



INVERELL
SHIRE COUNCIL

2020-2021

General Purpose Financial Statements
Special Purpose Financial Statements &
Special Schedules



Inverell Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Inverell Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

Administration Centre
144 Otho Street
Inverell NSW 2360

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

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

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

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

Inverell Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Inverell Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 September 2021.



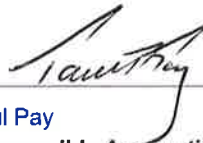
Paul Harmon
Mayor
22 September 2021



Anthony Michael
Councillor
22 September 2021



Paul Henry
General Manager
22 September 2021



Paul Pay
Responsible Accounting Officer
22 September 2021

Inverell Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Income from continuing operations				
22,247	Rates and annual charges	B2-1	22,199	21,372
4,223	User charges and fees	B2-2	7,522	5,096
391	Other revenue	B2-3	957	1,133
10,323	Grants and contributions provided for operating purposes	B2-4	17,311	13,117
7,452	Grants and contributions provided for capital purposes	B2-4	6,771	4,757
867	Interest and investment income	B2-5	969	1,373
153	Other income	B2-6	222	221
45,656	Total income from continuing operations		55,951	47,069
Expenses from continuing operations				
14,855	Employee benefits and on-costs	B3-1	14,283	13,840
11,930	Materials and services	B3-2	15,202	12,067
109	Borrowing costs	B3-3	310	349
10,434	Depreciation, amortisation and impairment for non-financial assets	B3-4	12,109	10,383
813	Other expenses	B3-5	888	812
(102)	Net losses from the disposal of assets	B4-1	809	81
38,039	Total expenses from continuing operations		43,601	37,532
7,617	Net operating result for the year attributable to Council		12,350	9,537
Gain on boundary adjustments				
—	Gain on boundary adjustments	D3-1	—	43,714
7,617	Net result for the year		12,350	53,251
165	Net operating result for the year before grants and contributions provided for capital purposes		5,579	4,780

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

Inverell Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Net operating result for the year – from Income Statement		12,350	53,251
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>1,197</u>	<u>67,333</u>
Total items which will not be reclassified subsequently to the operating result		1,197	67,333
Total other comprehensive income for the year		1,197	67,333
Total comprehensive income for the year attributable to Council		13,547	120,584

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

Inverell Shire Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	7,561	5,482
Investments	C1-2	18,519	27,501
Receivables	C1-4	3,658	4,066
Inventories	C1-5	518	485
Contract assets and contract cost assets	C1-6	4,243	1,394
Other	C1-9	447	224
Total current assets		34,946	39,152
Non-current assets			
Investments	C1-2	43,566	32,097
Receivables	C1-4	559	673
Infrastructure, property, plant and equipment	C1-7	773,533	765,899
Investment property	C1-8	3,280	3,280
Total non-current assets		820,938	801,949
Total assets		855,884	841,101
LIABILITIES			
Current liabilities			
Payables	C3-1	2,865	3,049
Contract liabilities	C3-2	3,545	2,070
Borrowings	C3-3	653	626
Employee benefit provisions	C3-4	4,910	4,551
Provisions	C3-5	212	202
Total current liabilities		12,185	10,498
Non-current liabilities			
Borrowings	C3-3	1,685	2,338
Employee benefit provisions	C3-4	92	87
Provisions	C3-5	6,891	6,694
Total non-current liabilities		8,668	9,119
Total liabilities		20,853	19,617
Net assets		835,031	821,484
EQUITY			
Accumulated surplus	C4-1	593,858	581,508
IPPE revaluation reserve	C4-1	241,173	239,976
Council equity interest		835,031	821,484
Total equity		835,031	821,484

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

Inverell Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		581,508	239,976	821,484	528,703	172,643	701,346
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(446)	–	(446)
Restated opening balance		581,508	239,976	821,484	528,257	172,643	700,900
Net operating result for the year		12,350	–	12,350	53,251	–	53,251
Net operating result for the Year		12,350	–	12,350	53,251	–	53,251
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	1,197	1,197	–	67,333	67,333
Other comprehensive income		–	1,197	1,197	–	67,333	67,333
Total comprehensive income		12,350	1,197	13,547	53,251	67,333	120,584
Closing balance at 30 June		593,858	241,173	835,031	581,508	239,976	821,484

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

Inverell Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities				
Receipts:				
22,247	Rates and annual charges		22,419	21,286
4,223	User charges and fees		7,684	4,013
867	Investment revenue and interest		1,045	1,669
17,775	Grants and contributions		22,544	20,010
–	Bonds, deposits and retention amounts received		1,229	1,962
544	Other		4,428	3,977
Payments:				
(14,855)	Employee benefits and on-costs		(14,170)	(13,217)
(11,930)	Materials and services		(18,929)	(10,482)
(109)	Borrowing costs		(310)	(349)
–	Bonds, deposits and retention amounts refunded		(951)	(2,102)
(813)	Other		(780)	(4,336)
17,949	Net cash flows from operating activities	G1-1a	24,209	22,431
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		32,000	39,500
681	Sale of infrastructure, property, plant and equipment		800	720
Payments:				
–	Purchase of investment securities		(34,468)	(43,500)
(18,475)	Purchase of infrastructure, property, plant and equipment		(19,836)	(16,752)
(17,794)	Net cash flows from investing activities		(21,504)	(20,032)
Cash flows from financing activities				
Payments:				
(626)	Borrowings and advances		(626)	(600)
(626)	Net cash flows from financing activities		(626)	(600)
(471)	Net change in cash and cash equivalents		2,079	1,799
–	Cash and cash equivalents – beginning of year		5,482	3,683
–	Cash resulting from boundary adjustment		–	–
(471)	Cash and cash equivalents at end of year	C1-1	7,561	5,482
–	plus: Investments on hand at end of year	C1-2	62,085	59,598
(471)	Total cash, cash equivalents and investments		69,646	65,080

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

Inverell Shire 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 22 September 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-8
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) estimated garbage tip and gravel pit remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

COVID 19 Impacts

COVID-19 caused minimal disruption to Council's business practices. The Library and Tourist Office were closed for a short period during the lockdown. Staff were redeployed to other tasks during this time and no significant additional costs were incurred. Some minor costs have been incurred for additional equipment as part of COVID safe responses. This includes signage, hand sanitizing stations, IT hardware for virtual meetings. Some additional vehicles were hired to avoid staff travelling together.

Council has provided some rent relief to various the lessees of Council properties to compensate for lost income due to the compulsory lockdown. The lost revenue was not significant.

Rate collections are marginally less than the previous year's, however it is not known if this is a consequence of COVID-19 or attributable to the prolonged drought. Other receivables have not been impacted.

Overall, the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that non-current assets will not experience substantial declines in value due to COVID-19. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to COVID-19.

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

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

- General purpose operations
- Water service
- Sewerage service
- Main Street Program
- Mayor's Drug Advisory Committee
- Youth Indent Committee

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 other assets subject to Council's control have been included in these reports.

The following Trust monies and other assets are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- Proceeds from sale of land for unpaid rates
- Inverell Investment Fund monies

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services are not recognised by Inverell Shire Council as they can not be reliably measured, are not material and would not be purchased if not donated.

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.

A1-1 Basis of preparation (continued)

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

Council's assessment of these new standards and interpretations are set out below:

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

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

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

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

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

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

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

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

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

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

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

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 newly adopted standards had a material impact on Council's reported financial position or financial 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.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Functions or activities										
Leadership	22,355	22,043	2,259	3,164	20,096	18,879	7,084	6,822	75,401	71,079
Community	4,086	2,494	5,465	4,226	(1,379)	(1,732)	3,449	2,115	24,784	25,507
Environment	4,861	4,862	5,577	5,485	(716)	(623)	432	129	39,984	39,523
Economy	627	864	1,701	1,259	(1,074)	(395)	46	405	11,979	13,305
Services / Infrastructure	24,022	16,806	28,599	23,398	(4,577)	(6,592)	13,071	8,403	703,736	691,687
Total functions and activities	55,951	47,069	43,601	37,532	12,350	9,537	24,082	17,874	855,884	841,101

B1-2 Components of functions or activities

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

Leadership

Includes costs relating to Council's role as a component of democratic government; including elections; member fees and expenses; subscription to local authorities; meeting of Council and policy making committees and area representation and public disclosure and compliance together with related administration cost and other support services; engineering works; public disclosure (eg GIPA) and any Council legislative policy compliance.

Community

Includes Council's fire and emergency services levy, fire protection; emergency services; enforcement of Local Government Regulations; health matters; administration and education; social protection (welfare); migrant, aboriginal and other community services administration; youth services; aged and disabled persons services; children services; childcare and other family and children services; public cemeteries; public conveniences; street lighting; town planning; other community amenities; public libraries; museums; art galleries; public halls; other cultural services and building control.

Environment

Includes costs relating to noxious plants and vermin control; environmental protection matters; solid waste management, street cleaning, drainage and stormwater management.

Economy

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

Services / Infrastructure

Includes water supply; sewerage services; sporting grounds and venues; swimming pools; parks; gardens; lakes; other sporting recreational services; quarries and pits; sealed and unsealed roads and bridges on urban, local, and regional roads; footpaths; parking areas; aerodromes and other transport and communications.

B2 Sources of income

B2-1 Rates and annual charges

	2021 \$ '000	2020 \$ '000
Ordinary rates		
Residential	6,732	6,520
Farmland	4,606	4,502
Business	2,648	2,586
Less: pensioner rebates (mandatory)	(329)	(334)
Rates levied to ratepayers	13,657	13,274
Pensioner rate subsidies received	181	178
Total ordinary rates	13,838	13,452
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,419	2,300
Stormwater management services	146	146
Water supply services	2,385	2,278
Sewerage services	2,805	2,649
Waste management services (non-domestic)	760	704
Less: pensioner rebates (mandatory)	(342)	(340)
Annual charges levied	8,173	7,737
Pensioner subsidies received:		
– Water	70	69
– Sewerage	57	57
– Domestic waste management	61	57
Total annual charges	8,361	7,920
Total rates and annual charges	22,199	21,372

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	1	8	4
Water supply services	1	2,395	2,882
Waste management services (non-domestic)	1	793	937
Other	1	7	12
Total specific user charges		3,203	3,835
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building services – other	2	176	100
Inspection services	2	3	3
Planning and building regulation	2	171	128
Private works – section 67	1	284	139
Registration fees	2	33	19
Section 10.7 certificates (EP&A Act)	2	40	29
Section 603 certificates	2	50	26
Total fees and charges – statutory/regulatory		757	444
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	–	2
Caravan park	2	52	45
Quarry revenues	2	21	19
Transport for NSW works (state roads not controlled by Council)	1	3,476	716
Sportsgrounds	2	3	25
Town hall	2	10	10
Total fees and charges – other		3,562	817
Total user charges and fees		7,522	5,096
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		6,963	4,690
User charges and fees recognised at a point in time (2)		559	406
Total user charges and fees		7,522	5,096

Accounting policy

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

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

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

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

B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Fines	2	9	13
Legal fees recovery – rates and charges (extra charges)	2	3	19
Commissions and agency fees	2	2	2
Insurance claims recoveries	2	14	138
Aged disabled and youth and other community services	1	3	2
Bushfire / SES sundry income	2	9	13
Cemetery	2	142	149
Insurance / workers compensation premium adjustment	2	254	176
Library	2	14	14
Parental leave reimbursement	2	27	18
New England Joint Organisation Administration Reimbursement	1	–	78
Sale of dogs / microchipping	2	3	4
Sale of old materials	2	214	129
Other	2	46	37
Sulo bin sales	2	14	11
Sundry health services	2	15	7
Tourism	2	146	52
Adjustment to landfill/Quarry provisions	2	–	271
Environmental Compliance	2	42	–
Total other revenue		957	1,133

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	3	80
Other revenue recognised at a point in time (2)	954	1,053
Total other revenue	957	1,133

