

Cowra Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021



Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

116 Kendal Street
Cowra NSW 2794

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.cowracouncil.com.au

Cowra 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 27 September 2021.


Cr WJ West
Mayor
27 September 2021


Paul Devery
General Manager
27 September 2021


Cr JA Smith
Councillor
27 September 2021


Michael Jones
Responsible Accounting Officer
27 September 2021

Cowra Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
14,418	Rates and annual charges	B2-1	14,426	13,927
12,413	User charges and fees	B2-2	12,043	11,137
1,972	Other revenue	B2-3	2,415	1,871
7,144	Grants and contributions provided for operating purposes	B2-4	9,421	7,806
16,238	Grants and contributions provided for capital purposes	B2-4	12,381	2,616
624	Interest and investment income	B2-5	279	669
155	Other income	B2-6	164	182
741	Net gains from the disposal of assets	B4-1	863	702
53,705	Total income from continuing operations		51,992	38,910
	Expenses from continuing operations			
14,720	Employee benefits and on-costs	B3-1	15,305	14,806
11,023	Materials and services	B3-2	13,391	10,301
1,109	Borrowing costs	B3-3	1,123	1,146
7,217	Depreciation, amortisation and impairment for non-financial assets	B3-4	7,366	7,094
1,363	Other expenses	B3-5	1,264	1,173
35,432	Total expenses from continuing operations		38,449	34,520
18,273	Operating result from continuing operations		13,543	4,390
18,273	Net operating result for the year attributable to Council		13,543	4,390
2,035	Net operating result for the year before grants and contributions provided for capital purposes		1,162	1,774

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

Cowra Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		13,543	4,390
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	6,582	8,938
Total items which will not be reclassified subsequently to the operating result		6,582	8,938
Total other comprehensive income for the year		6,582	8,938
Total comprehensive income for the year attributable to Council		20,125	13,328

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

Cowra Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	6,073	6,169
Investments	C1-2	26,421	25,286
Receivables	C1-4	4,476	5,312
Inventories	C1-5	1,510	1,827
Contract assets and contract cost assets	C1-6	1,287	523
Other		33	-
Total current assets		39,800	39,117
Non-current assets			
Inventories	C1-5	148	148
Infrastructure, property, plant and equipment	C1-7	618,519	599,267
Other		174	174
Total non-current assets		618,841	599,589
Total assets		658,641	638,706
LIABILITIES			
Current liabilities			
Payables	C3-1	2,306	2,912
Contract liabilities	C3-2	2,595	1,051
Borrowings	C3-3	1,384	1,309
Employee benefit provisions	C3-4	5,033	4,964
Total current liabilities		11,318	10,236
Non-current liabilities			
Borrowings	C3-3	15,299	16,683
Employee benefit provisions	C3-4	277	191
Provisions	C3-5	460	434
Total non-current liabilities		16,036	17,308
Total liabilities		27,354	27,544
Net assets		631,287	611,162
EQUITY			
Accumulated surplus	C4-1	211,389	197,846
IPPE revaluation reserve	C4-1	419,898	413,316
Council equity interest		631,287	611,162
Total equity		631,287	611,162

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

Cowra 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	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000							
Opening balance at 1 July		197,846	413,316	611,162	193,969	404,378	598,347
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(513)	–	(513)
Restated opening balance		197,846	413,316	611,162	193,456	404,378	597,834
Net operating result for the year		13,543	–	13,543	4,390	–	4,390
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	6,582	6,582	–	8,938	8,938
Other comprehensive income		–	6,582	6,582	–	8,938	8,938
Total comprehensive income		13,543	6,582	20,125	4,390	8,938	13,328
Closing balance at 30 June		211,389	419,898	631,287	197,846	413,316	611,162

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

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
14,418	Rates and annual charges		14,261	13,750
12,413	User charges and fees		13,587	11,092
624	Investment and interest revenue received		343	730
23,382	Grants and contributions		15,153	10,383
–	Bonds, deposits and retention amounts received		131	446
2,128	Other		4,408	4,203
<i>Payments:</i>				
(14,487)	Employee benefits and on-costs		(15,187)	(14,241)
(11,024)	Materials and services		(14,654)	(10,642)
(1,109)	Borrowing costs		(1,106)	(1,118)
–	Bonds, deposits and retention amounts refunded		(108)	(415)
(1,363)	Other		(2,841)	(3,983)
24,982	Net cash flows from operating activities	G1-1a	13,987	10,205
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		26,786	24,286
–	Sale of real estate assets		620	607
233	Sale of infrastructure, property, plant and equipment		565	304
33	Deferred debtors receipts		–	2
<i>Payments:</i>				
–	Purchase of investment securities		(26,786)	(25,286)
–	Acquisition of term deposits		(1,135)	–
(25,818)	Purchase of infrastructure, property, plant and equipment		(12,824)	(11,599)
–	Deferred debtors and advances made		–	33
(25,552)	Net cash flows from investing activities		(12,774)	(11,653)
Cash flows from financing activities				
<i>Receipts:</i>				
375	Proceeds from borrowings		–	2,450
<i>Payments:</i>				
(1,308)	Repayment of borrowings		(1,309)	(1,147)
(933)	Net cash flows from financing activities		(1,309)	1,303
(1,503)	Net change in cash and cash equivalents		(96)	(145)
–	Cash and cash equivalents at beginning of year		6,169	6,314
(1,503)	Cash and cash equivalents at end of year	C1-1	6,073	6,169
26,651	plus: Investments on hand at end of year	C1-2	26,421	25,286
25,148	Total cash, cash equivalents and investments		32,494	31,455

