounting Officer
20 October 2021

Rous County Council

Income Statement of Water Supply Business Activity

for the year ended 30 June 2021

\$ '000	2021	2020 <i>Restated</i>
Income from continuing operations		
User charges	20,882	20,783
Interest	336	701
Grants and contributions provided for non-capital purposes	18	47
Other income	155	228
Total income from continuing operations	21,391	21,759
Expenses from continuing operations		
Employee benefits and on-costs	7,354	6,790
Borrowing costs	1,381	1,544
Materials and services	7,006	8,058
Depreciation, amortisation and impairment	5,911	6,371
Loss on sale of assets	666	2
Other expenses	–	15
Total expenses from continuing operations	22,318	22,780
Surplus (deficit) from continuing operations before capital amounts	(927)	(1,021)
Grants and contributions provided for capital purposes	5,235	4,411
Surplus (deficit) from continuing operations after capital amounts	4,308	3,390
Surplus (deficit) from all operations before tax	4,308	3,390
Surplus (deficit) after tax	4,308	3,390
Plus accumulated surplus	119,699	117,579
Plus/less: Correction of error	–	(1,270)
Plus adjustments for amounts unpaid:		
Less:		
Closing accumulated surplus	124,007	119,699
Return on capital %	0.1%	0.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	4,308	3,390
Surplus for dividend calculation purposes	4,308	3,390
Potential dividend calculated from surplus	2,154	1,695

Rous County Council

Income Statement of Land

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2 Restated
Income from continuing operations		
Profit from the sale of assets	771	–
Total income from continuing operations	771	–
Expenses from continuing operations		
Materials and services	43	48
Calculated taxation equivalents	28	28
Total expenses from continuing operations	71	76
Surplus (deficit) from continuing operations before capital amounts	700	(76)
Surplus (deficit) from continuing operations after capital amounts	700	(76)
Surplus (deficit) from all operations before tax	700	(76)
Less: corporate taxation equivalent [based on result before capital]	(182)	–
Surplus (deficit) after tax	518	(76)
Plus accumulated surplus	(282)	(493)
Plus/less: prior period adjustments	–	259
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	28	28
– Corporate taxation equivalent	182	–
Closing accumulated surplus	446	(282)
Subsidy from Council	–	76

Rous County Council

Income Statement of Commercial Property

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
Interest	–	25
Other income	186	248
Total income from continuing operations	186	273
Expenses from continuing operations		
Employee benefits and on-costs	19	21
Materials and services	213	189
Depreciation, amortisation and impairment	57	64
Calculated taxation equivalents	3	3
Total expenses from continuing operations	292	277
Surplus (deficit) from continuing operations before capital amounts	(106)	(4)
Surplus (deficit) from continuing operations after capital amounts	(106)	(4)
Surplus (deficit) from all operations before tax	(106)	(4)
Surplus (deficit) after tax	(106)	(4)
Plus accumulated surplus	2,183	2,184
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	3	3
Add:		
Closing accumulated surplus	2,080	2,183
Subsidy from Council	106	4

Rous County Council

Statement of Financial Position of Water Supply Business Activity

as at 30 June 2021

\$ '000	2021	2020 <i>Restated</i>
ASSETS		
Current assets		
Cash and cash equivalents	10,310	3,274
Investments	33,780	26,731
Receivables	1,536	1,833
Inventories	326	282
Other	679	287
Total current assets	46,631	32,407
Non-current assets		
Right of use assets	293	562
Investments	500	1,500
Receivables	661	3,262
Inventories	226	226
Infrastructure, property, plant and equipment	372,402	365,541
Intangible assets	769	233
Total non-current assets	374,851	371,324
Total assets	421,482	403,731
LIABILITIES		
Current liabilities		
Contract liabilities	30	20
Lease liabilities	312	312
Payables	1,645	1,926
Borrowings	3,398	2,701
Employee benefit provisions	2,225	2,069
Total current liabilities	7,610	7,028
Non-current liabilities		
Lease liabilities	49	347
Borrowings	28,960	18,858
Employee benefit provisions	39	21
Total non-current liabilities	29,048	19,226
Total liabilities	36,658	26,254
Net assets	384,824	377,477
EQUITY		
Accumulated surplus	124,007	119,699
Revaluation reserves	260,817	257,778
Total equity	384,824	377,477

Rous County Council

Statement of Financial Position of Land

as at 30 June 2021

<i>\$ '000</i>	<i>2021 Category 2</i>	<i>2020 Category 2 Restated</i>
ASSETS		
Current assets		
Receivables	293	254
Inventories	13	1,126
Total current assets	306	1,380
Non-current assets		
Inventories	1,432	1,976
Total non-current assets	1,432	1,976
Total assets	1,738	3,356
LIABILITIES		
Current liabilities		
Payables	631	376
Total current liabilities	631	376
Non-current liabilities		
Borrowings	661	3,262
Total non-current liabilities	661	3,262
Total liabilities	1,292	3,638
Net assets	446	(282)
EQUITY		
Accumulated surplus	446	(282)
Total equity	446	(282)

Rous County Council

Statement of Financial Position of Commerical Property

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	173	461
Investments	1,030	671
Receivables	76	261
Total current assets	1,279	1,393
Non-current assets		
Receivables	13	–
Investment property	795	790
Total non-current assets	808	790
Total assets	2,087	2,183
LIABILITIES		
Current liabilities		
Payables	7	–
Total current liabilities	7	–
Total liabilities	7	–
Net assets	2,080	2,183
EQUITY		
Accumulated surplus	2,080	2,183
Total equity	2,080	2,183

Rous County Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2021

Prior year error of Water Supply Business Activities

\$ '000

Water Supply Business Activity

Nature of prior-period error

A reconciliation between the water supply business activity non-current receivables and the land business activity non-current borrowings identified a discrepancy that requires adjustment in the 2020/21 financial statements.