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,373	2,219	–	–
Financial assistance – local roads component	2	1,065	1,095	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	2,122	2,098	–	–
Financial assistance – local roads component	2	1,103	1,103	–	–
Amount recognised as income during current year		6,663	6,515	–	–
Special purpose grants and non-developer contributions (tied)					
Aged, disabled, youth and other community services	1	10	28	–	–
Building Better Regions Fund	1	–	(3)	–	–
Bushfire and emergency services	2	122	122	–	–
Bushfire Disaster Recovery Funding	2	–	–	476	261
Bushfire Community Resilience & Recovery	2	62	38	14	–
Community Building Partnership Program	2	–	–	(4)	–
Crown Land	2	–	–	28	–
Drought Stimulus Program	2	–	10	–	–
Drought Communities Program	1	516	248	68	75
Economic development – Growing Local Economies	1	–	16	–	–
Employment schemes / apprentice subsidy	2	9	2	–	–
Environmental programs	1	195	5	–	–
Heritage and cultural	2	12	12	–	–
Library	2	43	41	57	80
Library – special projects	2	–	9	–	–
LIRS subsidy	2	30	66	–	–
Local Roads Community Infrastructure Program	2	–	–	1,193	–
National Australia Day Council	2	19	–	–	–
Noxious weeds	1	237	124	–	–
NSW Planning Portal	1	9	–	–	–
OLG Grant – Fire & Emergency Services Levy	1	137	55	–	–
OLG Grant - Pound Grant	2	–	4	–	–
OLG Grant - Crown Land Management Act	1	–	1	–	–
Public halls	1	3	–	–	–
Public Reserve Management Fund	1	–	–	26	–
RESTART NSW - Recreation Grant	1	698	17	2,692	795
RESTART NSW - Road Grants	1	–	–	62	–
RESTART NSW - HML Grant	2	178	–	–	–
Regional Airports Program	1	–	–	160	–
Safer Community Fund	1	–	–	–	200
Street lighting	2	62	62	–	–
Stronger Country Community Funding	1	7	158	497	922
Transport - Road Safety Program	1	–	–	71	–
Transport (3x3, roads to recovery, flood etc.)	2	2,594	2,263	–	–
Transport - CPTI Grant Scheme	1	–	–	–	2
Transport - Fixing Country Bridges Program	1	–	–	20	–
Transport - Fixing Local Roads Program	1	1,834	–	–	–
Transport - Active Transport Program	1	–	–	102	–
Transport for NSW contributions (regional roads, block grant)	2	2,912	2,912	545	545
Transport (other roads and bridges funding)	2	–	102	–	382

B2-4 Grants and contributions (continued)

	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Water supplies	2	1	—	—	—
Previously contributions:					
Community services	2	—	—	—	347
Kerb and gutter	2	—	—	—	21
Other contributions	1	2	28	—	22
Roads and bridges	2	104	40	46	46
Tourism	1	18	58	—	—
Sport and recreation	2	84	40	32	—
Natural Disaster	2	750	144	—	—
Total special purpose grants and non-developer contributions – cash		10,648	6,602	6,085	3,698
Non-cash contributions					
Bushfire services	2	—	—	47	16
Crown Land - Tingha Caravan park	2	—	—	272	196
Total other contributions – non-cash		—	—	319	212
Total special purpose grants and non-developer contributions (tied)		10,648	6,602	6,404	3,910
Total grants and non-developer contributions		17,311	13,117	6,404	3,910
Comprising:					
– Commonwealth funding		7,179	6,776	1,896	536
– State funding		9,927	3,119	4,429	2,197
– Other funding		205	3,222	79	1,177
		17,311	13,117	6,404	3,910

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	43	74
S 64 – water supply contributions		2	–	–	257	553
S 64 – sewerage service contributions		2	–	–	67	220
Total developer contributions – cash			–	–	367	847
Total developer contributions			–	–	367	847
Total contributions			–	–	367	847
Total grants and contributions			17,311	13,117	6,771	4,757
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			1,832	735	3,596	2,016
Grants and contributions recognised at a point in time (2)			15,479	12,382	3,175	2,741
Total grants and contributions			17,311	13,117	6,771	4,757

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	1,101	113	969	136
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	—	—	—	—
Add: Funds received and not recognised as revenue in the current year	1,645	1,101	1,136	969
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	—	—	—	—
Less: Funds received in prior year but revenue recognised and funds spent in current year	(890)	(113)	(416)	(136)
Unspent funds at 30 June	1,856	1,101	1,689	969
Contributions				
Unspent funds at 1 July	621	548	—	—
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	42	75	—	—
Add: contributions received and not recognised as revenue in the current year	—	—	—	—
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	—	—	—	—
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	—	(2)	—	—
Unspent contributions at 30 June	663	621	—	—

Contribution under Section 7.11 (Contributions towards provisions or improvement of amenities or services) under the Environmental Planning and Assessment Act 1979 .

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but could include the provision of a service or goods, construction of assets, and other various items as defined in the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	45	47
– Cash and investments	905	1,297
Fair value adjustments		
– Movements in investments at fair value through profit and loss	19	29
Total interest and investment income (losses)	969	1,373
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	45	47
General Council cash and investments	711	963
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	2	10
Water fund operations	157	198
Sewerage fund operations	54	155
Total interest and investment income	969	1,373

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

	Notes	2021 \$ '000	2020 \$ '000
Rental income			
Investment properties			
Lease income relating to variable lease payments not dependent on an index or a rate		8	8
Total Investment properties		8	8
Other lease income			
Aged Care Units		28	24
Residential Dwellings		26	24
Radio Communication Sites		–	1
Shops and Offices		40	25
Swimming Pool		10	8
Tourism Restaurant		27	26
Other Land		83	105
Total Other lease income		214	213
Total rental income	C2-1	222	221
Total other income		222	221

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	12,536	11,900
Employee leave entitlements (ELE)	2,319	2,263
Superannuation	1,425	1,361
Workers' compensation insurance	409	646
Fringe benefit tax (FBT)	98	128
Payroll tax	75	73
Protective clothing	21	29
Employment costs	15	19
Total employee costs	16,898	16,419
Less: capitalised costs	(2,615)	(2,579)
Total employee costs expensed	14,283	13,840
Number of 'full-time equivalent' employees (FTE) at year end	204	203

Accounting policy

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

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

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		10,513	7,405
Contractor and consultancy costs		1,256	1,243
Audit Fees	F2-1	52	58
Audit & Risk Costs		50	43
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	161	153
Advertising		83	64
Bank charges		61	57
Electricity and heating		1,264	1,338
Insurance		827	732
Postage		60	64
Printing and stationery		90	73
Street lighting		133	168
Subscriptions and publications		58	41
Telephone and communications		154	153
Valuation fees		68	66
Travel expenses		220	180
Training costs (other than salaries and wages)		136	151
Other expenses		–	52
Legal expenses:			
– Legal expenses: debt recovery		9	18
– Legal expenses: other		7	8

continued on next page ...

B3-2 Materials and services (continued)

Total materials and services	15,202	12,067
Total materials and services	15,202	12,067

Accounting policy

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

B3-3 Borrowing costs

	Notes	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs			
Interest on leases		–	–
Interest on loans		103	140
Total interest bearing liability costs		103	140
Total interest bearing liability costs expensed		103	140
(ii) Other borrowing costs			
Amortisation of discounts			
– Remediation liabilities	C3-5	207	209
Total other borrowing costs		207	209
Total borrowing costs expensed		310	349

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		1,857	1,488
Office equipment		231	206
Furniture and fittings		28	28
Infrastructure:	C1-7		
– Buildings – non-specialised		410	410
– Buildings – specialised		196	197
– Other structures		324	318
– Roads		3,950	2,840
– Bridges		1,477	1,268
– Footpaths		110	82
– Stormwater drainage		374	312
– Water supply network		1,611	1,593
– Sewerage network		1,069	1,061
– Swimming pools		73	73
– Other open space/recreational assets		424	378
Right of use assets		–	–
Other assets:			
– Library books		116	114
– Other		6	6
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5	243	297
– Quarry assets	C3-5	95	129
Total gross depreciation and amortisation costs		12,594	10,800
Less: capitalised costs		(485)	(417)
Total depreciation and amortisation costs		12,109	10,383
Total depreciation, amortisation and impairment for non-financial assets		12,109	10,383

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are 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.

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

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
Other		(23)	101
Total impairment of receivables	C1-4	(23)	101
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		530	393
– Other contributions/levies		265	199
Donations, contributions and assistance to other organisations (Section 356)		116	119
Total other		911	711
Total other expenses		888	812

Accounting policy

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

B4 Gains or losses

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

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	13
Less: carrying amount of property assets sold/written off		–	(29)
Gain (or loss) on disposal		–	(16)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		800	624
Less: carrying amount of plant and equipment assets sold/written off		(384)	(530)
Gain (or loss) on disposal		416	94
Gain (or loss) on disposal of infrastructure			
	C1-7		
Proceeds from disposal – infrastructure		–	83
Less: carrying amount of infrastructure assets sold/written off		(1,225)	(242)
Gain (or loss) on disposal		(1,225)	(159)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		32,000	39,500
Less: carrying amount of investments sold/redeemed/matured		(32,000)	(39,500)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		(809)	(81)

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 24/06/2020 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				
Rates and annual charges	22,247	22,199	(48)	0% U
User charges and fees	4,223	7,522	3,299	78% F
This favourable variance is mainly associated with extra funding becoming available during the year from RMS for maintenance and construction works on State Highway 12 (\$3.076M), additional Waste Management fees (\$49k), additional water sales (\$31k), additional Private Works (140k) and other minor increases / decreases across a range of other Council functions.				
Other revenues	391	957	566	145% F
This favourable variance is due to higher income in a range of areas including Insurance & Workers Comp adjustments (\$263K), Waste Income-Sale of old materials(Scrap Steel) (\$148k), Cemetery Income (\$5k), Administration Income (\$16k), Paid Parental Leave (\$27k), On Site sewer Management Fees (\$15k), Tourism Income (\$74k), Environmental Compliance Income (\$42k), Sewer applications Fees (\$7k) and other minor increases and decreases across Council's functions . Unfavourable Variance is Rent Sporting Fields (\$30k)				
Operating grants and contributions	10,323	17,311	6,988	68% F
This favourable variance is due to higher income in a range of areas including Financial Assistance Grants (\$362k), OLG Emergency Service Levy Grant (137K), Bushfire Community Resilience & Economic Recovery Grant (\$62k), Dept of Planning Grant (\$198k), Community Drought Grants (\$516k), Roads to Recovery Grants (\$2,129k), Restart NSW Grants (\$876k), Fixing Local Roads Grant (\$1,834k), Contribution to Roads & Bridges (\$96k), Natural Disaster Funding (\$750k), Noxious Weeds Funding (\$125k) and other small grants and contributions. Unfavourable variance - RFS Grants (52k), ACRD Grant (\$58k).				
Capital grants and contributions	7,452	6,771	(681)	(9)% U
This variance is due to a number of favourable items including Section 94 Contribution (\$42k), Section 64 water & sewer Contributions (\$189k). Public Reserves Grant (\$26k), Stronger Country Communities Grant Funding (\$497k), Bushfire Community Recovery & Resilience funding (\$13k), Local Roads & Community Infrastructure Program 2 (\$43k), Tingha Caravan Park Upgrade (\$28k), Regional Airport Grants (\$160k), Local Roads & Community Infrastructure Program 1 (\$1,150k), Bushfire Disaster Recovery Funding (\$476k), Drought Communities Program 2 (\$67k), Fixing Country Bridges Program (\$20k), Contribution to Capital Works (\$46k), Contribution to Polo Ground Purchase (\$32k), Transfer of Tingha Caravan Park to Council (\$272k), Active Transport Program (\$102k), Road Safety Program (\$71k), Library Grant (\$32k), and other minor grants and contributions This variance is also due to a number of unfavourable items - RFS Grant (\$150k), Library Grant - Income recorded as operational grant (\$41k), Roads to Recovery Grant - Income recorded as operational grant (\$1,996k), Restart NSW Grant - Income recorded as operational grant (\$1,746k).				
Interest and investment revenue	867	969	102	12% F
The actual amount of interest received on an accrual basis was over budget by \$102K. This favourable increase was the result of reducing the original budget to reflect anticipated downward movements in interest returns. With the assistance of Council's Investment Advisor, Council was able to return a higher average investment return than anticipated during 2020-2021.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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Other income 153 222 69 45% **F**

This favourable variance is Aged Care Units (\$4k), Shops & Office Rental (\$26k), Other Land & Buildings (\$43k).
Unfavourable variance - Tourist centre (\$4k).

EXPENSES

Employee benefits and on-costs 14,855 14,283 572 4% **F**

Materials and services 11,930 15,202 (3,272) (27)% **U**

This unfavourable variance is primarily a result of additional cost associated with the expenditure of additional grant income received for community grants and extra funds for maintenance, repair and construction work on Council Assets

Borrowing costs 109 310 (201) (184)% **U**

The variation of \$201K is a result of Council underestimating its borrowing cost in relation to amortisation of discounts and premium for 2021.

Depreciation, amortisation and impairment of non-financial assets 10,434 12,109 (1,675) (16)% **U**

This unfavourable variance is a result of Council's larger capital works program (grant funded) together with the amended depreciation from the five yearly revaluation of Road infrastructure Assets in 2019/2020 and the revaluation and depreciation of asset from the Tingha Boundary adjustment.

Other expenses 813 888 (75) (9)% **U**

Net losses from disposal of assets (102) 809 (911) 893% **U**

Council only budgets for a gain on the sale of Plant & Equipment. Even though this was modest Council wrote off Road infrastructure assets (\$926k) and open space Infrastructure assets (\$296k) that was replaced in 2020-2021.

STATEMENT OF CASH FLOWS

Cash flows from operating activities 17,949 24,209 6,260 35% **F**

This variation relates to the following favourable (F) and unfavourable (U) variations in income and expenditure, rates and annual charges (\$172k) (F), user charges and fees (\$3,461k) (F), investment revenue and interest (\$178k) (F), grants and contributions (\$4,769) (F), bonds and deposits (\$1,229) (F), other revenue (\$3,884k) (F) employee costs (\$685k) (F), materials and contracts (\$6,999) (U), borrowing costs (\$201k) (U), bonds deposits and retentions (\$951k) (U), other payments (\$33k) (F)

Cash flows from investing activities (17,794) (21,504) (3,710) 21% **U**

This variation relates to the following favourable (F) and unfavourable (U) variation in investing activities, Sale of PP&E (\$119k) (F), investment purchases (\$2,468k) (U), Purchase of PP&E (\$1,361k) (U).