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

Cowra 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 dd MMMM yyyy. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (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 infrastructure, property, plant and equipment – refer Note C1-7
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

COVID-19 Impacts

During the 2021 financial year, Covid-19 has continued to cause a disruption to Council's business practices with a number of staff working remotely from home or at other Council facilities away from the main administration building when required. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Some additional costs have been incurred in cleaning of council facilities.

Rate collections and 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 physical 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.

For assets where fair value is determined by market value Council has no evidence of material changes to these values.

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Waste Fund

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not make use of volunteer services for its operations and therefore no income or expenses have been brought in.

New accounting standards and interpretations issued not yet effective

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

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

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

New accounting standards adopted during the year

During the year Council adopted all 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 those newly adopted standards had an impact on Council's reported financial position, financial performance and/or associated financial statement.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Civic Activities	27	18	532	425	(505)	(407)	–	–	–	–
Administration	733	573	6,674	6,335	(5,941)	(5,762)	10	–	29,344	29,031
Public Order and Safety	1,567	496	888	713	679	(217)	1,450	64	4,324	3,605
Health	16	47	2	39	14	8	4	36	751	878
Environment	5,841	5,288	3,912	4,141	1,929	1,147	199	140	26,980	28,540
Community Services and Education	2	193	154	376	(152)	(183)	2	191	577	591
Housing and community amenities	1,902	682	3,286	2,479	(1,384)	(1,797)	1,250	261	2,827	992
Water Supplies	6,621	7,303	5,669	5,605	952	1,698	463	204	74,355	73,830
Sewerage services	10,253	3,847	2,647	2,393	7,606	1,454	6,506	68	47,217	40,800
Recreation and culture	1,363	1,086	4,582	3,898	(3,219)	(2,812)	1,003	828	31,924	26,452
Mining, manufacture and construction	274	193	95	77	179	116	323	–	382	359
Transport and communications	5,245	2,811	5,807	3,955	(562)	(1,144)	5,186	3,283	435,768	429,087
Economic affairs	5,992	4,171	4,201	4,084	1,791	87	537	538	4,294	4,541
General purpose income	12,156	12,202	–	–	12,156	12,202	4,869	4,809	–	–
Other	–	–	–	–	–	–	–	–	(102)	–
Total functions and activities	51,992	38,910	38,449	34,520	13,543	4,390	21,802	10,422	658,641	638,706

B1-2 Components of functions or activities

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

Civic Activities

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public Order and Safety

Fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Health

Inspection & food control.

Environment

Noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; street cleaning, drainage and stormwater management.

Community Services and Education

Youth services; aged and disabled persons services.

Housing and community amenities

Public cemeteries; public conveniences; street lighting; town planning; housing and other community amenities.

Water Supplies

Sewerage services

Recreation and culture

Public libraries; art galleries; community centres and halls, sporting grounds and venues; swimming pools; parks; gardens; and cultural services.

Mining, manufacture and construction

Building control, quarries and pits.

Transport and communications

Urban local, urban regional, sealed and unsealed roads, bridges, footpaths, parking areas, bus shelters and aerodromes.

Economic affairs

Caravan parks; tourism and area promotion; industrial development promotion; sale yards; real estate development; and other business undertakings.