In early 2000, Council acquired 47.7 hectares of land which was zoned Village 2(v) and had development consent for 166 serviced residential lots, 1 village/commercial lot and 2 integrated housing blocks. An internal loan register was established between the water supply business and land activities to capture all construction expenditure and apply notional interest prior to recouping costs through sales.

Over the past 20 years, the notional interest has been accumulating due to insufficient allocation to cost of goods sold within the land business activity, resulting in an inflated non-current receivables balance within the water supply business activity.

In 2021, a review was undertaken of the register that identified the amount of accumulated interest expense that should have been allocated to all land releases based on number of land lots per release.

Council considers the error to be material and has corrected the 2019/20 affected financial statement line items below. Council does not deem it necessary to disclose a third Statement of Financial Position.

As at 30 June 2020:

Non-current assets - Receivables	\$ 1,270,000	Decrease
Accumulated surplus	\$ 1,270,000	Decrease

Comparatives have been changed to reflect the correction of errors.

The impact on each line item is shown in the tables below.

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

Statement of Financial Position – Water Supply Business

\$'000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Activity			
Receivables	4,532	(1,270)	3,262
Total non-current assets	372,594	(1,270)	371,324
Total assets	405,001	(1,270)	403,731
Accumulated surplus	120,969	(1,270)	119,699
Total equity	378,747	(1,270)	377,477

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2021

Prior year error of Land

\$ '000

Land

Nature of prior-period error

In early 2000, Council acquired 47.7 hectares of land which was zoned Village 2(v) and had development consent for 166 serviced residential lots, 1 village/commercial lot and 2 integrated housing blocks. An internal loan register was established between the water supply business and land activities to capture all construction expenditure and apply notional interest to determine how much the land activity should repay when sales were realised.

Over the past 20 years, the notional interest has been accumulating due to insufficient allocation to cost of goods sold, resulting in an inflated inventories and borrowings balance.

In 2021, a review was undertaken of the register that identified the amount of accumulated interest expense that should be allocated to all land releases based on number of land lots per release.

Council considers the error to be material and has corrected the 2019/20 affected financial statement line items below. Council does not deem it necessary to disclose a third Statement of Financial Position.

As at 30 June 2020:

Non-current assets - Inventories	\$ 3,463,000	Decrease
Non-current assets - Borrowings	\$ 3,722,000	Decrease
Accumulated surplus	\$ 259,000	Increase

Comparatives have been changed to reflect the correction of errors.

The impact on each line item is shown in the tables below.

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

Statement of Financial Position – Land

\$'000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Activity			
Inventories	5,439	(3,463)	1,976
Total non-current assets	5,439	(3,463)	1,976
Total assets	6,819	(3,463)	3,356
Borrowings	6,984	(3,722)	3,262
Total non-current liabilities	6,984	(3,722)	3,262
Total liabilities	7,360	(3,722)	3,638
Accumulated surplus	(541)	259	(282)
Total equity	(541)	259	(282)

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)

Water

Provision of safe drinking water to the Constituent Councils and their consumers.

Category 2

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

Land development

Residential land development incorporating low impact environmental features including water and energy.

Commercial properties

Incorporates commercial rental properties at Carrington Street, Conway Street and subleases at Molesworth Street.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – **26%**

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

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

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26%.

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

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

The rate applied of 26% is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

Local government water supply businesses are permitted to pay an annual dividend from its water supply 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 assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer 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.

Rous County Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

Rous County Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Rous County Council

Special Schedules

for the year ended 30 June 2021

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Rous County Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					\$ '000	\$ '000	1	2	3
Buildings	Other	150	56	91	19	1,115	3,145	0.0%	40.0%	53.0%	7.0%	0.0%
	Council works depot	20	100	53	47	815	1,410	0.0%	25.0%	45.0%	30.0%	0.0%
	Sub-total	170	156	144	66	1,930	4,555	0.0%	35.4%	50.5%	14.1%	0.0%
Water supply network	Water supply network	5,310	26,551	2,778	2,998	349,693	486,651	48.0%	35.0%	15.0%	2.0%	0.0%
	Sub-total	5,310	26,551	2,778	2,998	349,693	486,651	48.0%	35.0%	15.0%	2.0%	0.0%
Flood mitigation network	Flood mitigation	1,150	150	672	480	123,562	136,393	32.0%	51.0%	12.0%	5.0%	0.0%
	Sub-total	1,150	150	672	480	123,562	136,393	32.0%	51.0%	12.0%	5.0%	0.0%
Water supply land improvements	Land Improvements – Water assets	10	15	562	493	4,782	5,745	21.0%	44.0%	29.0%	6.0%	0.0%
	Sub-total	10	15	562	493	4,782	5,745	21.0%	44.0%	29.0%	6.0%	0.0%
Total – all assets		6,640	26,872	4,156	4,037	479,967	633,344	44.0%	38.5%	14.7%	2.8%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Rous County Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	<i>Amounts</i> 2021	<i>Indicator</i> 2021	<i>Indicators</i>		<i>Benchmark</i>
			2020 ²	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	5,860	100.64%	92.77%	127.76%	>= 100.00%
Depreciation, amortisation and impairment	5,823				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	6,640	1.37%	1.42%	0.57%	< 2.00%
Net carrying amount of infrastructure assets	484,671				
Asset maintenance ratio					
Actual asset maintenance	4,037	97.14%	84.86%	70.17%	> 100.00%
Required asset maintenance	4,156				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	26,872	4.24%	4.02%	1.73%	
Gross replacement cost	633,344				

(*) 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.

(2) See Note F4-1 for details regarding the restatement as a result of Prior Period Errors.