Cash flows from financing activities (626) (626) - 0% **F**

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	7,561	5,482
Total cash and cash equivalents	7,561	5,482

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7,561	5,482
Balance as per the Statement of Cash Flows	7,561	5,482

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	–	5,116	–	5,097
Total	–	5,116	–	5,097
Debt securities at amortised cost				
Term deposits	18,519	38,450	27,501	27,000
Total	18,519	38,450	27,501	27,000
Total financial investments	18,519	43,566	27,501	32,097
Total cash assets, cash equivalents and investments	26,080	43,566	32,983	32,097

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)

C1-2 Financial investments (continued)

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments of \$62,085K in the Statement of Financial Position.

C1-3 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	26,080	43,566	32,983	32,097
attributable to:				
External restrictions	13,591	17,049	15,845	11,071
Internal restrictions	2,387	26,517	6,730	21,026
Unrestricted	10,102	–	10,408	–
	26,080	43,566	32,983	32,097

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

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	3,545	2,070
Specific purpose unexpended loans – sewer	153	153
Bonds and deposits	348	70
Specific purpose unexpended grants – water fund	–	94
External restrictions – included in liabilities	4,046	2,387

External restrictions – other

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

Developer contributions – general	663	621
Water fund	13,449	12,423
Sewer fund	7,456	6,933
Waste Management	5,026	4,552
External restrictions – other	26,594	24,529

Total external restrictions

30,640	26,916
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Internal restrictions

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

Administration building	685	2,418
Aerodrome	196	306
Baths improvement	6,615	4,000
Computer	1,739	1,541
Connections plant and equipment	72	72
Copeton northern foreshores	267	49
Economic development / Growth Assets	5,622	5,596
Emergency management	200	200
Employee training (Statutory Requirements)	325	257
Employees leave entitlement	1,502	1,502
Equipment upgrade / emergency management	211	211
Future capital works / land purchase	450	450
Gravel pit restoration	236	219
Gravel pit roadworks	173	156
Industrial / tourism promotion	375	94
Industrial development	288	288
Insurance excess reserve	210	210
Interest equalisation	800	650
Library	202	202
Open Space Upgrades	110	–
Plant replacement	2,525	3,155

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

	2021	2020
	\$ '000	\$ '000
Residential development	7	7
Road resumptions	20	20
SES plant replacement	169	169
Special capital projects	5	5
Sports ground – hockey facility	450	450
Strategic development fund	101	101
Town hall upgrade	100	100
Workers compensation insurance	857	857
Financial Assistance Grants	4,392	4,471
Total internal restrictions	28,904	27,756
Total restrictions	59,544	54,672

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

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	1,170	–	1,359	–
Interest and extra charges	116	–	116	–
User charges and fees	1,425	559	1,092	673
Accrued revenues				
– Interest on investments	250	–	345	–
– Other income accruals	364	–	558	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	112	–	187	–
Net GST receivable	315	–	527	–
Total	3,752	559	4,184	673
Less: provision of impairment				
Rates and annual charges	(89)	–	(113)	–
User charges and fees	(5)	–	(5)	–
Total provision for impairment – receivables	(94)	–	(118)	–
Total net receivables	3,658	559	4,066	673
Externally restricted receivables				
Water supply				
– Rates and availability charges	135	–	156	–
– Other	580	–	526	–
Sewerage services				
– Rates and availability charges	161	–	185	–
– Other	61	–	44	–
Total external restrictions	937	–	911	–
Unrestricted receivables	2,721	559	3,155	673
Total net receivables	3,658	559	4,066	673

	2021 \$ '000	2020 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	118	17
– amounts provided for but recovered during the year	(24)	101
Balance at the end of the year	94	118

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 estimating ECL, 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.

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

C1-4 Receivables (continued)

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

Where 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.

C1-5 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	54	—	54	—
Stores and materials	464	—	431	—
Total inventories at cost	518	—	485	—
Total inventories	518	—	485	—
Externally restricted assets				
	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Water				
Stores and materials	136	—	126	—
Total water	136	—	126	—
Sewerage				
Stores and materials	7	—	11	—
Total sewerage	7	—	11	—
Total externally restricted assets	143	—	137	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	375	—	348	—
Total inventories	518	—	485	—

C1-5 Inventories (continued)

(i) Other disclosures

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(a) Details for real estate development				
Residential	54	—	54	—
Total real estate for resale	54	—	54	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	54	—	54	—
Total costs	54	—	54	—
Total real estate for resale	54	—	54	—
Movements:				
Real estate assets at beginning of the year	54	—	54	—
Total real estate for resale	54	—	54	—

(b) Current inventories not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2021 \$ '000	2020 \$ '000
Real estate for resale	54	54
	54	54

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

	Notes	2021 \$ '000	2020 \$ '000
Contract assets	C1-6	4,243	1,394
Total contract assets and contract cost assets		4,243	1,394

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

Contract assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Road Infrastructure	4,108	–	441	–
Sporting and Recreational Infrastructure	125	–	947	–
Public Order and Safety Infrastructure	–	–	6	–
Aerodrome Infrastructure	10	–	–	–
Total contract assets	4,243	–	1,394	–

Significant changes in contract assets

The major portion of Contract Assets relates to Road Infrastructure Grants as follows:

- State Highway maintenance (\$1,756k)
- Roads to Recovery (\$133k)
- RESTART NSW Grants (\$178k)
- Disaster Recovery Funding (\$750k)
- Road Safety Programs (\$24k)
- Active Transport Programs (\$4k)
- Repair Program (\$528k)
- Footpaths & crossing Grants (\$109k)
- Regional Road (MR187) upgrade Grant (\$62k)
- Local Road & Community Infrastructure Grant (\$564k)

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	4,748	–	4,748	680	4,835	–	–	(3,492)	–	6,771	–	6,771
Plant and equipment	28,417	(15,359)	13,058	3,811	97	(384)	(1,857)	–	–	30,310	(15,585)	14,725
Office equipment	2,164	(1,247)	917	121	24	(1)	(231)	–	–	2,247	(1,417)	830
Furniture and fittings	739	(659)	80	–	–	–	(28)	–	–	740	(688)	52
Land:												
– Operational land	13,405	–	13,405	–	279	–	–	–	–	13,684	–	13,684
– Community land	9,566	–	9,566	–	–	–	–	–	–	9,566	–	9,566
Infrastructure:												
– Buildings – non-specialised	29,730	(5,262)	24,468	–	–	–	(410)	–	–	29,730	(5,672)	24,058
– Buildings – specialised	16,138	(5,831)	10,307	–	–	–	(196)	–	–	16,138	(6,027)	10,111
– Other structures	13,920	(2,200)	11,720	–	360	–	(324)	92	–	14,372	(2,524)	11,848
– Roads	315,433	(54,550)	260,883	7,061	564	(448)	(3,950)	813	–	323,218	(58,295)	264,923
– Bridges	156,442	(43,856)	112,586	311	130	(353)	(1,477)	192	–	156,606	(45,217)	111,389
– Footpaths	10,201	(2,472)	7,729	–	30	–	(110)	–	–	10,231	(2,582)	7,649
– Bulk earthworks (non-depreciable)	109,549	–	109,549	13	167	(125)	–	211	–	109,815	–	109,815
– Stormwater drainage	37,434	(9,244)	28,190	–	403	(2)	(374)	221	–	38,055	(9,617)	28,438
– Water supply network	124,396	(38,167)	86,229	66	80	–	(1,611)	28	780	125,716	(40,144)	85,572
– Sewerage network	78,382	(31,927)	46,455	208	4	–	(1,069)	1,041	417	80,356	(33,300)	47,056
– Swimming pools	4,547	(1,487)	3,060	–	43	–	(73)	–	–	4,590	(1,560)	3,030
– Other open space/recreational assets	19,642	(3,460)	16,182	56	1,131	(296)	(424)	894	–	21,317	(3,774)	17,543
Other assets:												
– Heritage collections	94	–	94	–	3	–	–	–	–	97	–	97
– Library books	860	(524)	336	163	–	–	(116)	–	–	1,023	(640)	383
– Other	86	(64)	22	–	–	–	(6)	–	–	86	(70)	16
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	6,112	(243)	5,869	–	–	–	(243)	–	–	6,112	(486)	5,626
– Quarry assets	575	(129)	446	–	–	–	(95)	–	–	575	(224)	351
Total infrastructure, property, plant and equipment	982,580	(216,681)	765,899	12,490	8,150	(1,609)	(12,594)	–	1,197	1,001,355	(227,822)	773,533

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	4,397	—	4,397	871	2,527	—	—	(3,047)	—	—	4,748	—	4,748
Plant and equipment	26,512	(15,371)	11,141	3,575	360	(530)	(1,488)	—	—	—	28,417	(15,359)	13,058
Office equipment	1,783	(1,051)	732	13	378	—	(206)	—	—	—	2,164	(1,247)	917
Furniture and fittings	734	(631)	103	—	5	—	(28)	—	—	—	739	(659)	80
Land:													
– Operational land	13,473	—	13,473	—	894	—	—	—	(962)	—	13,405	—	13,405
– Community land	8,475	—	8,475	—	129	—	—	—	962	—	9,566	—	9,566
Infrastructure:													
– Buildings – non-specialised	26,945	(3,311)	23,634	172	951	(29)	(410)	150	—	—	29,730	(5,262)	24,468
– Buildings – specialised	14,279	(4,032)	10,247	—	257	—	(197)	—	—	—	16,138	(5,831)	10,307
– Other structures	13,683	(1,853)	11,830	55	160	(17)	(318)	10	—	—	13,920	(2,200)	11,720
– Roads	234,272	(49,511)	184,761	5,730	19,116	—	(2,840)	1,224	—	52,892	315,433	(54,550)	260,883
– Bridges	126,552	(32,171)	94,381	240	5,844	—	(1,268)	25	—	13,364	156,442	(43,856)	112,586
– Footpaths	6,897	(1,569)	5,328	—	565	—	(82)	—	—	1,918	10,201	(2,472)	7,729
– Bulk earthworks (non-depreciable)	107,293	—	107,293	275	9,605	—	—	98	—	(7,722)	109,549	—	109,549
– Stormwater drainage	31,151	(8,946)	22,205	194	—	—	(312)	445	—	5,658	37,434	(9,244)	28,190
– Water supply network	119,086	(34,438)	84,648	321	2,045	—	(1,593)	—	—	808	124,396	(38,167)	86,229
– Sewerage network	70,996	(28,842)	42,154	—	4,947	—	(1,061)	—	—	415	78,382	(31,927)	46,455
– Swimming pools	4,560	(1,423)	3,137	—	4	(8)	(73)	—	—	—	4,547	(1,487)	3,060
– Other open space/recreational assets	16,750	(2,748)	14,002	155	1,308	—	(378)	1,095	—	—	19,642	(3,460)	16,182
Other assets:													
– Heritage collections	91	—	91	—	3	—	—	—	—	—	94	—	94
– Library books	739	(410)	329	—	121	—	(114)	—	—	—	860	(524)	336
– Other	86	(58)	28	—	—	—	(6)	—	—	—	86	(64)	22
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	6,304	—	6,304	—	79	(217)	(297)	—	—	—	6,112	(243)	5,869
– Quarry assets	575	—	575	—	—	—	(129)	—	—	—	575	(129)	446
Total infrastructure, property, plant and equipment	835,633	(186,365)	649,268	11,601	49,298	(801)	(10,800)	—	—	67,333	982,580	(216,681)	765,899

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

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

Accounting policy

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:

Plant and equipment	Years	Other equipment	Years
Office equipment	4 to 20	Playground equipment	5 to 15
Office furniture	5 to 25	Benches, seats etc.	10 to 20
Computer equipment	3 to 25		
Vehicles	5 to 6	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Other Structures	10 to 100
Water Assets		Sewer assets	
Dams and reservoirs	100	Sewer Pump Wells	70
Bores	30	Motors & Electrical Equipment	30
Building / Civil Structures	70	Pumps & Mechanical Equipment	30
Reservoirs - Walls	100	Effluent Oxidation & Maturation Ponds	Infinite
Reservoirs - Roof	55	Sewer Sludge Lagoons	100
Motor & Electrical Equipment	35 to 60	Treatment Plant Siteworks	50
Pumps & Mechanical Equipment	35 to 60	Aeration Tanks Structural	50
Water Mains	50 to 100	Aeration Tanks Electrical	45
Water Meters	10 to 15	Aeration Tanks Mechanical	45
		Sewer Pipes - Long Life Component	150
		Sewer Pipes - Short Life Component	100
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 100	Bulk earthworks	Infinite
Sealed roads: structure	120 to 170	Swimming pools	10 to 150
Unsealed roads	50 to 66	Other Open Space/Recreational Assets	5 to 125
Roundabouts	40	Other Infrastructure	25 to 50
Kerb and Gutter	70	Drainage Assets	80 to 100
Bridge: concrete	100 to 125	Culverts / Causeways	100
Bridge: Steel	100		
Bridge: Timber	60 to 100		
Carparks - Sealed	50 to 100		
Carparks - Unsealed	100		
Footpaths	50 to 100		
Cycleways	50 to 100		

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.