General purpose income

Includes rates and annual charges excluding water and sewer, non-capital general purpose grants, interest on overdue rates and charges, and interest on investments excluding externally restricted assets.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	2,603	2,531
Farmland	3,133	3,058
Mining	21	20
Business	1,377	1,342
Less: pensioner rebates (mandatory)	(185)	(186)
Rates levied to ratepayers	6,949	6,765
Pensioner rate subsidies received	102	102
Total ordinary rates	7,051	6,867
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,589	2,495
Water supply services	1,832	1,748
Sewerage services	2,876	2,736
Waste management services (non-domestic)	237	240
Less: pensioner rebates (mandatory)	(353)	(354)
Annual charges levied	7,181	6,865
Pensioner subsidies received:		
– Water	63	64
– Sewerage	42	42
– Domestic waste management	89	89
Total annual charges	7,375	7,060
Total rates and annual charges	14,426	13,927
Timing of revenue recognition for rates and annual charges		
Rates and annual charges recognised at a point in time (2)	14,426	13,927
Total rates and annual charges	14,426	13,927

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	2	4,255	5,258
Sewerage services	2	758	779
Total specific user charges		5,013	6,037
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	426	344
Private works – section 67	2	155	59
Total fees and charges – statutory/regulatory		581	403
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	2	2
Caravan park	2	749	442
Cemeteries	2	265	313
Community centres	2	110	3
Transport for NSW works (state roads not controlled by Council)	2	3,445	2,451
Saleyards	2	482	513
Sundry sales	2	27	–
Swimming centres	2	199	220
Waste disposal tipping fees	2	953	547
Water connection fees	2	59	76
Other	2	158	130
Total fees and charges – other		6,449	4,697
Total user charges and fees		12,043	11,137
Timing of revenue recognition for user charges and fees			
User charges and fees recognised at a point in time (2)		12,043	11,137
Total user charges and fees		12,043	11,137

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.

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Fines	2	27	36
Diesel rebate	2	95	92
Insurance claims recoveries	2	50	—
Recycling income (non-domestic)	2	1,929	1,386
Cultural and community activities	2	42	20
Insurance rebate	2	45	86
Lease back contributions	2	123	135
Rural Fire Service reimbursement	2	59	75
Other	2	45	41
Total other revenue		2,415	1,871

Timing of revenue recognition for other revenue

Other revenue recognised at a point in time (2)

	2,415	1,871
Total other revenue	2,415	1,871

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 are recognised as revenue when the service has been provided, the payment is received, whichever occurs first.

Fines are recognised when the penalty is paid.

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,618	1,610	–	–
Financial assistance – local roads component	2	733	724	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,733	1,703	–	–
Financial assistance – local roads component	2	785	772	–	–
Amount recognised as income during current year		4,869	4,809	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Waste Management	1	–	–	105	–
Water supplies	1	–	90	424	74
Sewerage services	2	–	214	–	–
Community care	2	6	38	–	–
Community centres	1	893	189	401	–
Economic development	2	2	–	50	–
Employment and training programs	2	10	18	–	–
Environmental programs	2	94	157	–	–
Heritage and cultural	2	36	31	–	10
LIRS subsidy	2	39	48	–	–
Library	2	95	69	–	25
NSW rural fire services	2	–	–	527	301
Street lighting	2	66	66	–	–
Recreation and culture	1	90	31	673	686
Transport (other roads and bridges funding)	1	700	51	2,499	1,281
Transport (roads to recovery)	2	1,297	1,449	–	–
Other specific grants	2	–	–	–	4
Roads and bridges	2	689	11	–	4
Transport for NSW contributions (regional roads, block grant)	2	535	535	–	–
Total special purpose grants and non-developer contributions – cash		4,552	2,997	4,679	2,385
Non-cash contributions					
Bushfire services	2	–	–	923	60
Sewerage (excl. section 64 contributions)	2	–	–	6,506	–
Total other contributions – non-cash		–	–	7,429	60
Total special purpose grants and non-developer contributions (tied)		4,552	2,997	12,108	2,445
Total grants and non-developer contributions		9,421	7,806	12,108	2,445
Comprising:					
– Commonwealth funding		7,084	6,258	1,159	1,090
– State funding		1,609	1,520	10,601	1,292
– Other funding		728	28	348	63
		9,421	7,806	12,108	2,445

B2-4 Grants and contributions (continued)**Developer contributions**

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	25	17
S 7.12 – fixed development consent levies		2	–	–	149	100
S 64 – water supply contributions		2	–	–	42	20
S 64 – sewerage service contributions		2	–	–	57	34
Total developer contributions – cash			–	–	273	171
Total developer contributions			–	–	273	171
Total contributions			–	–	273	171
Total grants and contributions			9,421	7,806	12,381	2,616
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			1,661	361	4,102	1,892
Grants and contributions recognised at a point in time (2)			7,760	7,445	8,279	724
Total grants and contributions			9,421	7,806	12,381	2,616

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions (non-developer)				
Unspent funds at 1 July	556	716	602	393
Add: operating grants recognised as income in the current period but not yet spent	476	35	33	4
Add: Funds received and not recognised as revenue in the current year	65	469	2,263	582
Less: capital grants recognised in a previous reporting period now spent	(54)	(664)	(4)	(377)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(459)	—	(325)	—
Unspent funds at 30 June	584	556	2,569	602
Contributions (developer)				
Unspent funds at 1 July	—	—	191	219
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	—	—	184	117
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	—	—	(191)	(145)
Unspent contributions at 30 June	—	—	184	191

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

Developer contributions

B2-4 Grants and contributions (continued)

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	51	125
– Cash and investments	228	511
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	–	33
Total interest and investment income	279	669

Interest and investment income is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	24	48
General Council cash and investments	213	509

Restricted investments/funds – external:

Development contributions		
– Section 7.11	1	3
Water fund operations	16	37
Sewerage fund operations	21	54
Domestic waste management operations	4	18

Total interest and investment income	279	669
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Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Other lease income			
Aerodrome land		30	28
Fire Control Centre		8	8
Housing		6	9
Treatment Works land		12	20
Visitors Centre & Cafe		74	76
Other Council properties		34	41
Total Other lease income		164	182
Total rental income	C2-2	164	182
Total other income		164	182

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	12,159	11,789
Employee leave entitlements (ELE)	2,390	2,529
Superannuation – defined contribution plans	1,179	1,134
Superannuation – defined benefit plans	269	275
Workers' compensation insurance	369	280
Fringe benefit tax (FBT)	24	30
Total employee costs	16,390	16,037
Less: capitalised costs	(1,085)	(1,231)
Total employee costs expensed	15,305	14,806
Number of 'full-time equivalent' employees (FTE) at year end	187	189
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	195	197

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		8,989	5,832
Contractor and consultancy costs		1,724	1,407
Audit Fees	F2-1	74	72
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	148	186
Advertising		115	80
Bank charges		51	48
Electricity and heating		840	1,022
Insurance		442	427
Street lighting		297	298
Telephone and communications		227	199
Valuation fees		53	57
Travel expenses		10	37
Contributions to community groups		–	210
Training costs (other than salaries and wages)		205	184
Legal expenses:			
– Legal expenses: planning and development		76	67
– Legal expenses: other		56	81
Expenses from short-term leases		–	9
Expenses from leases of low value assets		84	85
Total materials and services		13,391	10,301
Total materials and services		13,391	10,301

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		1,097	1,122
Total interest bearing liability costs		1,097	1,122
Total interest bearing liability costs expensed		1,097	1,122
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	26	24
Total other borrowing costs		26	24
Total borrowing costs expensed		1,123	1,146

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		1,525	1,386
Office equipment		17	18
Furniture and fittings		6	6
Infrastructure:	C1-7		
– Buildings		709	699
– Roads		1,373	1,323
– Bridges		144	143
– Footpaths		83	80
– Other road assets		50	48
– Stormwater drainage		277	277
– Water supply network		1,924	1,895
– Sewerage network		722	714
– Swimming pools		74	73
– Other open space/recreational assets		140	136
– Aerodrome		50	50
Other assets:			
– Other		267	240
Reinstatement, rehabilitation and restoration assets:			
– Quarry asset	C3-5, C1-7	5	6
Total gross depreciation and amortisation costs		7,366	7,094
Total depreciation and amortisation costs		7,366	7,094
Total depreciation, amortisation and impairment for non-financial assets		7,366	7,094

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets.

Impairment of non-financial assets

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

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

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

B3-5 Other expenses

\$ '000	2021	2020
Other		
Contributions/levies to other levels of government	899	871
Emergency services levy (includes FRNSW, SES, and RFS levies)	365	302
Total other	1,264	1,173
Total other expenses	1,264	1,173

Accounting policy

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

B4 Gains or losses

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		565	304
Less: carrying amount of plant and equipment assets sold/written off		(217)	(88)
Gain (or loss) on disposal		348	216
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		620	607
Less: carrying amount of real estate assets sold/written off		(105)	(121)
Gain (or loss) on disposal		515	486
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		26,786	24,286
Less: carrying amount of investments sold/redeemed/matured		(26,786)	(24,286)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		863	702