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

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 (DPIE) - 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.

Land under roads

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

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

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown Reserves are under a lease arrangement they are accounted for under AASB 16 Leases, Refer to Note C2-1

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/21			as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	275	–	275	121	–	121
Plant and equipment	113	88	25	106	82	24
Office equipment	13	13	–	13	13	–
Land						
– Operational land	515	–	515	515	–	515
– Community land	40	–	40	40	–	40
Buildings	270	10	260	270	6	264
Infrastructure	125,716	40,144	85,572	124,397	38,167	86,230
Total water supply	126,942	40,255	86,687	125,462	38,268	87,194
Sewerage services						
WIP	252	–	252	1,222	–	1,222
Plant and equipment	164	161	3	164	160	4
Land						
– Operational land	570	–	570	570	–	570
Infrastructure	80,356	33,300	47,056	78,382	31,927	46,455
Total sewerage services	81,342	33,461	47,881	80,338	32,087	48,251
Domestic waste management						
Plant and equipment	651	186	465	628	149	479
Land						
– Operational land	1,061	–	1,061	1,061	–	1,061
Buildings	1,312	175	1,137	1,312	159	1,153
Other structures	1,307	166	1,141	1,150	141	1,009
Total domestic waste management	4,331	527	3,804	4,151	449	3,702
Total restricted infrastructure, property, plant and equipment	212,615	74,243	138,372	209,951	70,804	139,147

C1-8 Investment properties

	2021 \$ '000	2020 \$ '000
Owned investment property		
Investment property on hand at fair value	3,280	3,280
Total owned investment property	3,280	3,280

Owned investment property

At fair value

Opening balance at 1 July	3,280	3,280
Closing balance at 30 June	3,280	3,280

Accounting policy

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

The valuation were based on independent assessment made by:

APV Valuers and Asset Management in their valuation undertaken in 2017/2018 Financial year.

C1-9 Other

Other assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Prepayments	447	–	224	–
Total other assets	447	–	224	–

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

Council leases out a number of properties to individuals and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as either investment property and/or IPP&E.

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

(i) Assets held as investment property

Investment property operating leases relate to Land & Buildings as follows:

Vacant Land - Vineyards Estate Inverell
 Vacant Land - Rifle Range Road Inverell
 Vacant Land - Brissett Street Inverell
 Vacant Land - Wyndham Street Inverell
 Buildings - 41-45 Campbell Street Inverell

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

Lease income relating to variable lease payments not dependent on an index or a rate	8	8
Total income relating to operating leases for investment property assets	8	8

Operating lease expenses

Direct operating expenses that generated rental income	32	39
Direct operating expenses that did not generate rental income	18	8
Total expenses relating to operating leases	50	47

(ii) Assets held as property, plant and equipment

Council provides operating leases on following Council assets.

Aged Care Units
 Residential Dwellings
 Radio Communication Sites
 Shops & Offices
 Swimming Pools - Inverell & Ashford
 Tourism Inverell Restaurant
 Inverell Transport Museum
 Ashford Medical Centre
 Other Land

Lease income (excluding variable lease payments not dependent on an index or rate)	214	213
Total income relating to operating leases for Council assets	214	213

Other leased assets expenses

Other	252	280
Total expenses relating to other leases assets	252	280

(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	76	8
1–2 years	62	8
2–3 years	57	7
3–4 years	33	5

continued on next page ...

C2-1 Council as a lessor (continued)

	2021	2020
	\$ '000	\$ '000
4–5 years	27	5
> 5 years	159	160
Total undiscounted lease payments to be received	414	193

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Prepaid rates	899	—	844	—
Payments Received in Advance	76	—	81	—
Goods and services – operating expenditure	1,182	—	1,639	—
Accrued expenses:				
– Salaries and wages	44	—	251	—
– Other expenditure accruals	316	—	164	—
Security bonds, deposits and retentions	348	—	70	—
Total payables	2,865	—	3,049	—
Total payables	2,865	—	3,049	—

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	76	—	106	—
Sewer	10	—	4	—
Other	348	—	70	—
Payables relating to externally restricted assets	434	—	180	—
Total payables relating to restricted assets	434	—	180	—
Total payables relating to unrestricted assets	2,431	—	2,869	—
Total payables	2,865	—	3,049	—

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

		2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,689	—	969	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,856	—	1,101	—

C3-2 Contract Liabilities (continued)

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total grants received in advance	3,545	—	2,070	—
Total contract liabilities	3,545	—	2,070	—

Notes

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

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

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	22	—	94	—
Unspent grants held as contract liabilities (excl. Water & Sewer)	3,523	—	1,976	—
Contract liabilities relating to externally restricted assets	3,545	—	2,070	—
Total contract liabilities relating to restricted assets	3,545	—	2,070	—
Total contract liabilities	3,545	—	2,070	—

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

	2021 \$ '000	2020 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	—	130
Operating grants (received prior to performance obligation being satisfied)	—	316
Total revenue recognised that was included in the contract liability balance at the beginning of the period	—	446

C3-2 Contract Liabilities (continued)

Significant changes in contract liabilities

A major variation from the previous year was the receipt of a grant in advance being \$1.35m for Road Infrastructure Construction

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	653	1,685	626	2,338
Total borrowings	653	1,685	626	2,338

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1.

Borrowings relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	241	190	229	431
Sewer	209	623	201	832
Domestic waste management	203	872	196	1,075
Borrowings relating to externally restricted assets	653	1,685	626	2,338
Total borrowings relating to restricted assets	653	1,685	626	2,338
Total borrowings	653	1,685	626	2,338

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	2,964	(626)	–	–	–	–	2,338
Total liabilities from financing activities	2,964	(626)	–	–	–	–	2,338

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	3,564	(600)	–	–	–	–	2,964
Total liabilities from financing activities	3,564	(600)	–	–	–	–	2,964

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	62	76
Total financing arrangements	262	276
Undrawn facilities		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	62	76
Total undrawn financing arrangements	262	276

(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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	1,958	–	1,804	–
Sick leave	–	92	–	87
Long service leave	2,952	–	2,747	–
Total employee benefit provisions	4,910	92	4,551	87

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	378	–	335	–
Sewer	76	–	133	–
Employee benefit provisions relating to externally restricted assets	454	–	468	–
Total employee benefit provisions relating to restricted assets	454	–	468	–
Total employee benefit provisions relating to unrestricted assets	4,456	92	4,083	87
Total employee benefit provisions	4,910	92	4,551	87

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	1,715	3,368
	1,715	3,368

C3-4 Employee benefit provisions (continued)

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	
2021				
At beginning of year	1,804	87	2,747	4,638
Additional provisions	1,177	5	512	1,694
Amounts used (payments)	(1,023)	–	(307)	(1,330)
Total ELE provisions at end of year	1,958	92	2,952	5,002
2020				
At beginning of year	1,567	87	2,311	3,965
Additional provisions	1,065	–	654	1,719
Amounts used (payments)	(828)	–	(218)	(1,046)
Total ELE provisions at end of year	1,804	87	2,747	4,638

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	212	6,891	202	6,694
Sub-total – asset remediation/restoration	212	6,891	202	6,694
Total provisions	212	6,891	202	6,694

Provisions relating to restricted assets

C3-5 Provisions (continued)

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Externally restricted assets				
Other	17	593	17	575
Domestic waste management	195	6,298	185	6,119
Provisions relating to externally restricted assets	212	6,891	202	6,694
Total provisions relating to restricted assets	212	6,891	202	6,694
Total provisions	212	6,891	202	6,694

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Other	212	202
	212	202

Description of and movements in provisions

	Other provisions		
	Asset Remediation Garabage Tips \$ '000	Quarry / Gravel Pits \$ '000	Net carrying amount \$ '000
2021			
At beginning of year	6,304	592	6,896
Unwinding of discount	189	18	207
Total other provisions at end of year	6,493	610	7,103
2020			
At beginning of year	6,303	574	6,877
Unwinding of discount	191	18	209
Additional provisions	79	—	79
Remediation Costs	(269)	—	(269)
Total other provisions at end of year	6,304	592	6,896

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry. The asset remediation provision represents the present value estimate of future costs Inverell Shire Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations

Accounting policy

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

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

C3-5 Provisions (continued)

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	17,147	2,314	2,738
User charges and fees	5,010	2,486	26
Interest and investment revenue	758	157	54
Other revenues	865	74	18
Grants and contributions provided for operating purposes	17,153	71	87
Grants and contributions provided for capital purposes	6,447	257	67
Other income	222	–	–
Total income from continuing operations	47,602	5,359	2,990
Expenses from continuing operations			
Employee benefits and on-costs	12,439	1,237	607
Materials and services	11,418	2,502	1,282
Borrowing costs	242	29	39
Depreciation, amortisation and impairment of non-financial assets	9,418	1,621	1,070
Other expenses	786	87	15
Net losses from the disposal of assets	809	–	–
Total expenses from continuing operations	35,112	5,476	3,013
Operating result from continuing operations	12,490	(117)	(23)
Net result for the year	12,490	(117)	(23)
Net result attributable to each council fund	12,490	(117)	(23)
Net result for the year before grants and contributions provided for capital purposes	6,043	(374)	(90)

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	5,031	922	1,608
Investments	12,014	3,504	3,001
Receivables	2,721	715	222
Inventories	375	136	7
Contract assets and contract cost assets	4,243	–	–
Other	447	–	–
Total current assets	24,831	5,277	4,838
Non-current assets			
Investments	31,543	9,023	3,000
Receivables	559	–	–
Infrastructure, property, plant and equipment	638,965	86,687	47,881
Investment property	3,280	–	–
Total non-current assets	674,347	95,710	50,881
TOTAL ASSETS	699,178	100,987	55,719
LIABILITIES			
Current liabilities			
Payables	2,779	76	10
Contract liabilities	3,523	22	–
Borrowings	203	241	209
Employee benefit provision	4,456	378	76
Provisions	212	–	–
Total current liabilities	11,173	717	295
Non-current liabilities			
Borrowings	872	190	623
Employee benefit provision	92	–	–
Provisions	6,891	–	–
Total non-current liabilities	7,855	190	623
TOTAL LIABILITIES	19,028	907	918
Net assets	680,150	100,080	54,801
EQUITY			
Accumulated surplus	546,860	24,403	22,595
Revaluation reserves	133,290	75,677	32,206
Council equity interest	680,150	100,080	54,801
Total equity	680,150	100,080	54,801

D2 Interests in other entities

D2-5 Subsidiaries, joint arrangements and associates not recognised

Council has no interest in any controlled entities, joint arrangements or associates.

The following Council operations / Committees have not been recognised in this financial report.

Inverell Sports Council - Advisory committee on Inverell Sporting Fields and facilities (Section 355 Advisory Committee)
 Inverell Sapphire Floral Festival - Co-ordinate Annual Inverell Festival (Section 355 Specific Event Committee)
 Great Inland Fishing Festival - Co-ordinate Annual Fishing Festival (Section 355 Specific Event Committee)
 Equestrian Council - Management of Equestrian Centre (Section 355 Management Committee)
 Delungra District Development Council - Co-ordinate events in village of Delungra (Section 355 Specific Events Committee)
 Bonshaw Hall Management Committee - Management of Hall (Section 355 Management Committee)
 Delungra Hall Management Committee - Management of Hall (Section 355 Management Committee)
 Graman Hall Management Committee - Management of Hall (Section 355 Management Committee)
 Mt Russell Hall Management Committee - Management of Hall (Section 355 Management Committee)
 Yetman Hall Management Committee - Management of Hall (Section 355 Management Committee)
 Bukkulla Recreation Ground - Management of Sporting Facility (Section 355 Management Committee)
 Graman Recreation Reserve - Management of Sporting facility (Section 355 Management Committee)
 Oakwood Recreation Area - Management of Sporting Facility (Section 355 Management Committee)
 Sporting Area on Part Reserve 1571 - Management of Sporting Facility (Section 355 Management Committee)
 Tennis Courts on Section 19 - Management of Sporting Facility (Section 355 Management Committee)
 Yetman Tennis Club - Management of Sporting Facility (Section 355 Management Committee)

Reasons for non-recognition of the above.

The above Section 355 committees have minimal bank account balances and do not own or control any other assets. All other assets are held by Council and are included in these financial statements.

The above Section 355 committees have not been recognised because it is considered that their transactions are immaterial either by amount or nature.

New England Joint Organisation (NEJO)

The New England Joint Organisation ("NEJO") was established on 11th May 2018 and is a separately constituted entity pursuant to Part 7 (sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the local Government (General) Regulation 2008.