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 22/06/2020 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				
Other revenues	1,972	2,415	443	22% F
Proceeds from the sale of recycled material such as aluminium, PET and scrap steel was well above original budget.				
Operating grants and contributions	7,144	9,421	2,277	32% F
Grants were received for Drought Communities \$872,000, Growing Local Economies \$696,000, Cabonne Council bridge contribution \$689,000.				
Capital grants and contributions	16,238	12,381	(3,857)	(24)% U
Additional capital grants and contributions were received for:				
<ul style="list-style-type: none"> Local Roads and Community Infrastructure \$547,000 Rural Fire Service plant & equipment \$863,000 Rural Fire Service sheds \$428,000 SES shed Gooloogong \$80,000 Fixing Local Roads \$1,409,000 Stronger Country Communities \$428,000 Growing Local Economies \$166,000 Building Better Regions \$415,000 Woodstock Landfill rehabilitation \$105,000 Inlet screen upgrade \$327,000 Developer contributions \$101,000 Planning Portal \$50,000 Wyangala Sewer Treatment Plant handover non-cash \$6,506,000 				
A number of grants originally budget were not received:				
<ul style="list-style-type: none"> Cowra Drought Water Supply (\$14,903,000) due to delay in project commencement Drought Communities footpaths (\$485,000) program reallocation 				
Interest and investment revenue	624	279	(345)	(55)% U
Interest on investments was below budget due to the continuing fall in interest rates.				
Net gains from disposal of assets	741	863	122	16% F
Gains on disposal was above budget due to additional land sales.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
Other income	155	164	9	6% F

Income from leased land was less than original budget.

EXPENSES

Materials and services	11,023	13,391	(2,368)	(21)% U
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Council's budget is based on a "normal" mix of self-constructed and contract works. The process of calling and accepting tenders during the year can impact significantly on the mix, resulting in the variation of this item.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	24,982	13,987	(10,995)	(44)% U
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The variation in the cash flow from operating activities is due to the reduction in grant income.

Cash flows from investing activities	(25,552)	(12,774)	12,778	(50)% F
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Capital expenditure was less than budget principally due to the delay in commencement of the drought water program.

Cash flows from financing activities	(933)	(1,309)	(376)	40% U
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Council did not take up the loan borrowings that were budgeted.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	3,173	1,169
Cash-equivalent assets		
– Deposits at call	2,300	3,500
– Short-term deposits	600	1,500
Total cash and cash equivalents	6,073	6,169

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	6,073	6,169
Balance as per the Statement of Cash Flows	6,073	6,169

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	26,421	–	25,286	–
Total	26,421	–	25,286	–
Total financial investments	26,421	–	25,286	–
Total cash assets, cash equivalents and investments	32,494	–	31,455	–

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

Council classifies all its financial assets as loans and receivable.

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.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	32,494	–	31,455	–

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	2,206	1,051
Specific purpose unexpended loans – general	–	430
Specific purpose unexpended grants – water fund	389	–
External restrictions – included in liabilities	2,595	1,481

External restrictions

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

Developer contributions – general	126	191
Developer contributions – sewer fund	58	–
Specific purpose unexpended grants – general fund	558	107
Water fund	7,105	6,869
Sewer fund	7,466	7,678
Sewerage services – Wyangala Sewerage Treatment Plant	1,638	1,813
Domestic waste management	894	698

External restrictions – other

External restrictions – other	17,845	17,356
Total external restrictions	20,440	18,837

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

\$ '000	2021	2020
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	2,203	2,633
Infrastructure (Built Asset) replacement	2,505	2,718
Employees leave entitlement	1,005	750
Carry over works	315	822
Deposits, retentions and bonds	492	448
Art gallery	3	3
Bad debts	59	52
Business assistance	119	131
Caravan park	811	566
Depot redevelopment	101	121
Election	127	80
Environmental projects	8	8
Financial assistance advance payment	2,518	2,475
Fire mitigation	16	16
Gravel rehabilitation	339	305
Lachlan River precinct	141	141
Main St improvements	69	161
Pedestrian and cycle plan	50	50
Saleyards	52	49
Section 611	–	155
RMS Warranty	250	250
Waste Long Service Leave	102	24
Statewide	116	124
Statecover	163	172
Rural Roads	–	3
Street Trees	–	1
Civic Centre	7	–
Peace Precinct	8	8
Total internal restrictions	11,579	12,266
Total restrictions	32,019	31,103

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	2,430	–	2,293	–
User charges and fees	1,684	–	2,605	–
Accrued revenues				
– Interest on investments	43	–	107	–
– Other income accruals	85	–	–	–
Deferred debtors	6	–	6	–
Government grants and subsidies	70	–	70	–
Net GST receivable	169	–	244	–
Other debtors	2	–	–	–
Total	4,489	–	5,325	–
Less: provision of impairment				
User charges and fees	(13)	–	(13)	–
Total provision for impairment – receivables	(13)	–	(13)	–
Total net receivables	4,476	–	5,312	–

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.

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.

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.

Covid 19

Council's rate and user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income has been slightly impacted in 2020/21 due to the State Government legislating that rate instalments could be deferred until September 30 and no interest could be charged for the first 6 months.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	549	148	654	148
Stores and materials	961	–	1,084	–
Other	–	–	89	–
Total inventories at cost	1,510	148	1,827	148
Total inventories	1,510	148	1,827	148

(i) Other disclosures

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development				
Residential	–	148	72	148
Industrial/commercial	549	–	582	–
Total real estate for resale	549	148	654	148

(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;

\$ '000	2021	2020
Real estate for resale	350	392
	350	392

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6	1,287	523
Total contract assets and contract cost assets		1,287	523

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Other	1,287	–	523	–
Total contract assets	1,287	–	523	–

Significant changes in contract assets

There were numerous new grant funded programs that had not reached milestones and therefore not invoiced as at 30 June.

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.

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	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	5,846	—	5,846	2,650	1,047	—	—	(4,671)	—	—	4,872	—	4,872
Plant and equipment	24,021	(17,416)	6,605	—	3,225	(217)	(1,525)	—	—	—	25,408	(17,320)	8,088
Office equipment	138	(53)	85	14	248	—	(17)	—	—	—	400	(70)	330
Furniture and fittings	55	(42)	13	—	—	—	(5)	—	—	—	55	(47)	8
Land:													
— Operational land	5,631	—	5,631	—	—	—	—	—	1,800	—	7,431	—	7,431
— Community land	14,468	—	14,468	—	—	—	—	—	(1,800)	3,745	16,413	—	16,413
Infrastructure:													
— Buildings	35,316	(17,375)	17,941	145	—	—	(709)	536	—	—	35,996	(18,083)	17,913
— Roads	134,563	(36,084)	98,479	2,459	346	—	(1,373)	81	—	—	137,449	(37,457)	99,992
— Bridges	26,721	(5,035)	21,686	—	—	—	(144)	—	—	—	26,722	(5,180)	21,542
— Footpaths	9,840	(2,713)	7,127	1,021	154	—	(83)	3,066	—	—	14,080	(2,795)	11,285
— Other road assets (including bulk earthworks)	2,494	(637)	1,857	12	—	—	(50)	—	—	—	2,506	(687)	1,819
— Bulk earthworks (non-depreciable)	289,732	—	289,732	—	—	—	—	—	—	—	289,732	—	289,732
— Stormwater drainage	36,864	(10,741)	26,123	55	—	—	(277)	3	—	—	36,922	(11,018)	25,904
— Water supply network	126,340	(62,867)	63,473	1,022	66	—	(1,924)	294	—	584	128,885	(65,370)	63,515
— Sewerage network	53,784	(25,183)	28,601	755	6,523	—	(722)	48	—	263	61,605	(26,137)	35,468
— Swimming pools	2,319	(1,459)	860	—	—	—	(74)	—	—	1,014	4,500	(2,700)	1,800
— Other open space/recreational assets	4,066	(2,241)	1,825	146	110	—	(140)	511	—	692	5,125	(1,981)	3,144
Aerodrome	4,603	(1,192)	3,411	—	—	—	(50)	—	—	—	4,603	(1,242)	3,361
Other assets:													
— Other	7,733	(2,316)	5,417	219	36	—	(267)	132	—	284	9,043	(3,222)	5,821
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
— Quarry assets	174	(87)	87	—	—	—	(6)	—	—	—	174	(93)	81
Total infrastructure, property, plant and equipment	784,708	(185,441)	599,267	8,498	11,755	(217)	(7,366)	—	—	6,582	811,921	(193,402)	618,519

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	1,447	–	1,447	4,523	556	–	–	(638)	(42)	–	–	5,846	–	5,846
Plant and equipment	23,745	(16,873)	6,872	–	1,135	(88)	(1,386)	72	–	–	–	24,021	(17,416)	6,605
Office equipment	127	(35)	92	–	11	–	(18)	–	–	–	–	138	(53)	85
Furniture and fittings	153	(134)	19	–	–	–	(6)	–	–	–	–	55	(42)	13
Land:														
– Operational land	5,568	–	5,568	–	63	–	–	–	–	–	–	5,631	–	5,631
– Community land	14,468	–	14,468	–	–	–	–	–	–	–	–	14,468	–	14,468
Infrastructure:														
– Buildings	34,961	(16,675)	18,286	114	138	–	(699)	102	–	–	–	35,316	(17,375)	17,941
– Roads	134,862	(17,475)	117,387	3,062	137	–	(1,323)	60	(1,119)	(19,725)	–	134,563	(36,084)	98,479
– Bridges	25,936	(2,711)	23,225	184	–	–	(143)	–	–	(1,580)	–	26,721	(5,035)	21,686
– Footpaths	9,144	(1,042)	8,102	–	341	–	(80)	7	27	(1,270)	–	9,840	(2,713)	7,127
– Other road assets (including bulk earthworks)	2,772	(1,226)	1,546	18	–	–	(48)	113	1,449	(1,221)	–	2,494	(637)	1,857
– Bulk earthworks (non-depreciable)	258,377	–	258,377	–	–	–	–	36	(785)	–	32,104	289,732	–	289,732
– Stormwater drainage	32,589	(5,136)	27,453	11	–	–	(277)	1	–	(1,065)	–	36,864	(10,741)	26,123
– Water supply network	124,492	(60,399)	64,093	491	64	–	(1,895)	111	–	–	609	126,340	(62,867)	63,473
– Sewerage network	52,746	(24,239)	28,507	369	155	–	(714)	13	–	–	271	53,784	(25,183)	28,601
– Swimming pools	2,293	(1,387)	906	27	–	–	(73)	–	–	–	–	2,319	(1,459)	860
Aerodrome	–	–	–	–	–	–	(50)	–	2,646	–	815	4,603	(1,192)	3,411
– Other open space/recreational assets	4,008	(2,105)	1,903	38	–	–	(136)	20	–	–	–	4,066	(2,241)	1,825
Other assets:														
– Other	10,112	(2,604)	7,508	172	92	–	(240)	103	(2,218)	–	–	7,733	(2,316)	5,417
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Quarry assets	175	(82)	93	–	–	–	(6)	–	–	–	–	174	(87)	87
Total infrastructure, property, plant and equipment	737,975	(152,123)	585,852	9,009	2,692	(88)	(7,094)	–	(42)	(24,861)	33,799	784,708	(185,441)	599,267