The principal purpose of the NEJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

The NEJO comprises eight voting member Councils: Inverell Shire Council, Armidale Regional Council, Glen Innes Severn Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council, Uralla Shire Council and Gwydir Shire Council.

The Board of the NEJO consists of the Mayors of each Member Council, who are entitled to one (1) vote at Meetings, and a non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. The Chairperson does not have a casting vote. A decision of the Board is supported by a majority at which a quorum is present.

Inverell Shire Council, as a member of the NEJO, has a one-eighth voting right in respect to the decisions of the Board. Decision making is based on majority votes, so Council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the NEJO's Charter, each member is required to contribute annual fees towards the operation of the organisation. In the 2019/2020 financial year, the contribution made by each Council was \$5,000. The contribution for the 2020/2021 financial year was \$19,490 for Inverell Shire Council.

For the year ended 30th June 2021, the NEJO's net operating result was \$81,016.19. Council is not entitled to any share of the distribution of the NEJO's net operating result.

D3 Boundary Adjustment

D3-1 Boundary Adjustment

	2021 \$ '000	2020 \$ '000
(a) Description		
Tingha Boundary Adjustment		
His Excellency Governor, David Hurley, on recommendation from the Minister for Local Government, Gabrielle Upton MP, approved the boundary change by issuing the proclamation called the Local Government (Armidale and Inverell - Alteration of Boundaries) Proclamation 2019, on 8th February, 2019.		
The boundary adjustment was effective from 1st July 2019.		
(b) Income Statement and cash flow information		
Gain/(losses) on reclassification and/or sale		
Less:		
Tingha boundary adjustment		
Revenues	—	43,714
Gross profit/(loss) relating to boundary adjustment	—	43,714
Net profit/(loss) from boundary adjustment	—	43,714

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,561	5,482	7,561	5,482
Receivables	4,217	4,739	4,217	4,739
Investments				
– Debt securities at amortised cost	56,969	54,501	56,969	54,501
Fair value through profit and loss				
Investments				
– Held for trading	5,116	5,097	5,116	5,097
Total financial assets	73,863	69,819	73,863	69,819
Financial liabilities				
Payables	2,865	3,049	2,865	3,049
Loans/advances	2,338	2,964	2,338	2,964
Total financial liabilities	5,203	6,013	5,203	6,013

Fair value is determined as follows:

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- 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 a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks 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 cash and investments.

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

(a) Market risk – interest rate and price risk

	2021 \$ '000	2020 \$ '000
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	620	596
Impact of a 10% movement in price of investments		
– Equity / Income Statement	6,200	5,960

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

The level of outstanding receivables is reviewed on a monthly basis and debt recovery procedures are implemented to recover any outstanding debts. Council makes suitable provision for doubtful receivables as required.

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	–	452	260	227	231	1,170
2020						
Gross carrying amount	–	551	301	268	239	1,359

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	2,218	172	51	60	640	3,141
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.69%	0.34%
ECL provision	–	–	–	–	11	11
2020						
Gross carrying amount	2,397	32	731	6	332	3,498
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.69%	0.16%
ECL provision	–	–	–	–	6	6

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

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021							
Trade/other payables	0.00%	348	1,618	–	–	1,966	1,966
Loans and advances	4.19%	–	734	2,523	–	3,257	2,338
Total financial liabilities		348	2,352	2,523	–	5,223	4,304
2020							
Trade/other payables	0.00%	70	2,135	–	–	2,205	2,205
Loans and advances	4.19%	–	734	2,290	233	3,257	2,964
Total financial liabilities		70	2,869	2,290	233	5,462	5,169

E2-1 Fair value measurement

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

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

During the reporting period, Council will measure non-capital assets classified as “Held for Sale” at fair value on a non-recurring basis if their carrying amount is higher than their value and therefore the asset needs to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell. During the current reporting period, there were no assets measured at fair value on a non-recurring basis.

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).

Fair value measurement hierarchy									
\$ '000	Notes	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									
Financial assets									
Financial investments	C1-2								
At fair value through profit or loss		30/6/20	30/6/20	5,116	5,097	–	–	5,116	5,097
Total financial assets				5,116	5,097	–	–	5,116	5,097
Investment property									
C1-8									
Commerical offices and vacant land		30/6/18	30/6/18	–	–	3,280	3,280	3,280	3,280
Total investment property				–	–	3,280	3,280	3,280	3,280
Infrastructure, property, plant and equipment									
C1-7									
Plant and equipment		30/06/18	30/6/18	–	–	14,725	13,058	14,725	13,058
Office equipment		30/06/18	30/6/18	–	–	830	917	830	917
Furniture and fittings		30/06/18	30/6/18	–	–	52	80	52	80
Operational land		30/06/18	30/06/18	13,684	13,405	–	–	13,684	13,405
Community land		30/06/18	30/06/18	9,566	9,566	–	–	9,566	9,566
Buildings – non-specialised		30/06/18	30/06/18	–	–	24,058	24,468	24,058	24,468
Buildings – specialised		30/06/18	30/06/18	–	–	10,111	10,307	10,111	10,307
Other structures		30/06/18	30/06/18	–	–	11,848	11,720	11,848	11,720
Roads		30/06/20	30/06/20	–	–	264,923	260,883	264,923	260,883
Bridges		30/06/20	30/06/20	–	–	111,389	112,586	111,389	112,586
Footpaths		30/06/20	30/06/20	–	–	7,649	7,729	7,649	7,729
Bulk earthworks (non-depreciable)		30/06/20	30/06/20	–	–	109,815	109,549	109,815	109,549
Stormwater drainage		30/06/20	30/06/20	–	–	28,438	28,190	28,438	28,190
Water supply network		30/06/17	30/06/17	–	–	85,571	86,229	85,571	86,229
Sewerage network		30/06/17	30/06/17	–	–	47,057	46,455	47,057	46,455
Swimming pools		30/06/18	30/06/18	–	–	3,030	3,060	3,030	3,060
Other open space/recreational assets		30/06/18	30/06/18	–	–	17,543	16,182	17,543	16,182

continued on next page ...

E2-1 Fair value measurement (continued)

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Heritage collections		30/06/18	30/06/18	—	—	97	94	97	94
Library books		30/06/18	30/06/18	—	—	383	336	383	336
Other assets		30/06/18	30/06/18	—	—	16	22	16	22
Tip assets		30/06/20	30/06/20	—	—	5,626	5,869	5,626	5,869
Quarry assets		30/06/19	30/06/19	—	—	351	446	351	446
Capital Works in progress		30/06/20	30/06/20	—	—	6,771	4,748	6,771	4,748
Total infrastructure, property, plant and equipment				23,250	22,971	750,283	742,928	773,533	765,899

Transfers between level 1 and level 2 fair value hierarchies

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

Valuation techniques

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

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

Investment property

Council's portfolio of investment properties includes two commercial buildings and a collection of vacant land held for commercial development. Both land and buildings were last valued by APV Valuers and Asset Management (APV Valuers) in June 2018.

Land has been valued using Level 2 inputs. Sales prices of comparable land sites in close proximity are adjusted for difference in key attributes such as property size. The most significant inputs into this valuation approach are price per square meter.

Fair value of Commercial Building has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square meter.

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

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, office equipment, furniture and fittings and other assets

Plant & Equipment, Office Equipment, Furniture & Fittings, Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets with these classes are as follows:

Plant and equipment	Trucks, rollers, earthmoving equipment, motor vehicles, chainsaws, brush cutters, mowers
Office equipment	Computers, monitors, projectors
Furniture and fittings	Desk, chairs, display systems
Library books	Books, publications, reference materials, CD & DVD
Heritage collection	Paintings, sculptures

The key unobservable inputs to the valuation are the remaining useful life, and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the asset condition, pattern of consumption, estimated remaining useful lives and the residual value.

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

E2-1 Fair value measurement (continued)

Operational and community land

Council's "operational" land by definition has no special restrictions other than those that may apply to any piece of land.

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Level 2 valuation inputs were used to value land in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sale prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Previously Community Land was valued by APV valuers, however as of 2018 Council has elected to use valuations as supplied by NSW Valuer General in accordance with the Code of Accounting Practice.

Buildings (specialised and non-specialised)

Council buildings incorporate, Administrative buildings, libraries, sporting club houses and canteens, public amenities, depot buildings and workshops, rural fire service sheds, community centres, community halls etc.

Buildings were valued by APV Valuers in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts with different useful lives and taking into account a range of factors such as asset condition, pattern of consumption, estimated remaining useful lives and the residual value. While all buildings were physically inspected, inputs such as estimation of condition and pattern of consumption required extensive professional judgement and are therefore unobservable. As such, these assets were all classified as having been valued using Level 3 valuation inputs.

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

Other structures

This asset class comprises playgrounds, floodlighting systems, irrigation systems, shelters, picnic tables, fences, BBQs, aerodrome runway etc.

Council engaged APV Valuers to value all other structures in 2018. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, asset condition and useful life required extensive professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Roads (including bulk earthworks)

This asset class includes the road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The full revaluation of road assets is undertaken every five years and the last valuation was performed in-house by Council's Financial and Engineering staff as at 30 June 2020 using the cost approach. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for the asset class. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, asset condition, and dimensions.

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

E2-1 Fair value measurement (continued)

Bridges

Bridges were valued in-house by Council's Financial and Engineering staff in June 2020. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates asset condition and pattern of consumption required extensive professional judgement and accordingly impact on the final determination of fair value.

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

Footpaths

Footpaths were valued in-house by Council's Financial and Engineering staff in June 2020 using the cost approach. Footpaths are segmented to match the adjacent road segment and no further componentisation was undertaken. Condition information is updated as changes in the network are observed. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, asset condition, and dimensions.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

Stormwater drainage

Stormwater drainage refers to the system for the collection, storage and removal of stormwater. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater drainage assets is undertaken every 5 years and the last valuation was completed in June 2020 by Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Water supply network

Council's Water Supply Network assets include water meters, water mains & pipelines, pump stations, treatment plants, reservoirs and connections. The full revaluation of Water Supply assets is undertaken every 5 years and the last valuation was completed in June 2017 by Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, residual values, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Council indexes Water Supply assets each year in line with the NSW Water Supply & Sewerage Construction Cost Indices as published by NSW Office of Water.

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

Sewerage network

Council's Sewerage Network assets include sewer mains, pump stations and treatment plants. The full revaluation of Sewerage Network assets is undertaken every 5 years and the last valuation was completed in June 2017 by Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, residual values, asset condition and useful life) require significant professional

E2-1 Fair value measurement (continued)

judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Council indexes Sewerage Network assets each year in line with the NSW Water Supply & Sewerage Construction Cost Indices as published by NSW Office of Water.

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

Swimming pools

The swimming pool assets include all assets located within the swimming facilities at Inverell and Ashford. These assets were valued by APV Valuers in June 2018. The valuation methodology used by APV for these valuations are the same as that used by APV for Specialised buildings and Other Structures. Inputs such as estimates of the pattern of consumption, asset condition and useful life require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Other open spaces and recreational assets

Council's Open Space & Recreational Assets include all assets within our sporting field and park locations. This includes but not limited to, ovals, playing courts, playgrounds, fences and shelters. These assets were valued by APV Valuers in June 2018. The valuation methodology used by APV for these valuations are the same as that used by APV Valuers for Specialised buildings and Other Structures. Inputs such as estimates of the pattern of consumption, residual values, asset condition and useful life require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Tip and quarry assets

The Inverell Landfill and Materials Recovery Facility is located on Burtenshaw's Road Inverell. This facility encompasses a landfill operation as well as a wide range of waste disposal services, resource recovery services, recycled and reclaimed products.

Council also operates rural landfills at Delungra, Bonshaw and Tingha, and waste transfer stations at Yetman and Ashford.

Council utilise and maintain approximately forty eight quarries (gravel pits) within the Shire.

It has been recognised that there will be significant costs associated with the closure and post closure management of these landfills and quarries.

Closure of these landfill sites and quarries will involve a wide range of activities and may include preparation of a Site Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final gas management system, revision of the surface water management system and leachate management infrastructure to suit post closure operations, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

An evaluation of costs for site closure and post closure management has been undertaken by Council's Financial and Engineering Staff each year. The key unobservable inputs are the discount rate, estimated costs, actual timing of costs and future environment management requirements. These inputs require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

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

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

c. The valuation process for level 3 fair value measurements

Level 3 valuations process for some asset classes where the basis was Cost Approach, the inputs used were:

- Pattern of consumption
- Componentisation
- Asset Condition
- Unit Rates
- Useful Life

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

	Level 3 fair value assets	
	2021 \$ '000	2020 \$ '000
Opening balance	765,899	649,268
Total gains or losses for the period		
Other movements		
Purchases (GBV)	20,640	17,104
Disposals (WDV)	(1,609)	(801)
Depreciation and impairment	(12,594)	(10,800)
Adjustments	–	43,795
Revaluation Increments to Equity	1,197	67,333
Closing balance	773,533	765,899

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

No transfers were made in or out of level Fair Value Hierarchy

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2020.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$40M per annum) is assessed annually by the Actuary.

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$178,345.84. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30th June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$143,899.00. Council's expected contribution to the plan for the next annual reporting period is \$166,662.00.

E3-1 Contingencies (continued)

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

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

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

Based on past service liability methodology, for item (d) (iv), the share of any funding surplus or deficit that can be attributed to Council is 0.36%.

We advise that under item (d) (v), it is estimated that there are \$142,600.00 past service contributions remaining.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	946	894
Post-employment benefits	67	60
Termination benefits	39	–
Total	1,052	954

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Nature of the transaction	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021						
Contractors	1	264	–	Standard Terms	–	–
Consultancy & Subscriptions	2	57	–	Standard Terms	–	–

1 Council contracts to a local company for plant hire and gravel haulage following a public procurement process. The principal is a related party to a KMP

2 Council is a member of an advocate group which represent all NSW Councils to help strengthen and protect and effective democratic system of local government across NSW. A KMP is an elected board member.

F1-2 Councillor and Mayoral fees and associated expenses

	2021	2020
	\$ '000	\$ '000

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	27	26
Councillors' fees	112	113
Other Councillors' expenses (including Mayor)	22	14
Total	161	153

F2 Other relationships

F2-1 Audit fees

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

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

	50	56
--	----	----

Remuneration for audit and other assurance services	50	56
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Total Auditor-General remuneration

	50	56
--	----	----

(i) Audit and other assurance services

Audit and review of financial statements

	2	2
--	---	---

Remuneration for audit and other assurance services	2	2
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Total audit fees

	52	58
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G Other matters

G1-1 Statement of Cash Flows information

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

	2021 \$ '000	2020 \$ '000
Net result from Income Statement	12,350	53,251
Adjust for non-cash items:		
Depreciation and amortisation	12,109	10,383
Net losses/(gains) on disposal of assets	809	81
Non-cash capital grants and contributions	(319)	(43,730)
Adoption of AASB 15/1058	–	(446)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(19)	(29)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	546	796
Increase/(decrease) in provision for impairment of receivables	(24)	101
Decrease/(increase) in inventories	(33)	26
Decrease/(increase) in other current assets	(223)	(38)
Decrease/(increase) in contract assets	(2,849)	(1,394)
Increase/(decrease) in payables	(457)	682
Increase/(decrease) in other accrued expenses payable	(55)	10
Increase/(decrease) in other liabilities	328	(24)
Increase/(decrease) in contract liabilities	1,475	2,070
Increase/(decrease) in provision for employee benefits	364	673
Increase/(decrease) in other provisions	207	19
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	24,209	22,431

(b) Non-cash investing and financing activities

Bushfire grants	47	16
Other dedications	272	–
Boundary Adjustment with Armidale Regional Council - Transfer of Tingha Village & surrounding area assets	–	43,714
Total non-cash investing and financing activities	319	43,730

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
Capital expenditure committed at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Sewerage and water infrastructure	192	–
Buildings	39	604
Plant and equipment	189	1,110
Other Structures	149	599
Road infrastructure	373	–
Office Equipment (IT)	–	69
Other	–	–
Investment property		
– Buildings	–	–
Total commitments	942	2,382
These expenditures are payable as follows:		
Within the next year	942	2,382
Total payable	942	2,382
Sources for funding of capital commitments:		
Unrestricted general funds	–	214
Unexpended grants	507	1,104
Externally restricted reserves	192	–
Internally restricted reserves	243	1,064
Total sources of funding	942	2,382

G3-1 Events occurring after the reporting date

Subsequent to year end, Council has entered into a contract to purchase land in an unregistered plan of subdivision of Part Lot 1 DP 322074 and Part Lot 1 DP 666824 in the amount of \$2.345M (GST Exclusive) for use as public road. The acquisition will be settled through grant funding.

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	50	9	–	–	–	–	59	–
Roads	571	31	–	2	–	–	604	–
Community facilities	–	3	–	–	(3)	–	–	–
S7.11 contributions – under a plan	621	43	–	2	(3)	–	663	–
Total S7.11 and S7.12 revenue under plans	621	43	–	2	(3)	–	663	–
S64 contributions	–	324	–	–	(324)	–	–	–
Total contributions	621	367	–	2	(327)	–	663	–

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

G4-2 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN – Shire of Inverell								
Drainage	50	9	–	–	–	–	59	–
Roads	571	31	–	2	–	–	604	–
Community facilities	–	3	–	–	(3)	–	–	–
Total	621	43	–	2	(3)	–	663	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6,346	12.91%	11.67%	14.70%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	49,161				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	31,850	56.94%	62.00%	67.59%	> 60.00%
Total continuing operating revenue ¹	55,932				
3. Unrestricted current ratio					
Current assets less all external restrictions	20,221	4.08x	6.57x	10.56x	> 1.50x
Current liabilities less specific purpose liabilities	4,960				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	18,765	20.05x	16.51x	18.29x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	936				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,197	5.07%	6.03%	5.56%	< 10.00%
Rates and annual charges collectable	23,609				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	64,530	21.65	23.15	22.70	> 3.00
Monthly payments from cash flow of operating and financing activities	2,980	mths	mths	mths	mths

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	16.55%	15.01%	(7.33)%	(0.38)%	(3.08)%	(4.46)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	50.40%	55.31%	93.88%	89.37%	94.85%	89.80%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.08x	5.96x	7.36x	22.51x	16.40x	14.94x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	18.98x	29.04x	43.93x	6.28x	26.03x	4.06x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	4.95%	5.82%	5.47%	6.72%	5.51%	6.79%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.47 mths	16.19 mths	519.93 mths	635.83 mths	364.66 mths	440.58 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

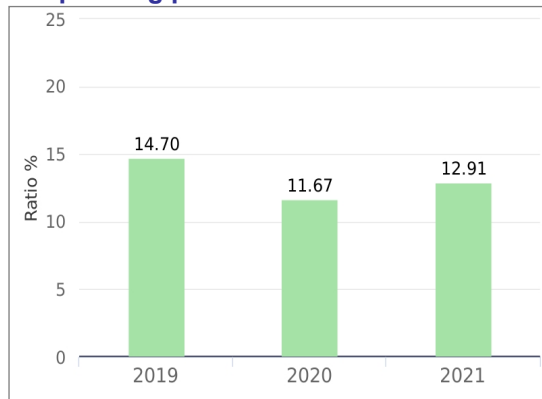
(1) - (2) Refer to Notes at Note G5-1 above.

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

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio 12.91%

This ratio indicates that Council's operating revenue, excluding capital grants are sufficient to cover operating expenditures. The Tcorp benchmark for this ratio is to have a result of better than -4% each year. The State Government benchmark is break even or better over a three year period which Council has achieved for the combined fund

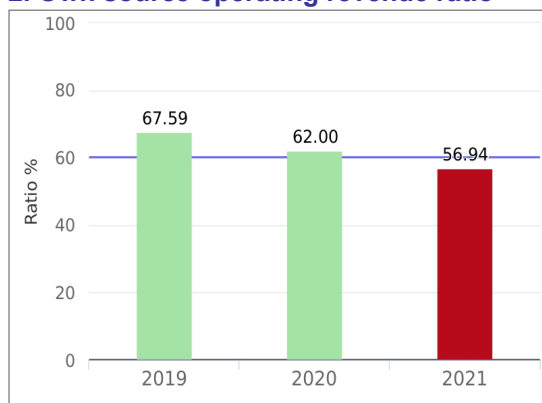
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 56.94%

Even though the 2020/21 ratio is below the benchmark Council's own source revenue ratio over the last three year is above the Tcorp benchmark of greater than 60%. The State Government benchmark requires Council's own source operating revenue to be greater than 60% over a three year average, which Council has achieved for the combined fund. This ratio has been impacted by the large amount of additional grants and contributions received in 2020/21.

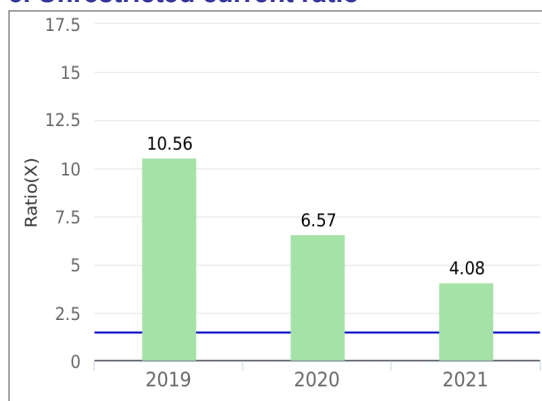
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 4.08x

This ratio indicates that Council currently projected to have \$4.08 (Excluding externally restricted funds) available to service every \$1.00 of debt as it falls due.

The ratio of 4.08:1 is above the Tcorp benchmark of 1.5:1 and demonstrates Council's ability to satisfy short term obligations.

This ratio reduced due to a decrease in Current Assets, now shown as Non-Current assets, due to an increase in long term investments

Benchmark: — > 1.50x

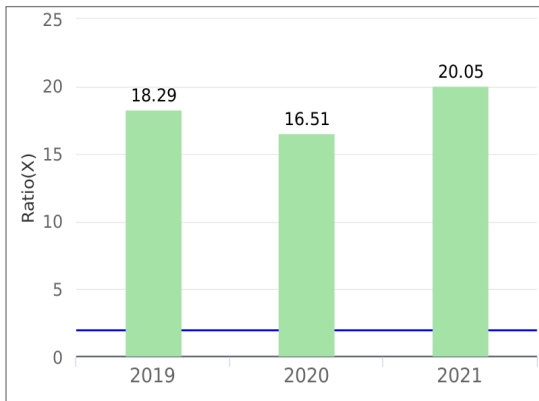
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 20.05x

The debt service cover ratio of 20.05 times indicates that Council has \$20.05 before interest and depreciation to pay each \$1.00 of interest and principal repayments on current borrowings. Council's ability to generate sufficient cash to cover its debt payment is sound and is in excess of Tcorp benchmark 2.0 times

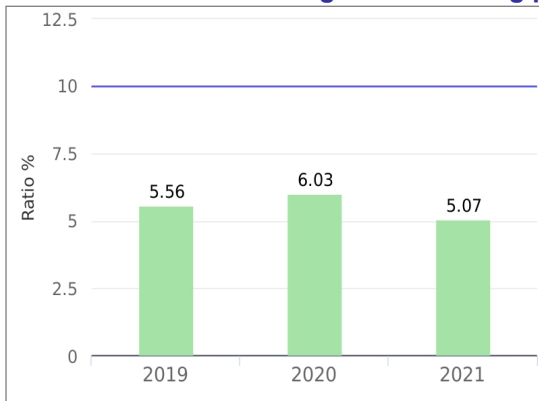
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 5.07%

This ratio indicates the percentage of rates and annual charges outstanding at the end of the financial year, and is a measure of how well Council is managing debt recovery. Council ratio of 5.07% is satisfactory and is better than Tcorp benchmark of less than 10%.

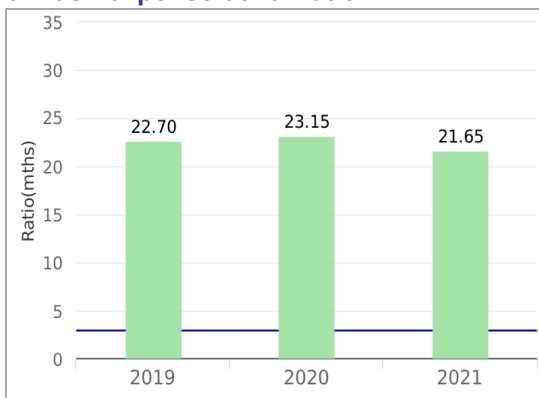
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 21.65 mths

As indicated with a ratio of 21.65 months, Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and exceeds the Tcorp benchmark of 3 months.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

144 Otho Street
INVERELL NSW 2360

Contact details**Mailing Address:**

PO BOX 138
INVERELL NSW 2360

Telephone: 02 67 288 288

Facsimile: 02 67 288 277

Opening hours:

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

Internet: www.inverell.nsw.gov.au

Email: council@inverell.nsw.gov.au

Officers**General Manager**

Paul Henry

Responsible Accounting Officer

Paul Pay

Public Officer

Paul Pay

Auditors

Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Elected members**Mayor**

Paul Harmon

Councillors

Anthony Michael
Di Baker
Paul King
Kate Dight
Mal Peters
Stewart Berryman
Neil McCosker
Jacki Watts

Other information

ABN: 72695204530



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Inverell Shire Council

To the Councillors of Inverell Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

28 October 2021
SYDNEY



Cr Paul Harmon
Mayor
Inverell Shire Council
PO Box 138
INVERELL NSW 2360

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D2122863/1744

28 October 2021

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	22.2	21.4	↑ 3.7
Grants and contributions revenue	24.1	17.9	↑ 34.6
Operating result from continuing operations	12.4	53.3	↓ 76.7
Net operating result before capital grants and contributions	5.6	4.8	↑ 16.7

The Council's operating result from continuing operations (\$12.4 million including depreciation and amortisation expense of \$12.1 million) was \$40.9 million lower than the 2019–20 result. This is mainly due to transfers of infrastructure, property, plant and equipment in 2019-20 arising from the proclamation to adjust the Shire boundary to incorporate the township of Tingha and surrounding areas from Armidale Regional Council for \$43.7 million (the boundary adjustment). Excluding the boundary adjustment, the net operating result from continuing operations was \$2.8 million higher than the 2019-20 result. The major reasons for the increase include:

- \$2.4 million increase in user charges and fees from Transport for NSW for maintenance and construction of state roads
- \$4.2 million increase in grants and contributions for operating purposes due to the Fixing Local Roads Program, Restart NSW Copeton Dam operational works and additional disaster recovery funding following the March 2021 floods
- \$2.0 million increase in grants and contributions for capital purposes due to the recreational facilities construction at Copeton Dam and Local Roads and Community Infrastructure grant.