(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

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	4	Playground equipment	5 to 15
Office furniture	20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50
Other plant and equipment	5 to 15		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	100
Bores	20 to 40	Culverts	50 to 75
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	62	Bulk earthworks	infinite
Sealed roads: structure	166	Swimming pools	50
Unsealed roads	55	Other open space/recreational assets	50 to 100
Bridge: concrete	75 to 250	Other infrastructure	5 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.

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

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

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.

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

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.

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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Office and IT equipment

Leases for photocopiers and IT equipment are considered low value assets. The leases range from 4 to 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

The lease for survey equipment has now reached maturity and was classified as short term.

(a) Income Statement

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

\$ '000	2021	2020
Expenses relating to short-term leases	–	9
Expenses relating to low-value leases	84	85
	84	94

(b) Statement of Cash Flows

Total cash outflow for leases	84	94
	84	94

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

Council has a lease at significantly below market for a parcel of land used as a carpark.

The lease fee is \$10 per annum. The use of the right-to-use asset is restricted by the lessors to specified for carparking which Council must provide, these services are detailed in the leases.

Council does not believe that the lease is material from a statement of financial position or performance perspective.

Accounting policy

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

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

\$ '000	2021	2020
(ii) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of community groups and grazing licences, the table below relates to operating leases on assets disclosed in C1-7.		
Lease income (excluding variable lease payments not dependent on an index or rate)	164	182
Total income relating to operating leases for Council assets	164	182

Amount of IPPE leased out by Council under operating leases

Land	4,364	—
Buildings	3,683	—
Total amount of IPPE leased out by Council under operating leases	8,047	—

(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	202	154
1–2 years	78	43
2–3 years	66	41
3–4 years	30	29
4–5 years	30	28
> 5 years	80	68
Total undiscounted lease payments to be received	486	363

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	972	–	1,126	–
Accrued expenses:				
– Borrowings	74	–	83	–
– Other expenditure accruals	199	–	637	–
Security bonds, deposits and retentions	492	–	469	–
Prepaid rates	569	–	597	–
Total payables	2,306	–	2,912	–
Total payables	2,306	–	2,912	–

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	2,520	–	582	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	75	–	469	–
Total grants received in advance		2,595	–	1,051	–
Total contract liabilities		2,595	–	1,051	–

Notes

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

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

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	325	224
Operating grants (received prior to performance obligation being satisfied)	459	136
Total revenue recognised that was included in the contract liability balance at the beginning of the period	784	360

Significant changes in contract liabilities

The majority of the contract liabilities from 2019/20 were spent and council received several large grants at year end that could not be spent in the financial year including Fixing Local Roads, Public Open Spaces and new Rural Fire Services headquarters.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	1,384	15,299	1,309	16,683
Total borrowings	1,384	15,299	1,309	16,683

⁽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 E2-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	17,992	(1,309)	–	–	–	–	16,683
Total liabilities from financing activities	17,992	(1,309)	–	–	–	–	16,683

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	16,689	(1,147)	2,450	–	–	–	17,992
Total liabilities from financing activities	16,689	(1,147)	2,450	–	–	–	17,992

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	60	60
Total financing arrangements	560	560
Drawn facilities		
– Credit cards/purchase cards	14	15
Total drawn financing arrangements	14	15
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	46	45
Total undrawn financing arrangements	546	545

⁽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

C3-3 Borrowings (continued)

transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	1,648	–	1,553	–
Long service leave	3,385	277	3,411	191
Total employee benefit provisions	5,033	277	4,964	191

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,600	3,700
	3,600	3,700

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

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	460	–	434
Sub-total – asset remediation/restoration	–	460	–	434
Total provisions	–	460	–	434

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	434	434
Unwinding of discount	26	26
Total other provisions at end of year	460	460
2020		
At beginning of year	410	410
Unwinding of discount	24	24
Total other provisions at end of year	434	434

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs 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.