These increases were offset by:

- \$3.1 million increase in raw materials and consumables expenses attributed to additional operating grants revenue received
- \$1.7 million increase in depreciation, amortisation and impairment expenses following the revaluation of roads, bridges, footpaths and other road assets in 2019-20
- \$728,000 increase in loss on disposals of non-current assets due to additional disposals of infrastructure from renewals.

The net operating result before capital grants and contributions \$5.6 million was \$800,000 higher than the 2019-20 result due to the receipt of the additional funding discussed above.

Rates and annual charges revenue (\$22.2 million) increased by \$827,000 (3.7 per cent) in 2020–21 mainly due to the normal rate peg allowance increases in the year.

Grants and contributions revenue (\$24.1 million) increased by \$6.2 million (34.6 per cent) in 2020-21 due to the following additional funding:

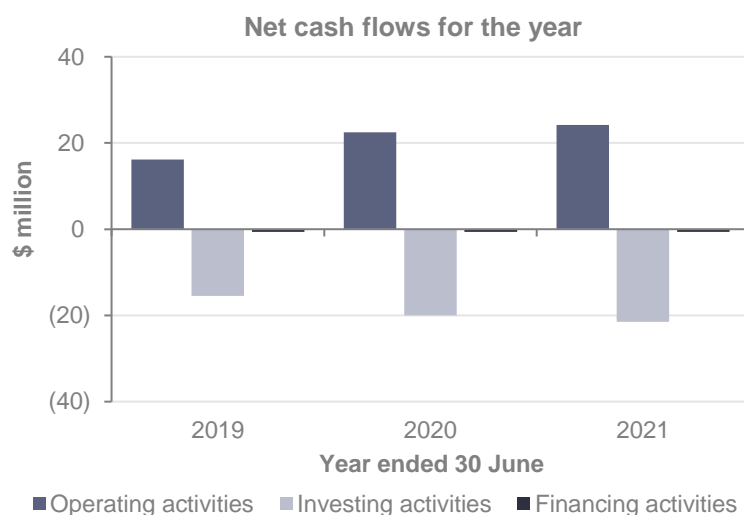
- \$681,000 Restart NSW recreation grant (operating)
- \$1.8 million Fixing Local Roads (operating)
- \$606,000 natural disaster (operating)
- \$1.9 million Restart NSW recreation (capital)
- \$1.2 million Local Roads and Community Infrastructure (capital).

STATEMENT OF CASH FLOWS

Cash flows from operating activities increased by \$1.8 million due to increases in grants and contributions and user charges and fees, partially offset by an increase in materials and services expenditure.

Cash outflows from investing activities increased by \$1.5 million due to higher capital expenditure on infrastructure, property, plant and equipment assets.

Cash outflows from financing activities related to the repayment of borrowings and remained consistent with prior years.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	69.6	65.1	
Restricted cash and investments:			
• External restrictions	30.6	26.9	Major external restrictions relate to water and sewer funds, waste management, specific purpose unexpended grants held for the construction of a roundabout at the Gwydir highway and Tingha road intersection and disaster recovery funding. The main increase in external restrictions of \$932,000 related to the water fund.
• Internal restrictions	28.9	27.8	Major internal restrictions include the financial assistance grant received in advance, employee leave entitlements, plant replacements, economic development and baths improvements. The main increase in internal restrictions relate to the baths improvement for future upgrades to swimming pools.

PERFORMANCE

Performance measures

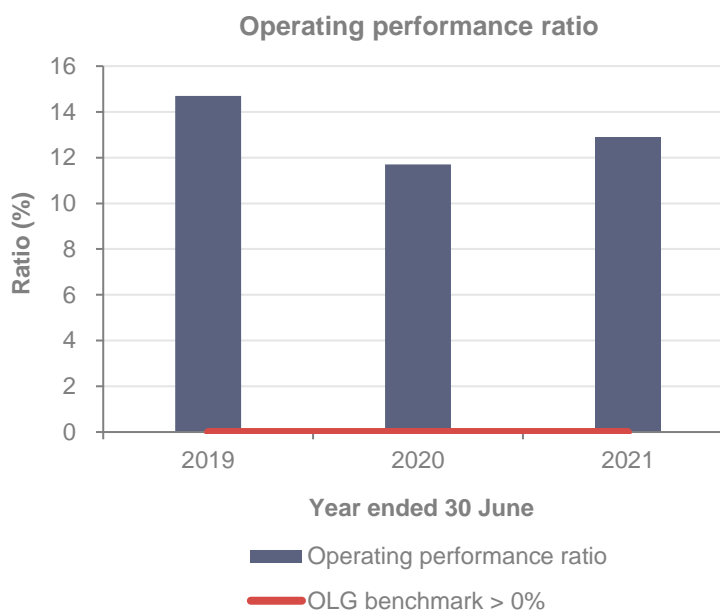
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

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

The increase in the 2020-21 ratio is due to an increase in operating revenue relating to user charges and fees and grants and contributions for operating purposes, partially offset by an increase in operating expenses.

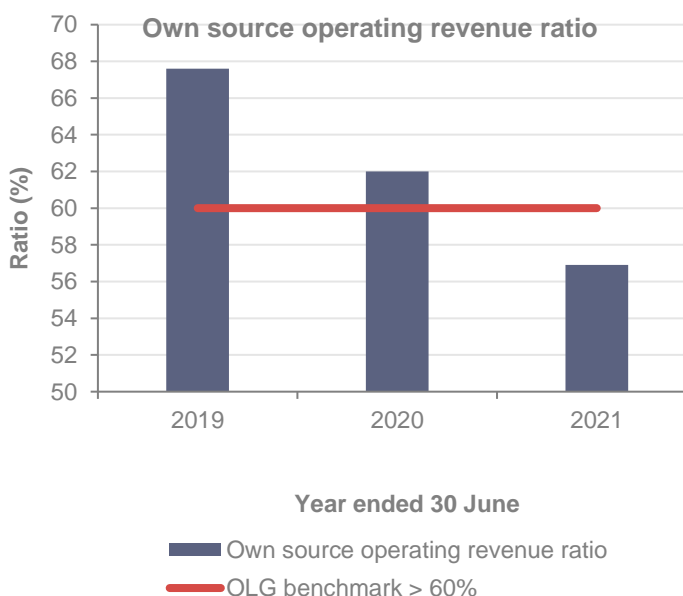


Own source operating revenue ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

The decrease in the 2020-21 ratio is due to the increase in grants and contributions received in the year.

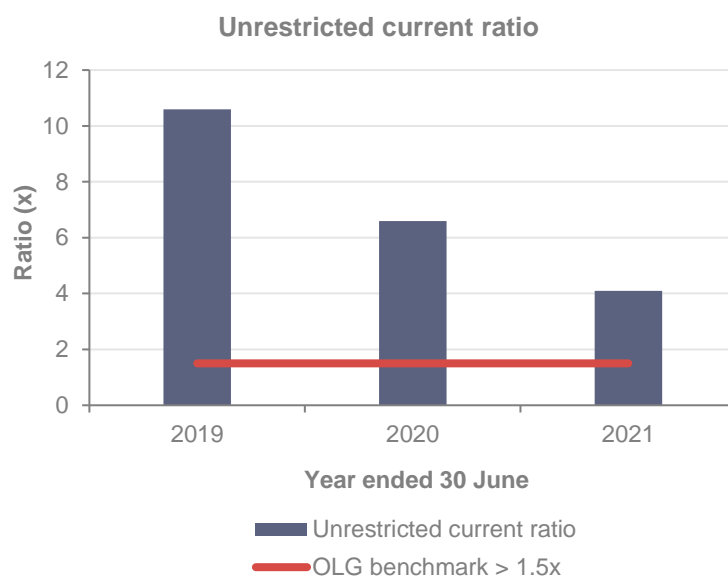


Unrestricted current ratio

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

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

The decrease in the 2020-21 ratio is due to a decrease in current assets as Council holds fewer current investments than previous years.

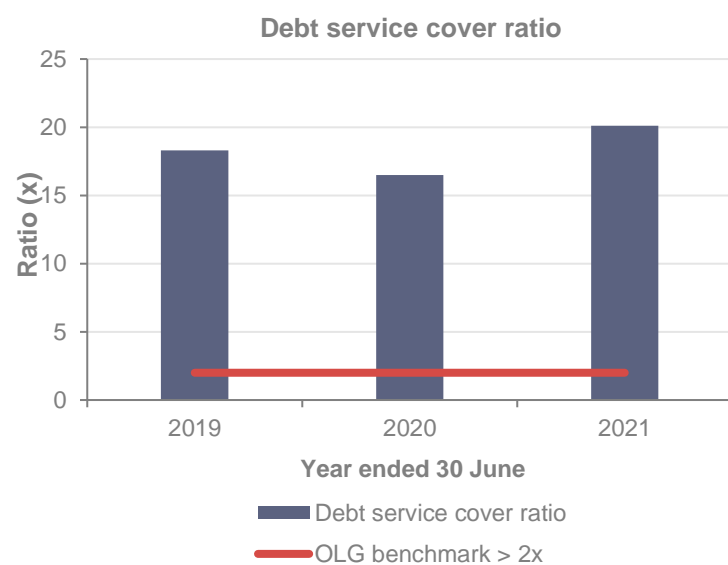


Debt service cover ratio

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

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

The increase in the 2020-21 ratio is due to the overall increase in the operating result from continuing operations, excluding interest, depreciation, impairment, and amortisation.

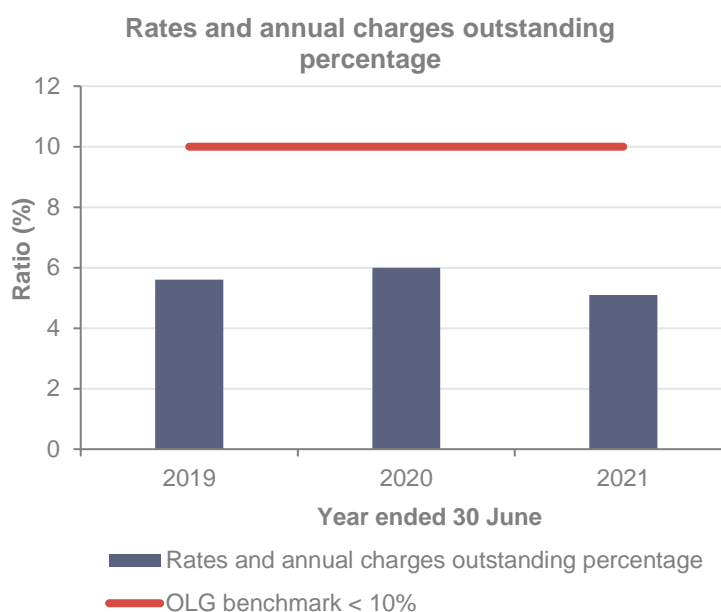


Rates and annual charges outstanding percentage

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

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

The decrease in the 2020-21 ratio is due to debt recovery through the sale of rateable properties in Tingha during the year.

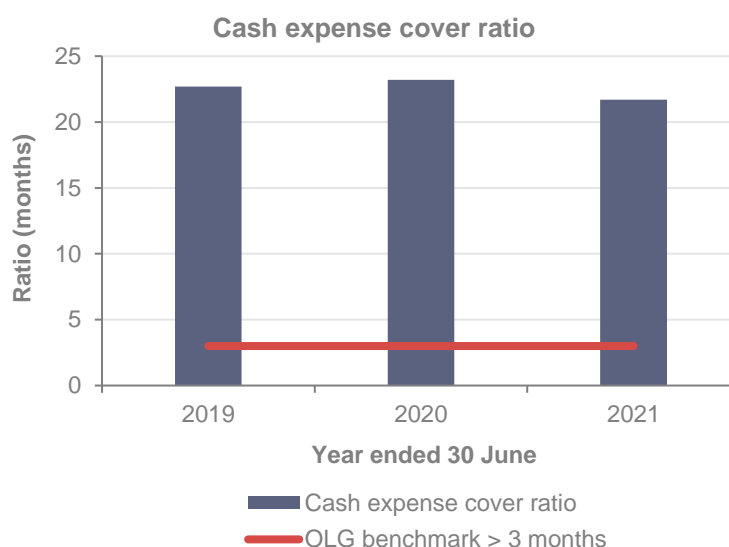


Cash expense cover ratio

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

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

The 2020-21 ratio remains consistent with prior years.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$12.5 million. This increased by \$889,000 compared to 2019-20 due to Council increasing its renewal works in accordance with its infrastructure management plans. Renewal expenditure was below depreciation for the year by \$104,000.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council did not identify any service concession arrangements as part of adopting this standard.

Legislative compliance

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

cc: Mr Paul Henry, General Manager
Mr Phil Schwenke, Chair of the Audit, Risk and Improvement Committee
Mr Paul Pay, Director Corporate and Economic Services
Mr Geoff Allen, Principal, Forsyths
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Inverell Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

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).

Inverell Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year
- 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.

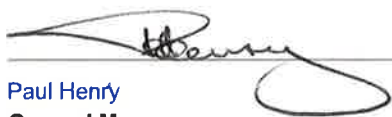
Signed in accordance with a resolution of Council made on 22 September 2021



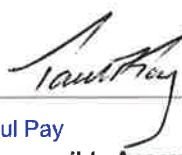
Paul Harmon
Mayor
22 September 2021



Anthony Michael
Councillor
22 September 2021



Paul Henry
General Manager
22 September 2021



Paul Pay
Responsible Accounting Officer
22 September 2021

Inverell Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	2,314	2,200
User charges	2,486	3,012
Interest	157	197
Grants and contributions provided for non-capital purposes	71	99
Other revenue	74	79
Total income from continuing operations	5,102	5,587
Expenses from continuing operations		
Employee benefits and on-costs	1,237	1,143
Borrowing costs	29	41
Materials and services	2,502	2,716
Depreciation, amortisation and impairment	1,621	1,604
Water purchase charges	87	98
Debt guarantee fee (if applicable)	2	3
Total expenses from continuing operations	5,478	5,605
Surplus (deficit) from continuing operations before capital amounts	(376)	(18)
Grants and contributions provided for capital purposes	257	553
Surplus (deficit) from continuing operations after capital amounts	(119)	535
Gain on Boundary Adjustment	–	2,047
Surplus (deficit) from all operations before tax	(119)	2,582
Surplus (deficit) after tax	(119)	2,582
Plus accumulated surplus	24,520	21,935
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	2	3
Closing accumulated surplus	24,403	24,520
Return on capital %	(0.4)%	0.0%
Subsidy from Council	505	744
Calculation of dividend payable:		
Surplus (deficit) after tax	(119)	2,582
Surplus for dividend calculation purposes	–	2,582
Potential dividend calculated from surplus	–	1,291

Inverell Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	2,738	2,579
User charges	26	9
Interest	54	155
Grants and contributions provided for non-capital purposes	87	93
Other revenue	18	12
Total income from continuing operations	2,923	2,848
Expenses from continuing operations		
Employee benefits and on-costs	607	610
Borrowing costs	39	48
Materials and services	1,282	1,255
Depreciation, amortisation and impairment	1,070	1,062
Debt guarantee fee (if applicable)	4	5
Other expenses	15	—
Total expenses from continuing operations	3,017	2,980
Surplus (deficit) from continuing operations before capital amounts	(94)	(132)
Grants and contributions provided for capital purposes	67	220
Surplus (deficit) from continuing operations after capital amounts	(27)	88
Gain on Boundary Adjustment	—	4,768
Surplus (deficit) from all operations before tax	(27)	4,856
Surplus (deficit) after tax	(27)	4,856
Plus accumulated surplus	22,618	17,757
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	4	5
Closing accumulated surplus	22,595	22,618
Return on capital %	(0.1)%	(0.2)%
Subsidy from Council	26	509
Calculation of dividend payable:		
Surplus (deficit) after tax	(27)	4,856
Surplus for dividend calculation purposes	—	4,856
Potential dividend calculated from surplus	—	2,428

Inverell Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	922	1,498
Investments	3,504	8,000
Receivables	715	682
Inventories	136	126
Total current assets	5,277	10,306
Non-current assets		
Investments	9,023	3,019
Infrastructure, property, plant and equipment	86,687	87,194
Total non-current assets	95,710	90,213
Total assets	100,987	100,519
LIABILITIES		
Current liabilities		
Contract liabilities	22	94
Payables	76	12
Borrowings	241	229
Employee benefit provisions	378	335
Total current liabilities	717	670
Non-current liabilities		
Borrowings	190	431
Total non-current liabilities	190	431
Total liabilities	907	1,101
Net assets	100,080	99,418
EQUITY		
Accumulated surplus	24,403	24,520
Revaluation reserves	75,677	74,898
Total equity	100,080	99,418

Inverell Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,608	586
Investments	3,001	3,000
Receivables	222	229
Inventories	7	11
Total current assets	4,838	3,826
Non-current assets		
Investments	3,000	3,500
Infrastructure, property, plant and equipment	47,881	48,250
Total non-current assets	50,881	51,750
Total assets	55,719	55,576
LIABILITIES		
Current liabilities		
Payables	10	4
Borrowings	209	201
Employee benefit provisions	76	133
Total current liabilities	295	338
Non-current liabilities		
Borrowings	623	832
Total non-current liabilities	623	832
Total liabilities	918	1,170
Net assets	54,801	54,406
EQUITY		
Accumulated surplus	22,595	22,618
Revaluation reserves	32,206	31,788
Total equity	54,801	54,406

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supply – Water Supply Activities

b. Waste Water/Sewerage – Waste Water/Sewerage Activities

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.

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

Notional rate applied (%)

Corporate income tax rate – 26% (19/20 27.5%)

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

Note – Significant Accounting Policies (continued)

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

In accordance with the Department of Planning, Industry and Environment (DPIE) – Best practice management of Water Supply and Sewer 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 Department of Planning, Industry and Environment (DPIE) - Best practise 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 Department of Planning, Industry and Environment (DPIE) – Best practice management of Water Supply and Sewer Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26%. (19/20 27.5%)

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

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

The rate applied of 26% (2019/20 27.5%) is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

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

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Planning, Industry and Environment (DPIE) – Best practice management of Water Supply and Sewer Guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30th June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Planning, Industry and Environment (DPIE)– 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 Planning, Industry and Environment (DPIE) – Water.

For the Year ended 30/6/2021 Council has not met the conditions of the Best Practise Management Guide and accordingly no dividend has been declared.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Inverell Shire Council

To the Councillors of Inverell Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

28 October 2021
SYDNEY

Inverell Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

Inverell Shire Council

Special Schedules

for the year ended 30 June 2021

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Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2021	7

Inverell Shire Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	13,548	14,359
Plus or minus adjustments ²	b	449	34
Notional general income	c = a + b	13,997	14,393
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	364	288
Sub-total	k = (c + g + h + i + j)	14,361	14,681
Plus (or minus) last year's carry forward total	l	1	3
Sub-total	n = (l + m)	1	3
Total permissible income	o = k + n	14,362	14,684
Less notional general income yield	p	14,359	14,682
Catch-up or (excess) result	q = o - p	3	2
Plus income lost due to valuation objections claimed ⁴	r	—	2
Carry forward to next year ⁶	t = q + r + s	3	4

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Inverell Shire Council

To the Councillors of Inverell Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

28 October 2021
SYDNEY

Inverell Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	352	343	24,059	29,729	76.5%	20.8%	2.8%	0.0%	0.0%
	Buildings – specialised	–	–	25	22	10,110	16,138	32.2%	62.6%	5.2%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	377	365	34,169	45,867	60.9%	35.5%	3.6%	0.0%	0.0%
Other structures	Other structures	–	–	1,132	1,139	11,848	14,372	81.4%	18.0%	0.7%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,132	1,139	11,848	14,372	81.4%	18.0%	0.7%	0.0%	0.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	7,119	7,119	3,308	3,057	216,952	267,011	13.8%	68.3%	15.3%	2.7%	0.0%
	Unsealed roads	–	–	1,799	1,768	47,971	56,207	8.2%	84.5%	7.3%	0.0%	0.0%
	Bridges	–	–	210	273	111,389	156,606	0.6%	81.9%	16.9%	0.6%	0.0%
	Footpaths	–	–	159	181	7,649	10,231	4.5%	94.5%	1.1%	0.0%	0.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	109,815	109,815	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	7,119	7,119	5,476	5,279	493,776	599,870	25.4%	61.3%	11.9%	1.4%	0.0%
Water supply network	Water supply network	–	–	1,115	1,225	85,571	125,715	20.9%	66.9%	12.2%	0.0%	0.0%
	Other	–	–	–	–	1	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,115	1,225	85,572	125,715	20.9%	66.9%	12.2%	0.0%	0.0%
Sewerage network	Sewerage network	–	–	918	907	47,057	80,357	22.8%	37.9%	39.0%	0.3%	0.0%
	Other	–	–	–	–	(1)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	918	907	47,056	80,357	22.8%	37.9%	39.0%	0.3%	0.0%
Stormwater drainage	Stormwater drainage	–	–	51	147	28,438	30,088	9.5%	89.2%	1.3%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	51	147	28,438	30,088	9.5%	89.2%	1.3%	0.0%	0.0%

Inverell Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	98	105	3,030	4,590	0.0%	30.8%	39.2%	30.0%	0.0%
	Other	—	—	914	994	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other Open Space/Recreational Assets	—	—	—	—	17,543	21,317	79.0%	19.2%	1.9%	0.0%	0.0%
	Sub-total	—	—	1,012	1,099	20,573	25,907	65.0%	21.3%	8.5%	5.3%	0.0%
Total – all assets		7,119	7,119	10,081	10,161	721,432	922,176	27.8%	57.9%	13.3%	1.1%	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

Inverell Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	9,304	92.87%	93.92%	152.66%	>= 100.00%
Depreciation, amortisation and impairment	10,018				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	7,119	0.98%	0.99%	0.84%	< 2.00%
Net carrying amount of infrastructure assets	728,203				
Asset maintenance ratio					
Actual asset maintenance	10,161	100.79%	100.82%	100.53%	> 100.00%
Required asset maintenance	10,081				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	7,119	0.77%	0.78%	0.66%	
Gross replacement cost	922,176				

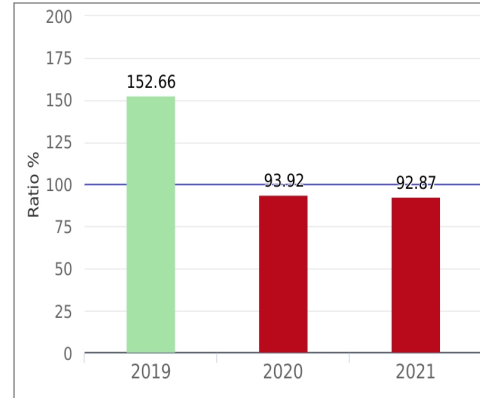
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Inverell Shire Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

20/21 ratio 92.87%

Council's long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. This year council achieved 92.87% which is marginally lower than the required benchmark of 100%. However, Council's long term infrastructure renewals exceeds the benchmark on average over recent years.

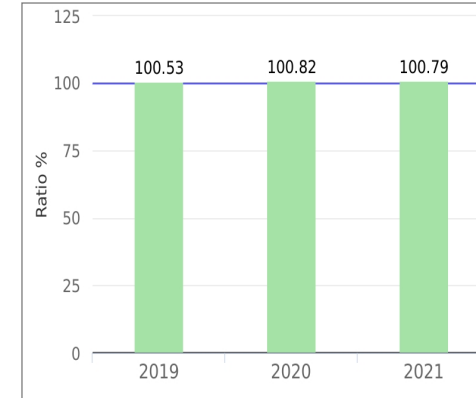
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

20/21 ratio 100.79%

Council's Asset Maintenance Ratio of 100.79% is marginally higher than the required benchmark of greater than 100%, which indicates that the level of expenditure on the maintenance of infrastructure is sufficient to prevent the infrastructure backlog from growing.

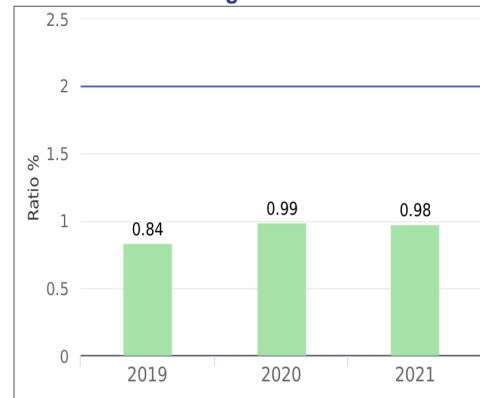
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

20/21 ratio 0.98%

Council completed an independent review of its Road Infrastructure Asset Class in 2015 & 2020. The results of this review have been utilised to determine Council's actual Infrastructure Backlog.

The benchmark is less than 2%

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

20/21 ratio 0.77%

At 0.77% Council meets the benchmark for this newly introduced ratio which is lower than the required benchmark of less than 2%

This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculation

Inverell Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	108.56%	130.86%	5.82%	20.15%	116.84%	0.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.20%	1.21%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	99.76%	100.09%	109.87%	110.38%	98.80%	94.84%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.99%	1.01%	0.00%	0.00%	0.00%	0.00%	

(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.