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	9,804	1,780	2,842
User charges and fees	7,045	4,260	738
Interest and investment revenue	242	16	21
Other revenues	1,317	839	259
Grants and contributions provided for operating purposes	9,382	39	–
Grants and contributions provided for capital purposes	5,351	467	6,563
Net gains from disposal of assets	863	–	–
Other income	164	–	–
Total income from continuing operations	34,168	7,401	10,423
Expenses from continuing operations			
Employee benefits and on-costs	13,696	1,196	413
Materials and services	6,981	3,829	2,581
Borrowing costs	304	305	514
Depreciation, amortisation and impairment of non-financial assets	4,668	1,966	732
Other expenses	1,018	245	1
Total expenses from continuing operations	26,667	7,541	4,241
Operating result from continuing operations	7,501	(140)	6,182
Net operating result for the year	7,501	(140)	6,182
Net operating result attributable to each council fund	7,501	(140)	6,182
Net operating result for the year before grants and contributions provided for capital purposes	2,150	(607)	(381)

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	3,338	1,494	1,241
Investments	12,500	6,000	7,921
Receivables	2,049	1,780	647
Inventories	1,510	–	–
Contract assets and contract cost assets	1,287	–	–
Other	33	–	–
Total current assets	20,717	9,274	9,809
Non-current assets			
Inventories	148	–	–
Infrastructure, property, plant and equipment	516,364	64,808	37,347
Other	154	10	10
Total non-current assets	516,666	64,818	37,357
TOTAL ASSETS	537,383	74,092	47,166
LIABILITIES			
Current liabilities			
Payables	2,155	56	95
Contract liabilities	2,206	389	–
Borrowings	639	599	146
Employee benefit provision	4,640	345	48
Total current liabilities	9,640	1,389	289
Non-current liabilities			
Borrowings	5,056	4,144	6,099
Employee benefit provision	248	19	10
Provisions	460	–	–
Total non-current liabilities	5,764	4,163	6,109
TOTAL LIABILITIES	15,404	5,552	6,398
Net assets	521,979	68,540	40,768
EQUITY			
Accumulated surplus	164,493	17,509	29,387
Revaluation reserves	357,486	51,031	11,381
Council equity interest	521,979	68,540	40,768
Total equity	521,979	68,540	40,768

D2 Interests in other entities

D2-1 Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2021	2020
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Cowra Tourism

Council contributes to the operation of Cowra Tourism and has an agreement to provide financial support. The agreement expires on 30 June 2022.

Nature of risks relating to the Unconsolidated Structured Entity

Council currently contributes \$315,710 to the operation of the organisation including part funding of an Events Management Officer.

Council has no obligation to meet any costs other than the contribution amount.

Losses (or expenses) incurred by Council relating to the Structured Entity	316	307
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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.

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

Council's finance area manages the Cash and Investments portfolio.

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

The risks associated with the instruments held are:

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

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	325	314

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

(b) Credit risk

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

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

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.

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.

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	540	1,081	378	351	80	2,430
2020						
Gross carrying amount	628	997	334	262	72	2,293

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	1,940	99	2	–	18	2,059
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	72.00%	0.63%
ECL provision	–	–	–	–	13	13
2020						
Gross carrying amount	2,665	215	71	40	41	3,032
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	31.70%	0.43%
ECL provision	–	–	–	–	13	13

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

(c) Liquidity risk

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	492	1,245	–	–	1,737	1,737
Loans and advances	5.65%	–	2,405	8,019	15,822	26,246	16,683
Total financial liabilities		492	3,650	8,019	15,822	27,983	18,420
2020							
Trade/other payables	0.00%	469	1,846	–	–	2,315	2,315
Loans and advances	5.65%	–	2,405	8,798	17,448	28,651	17,992
Total financial liabilities		469	4,251	8,798	17,448	30,966	20,307

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Infrastructure, property, plant and equipment	C1-7						
Plant and equipment		–	–	8,088	6,605	8,088	6,605
Office furniture		–	–	330	85	330	85
Furniture and fittings		–	–	8	13	8	13
Operational land		1,729	1,729	5,702	3,902	7,431	5,631
Community land		–	–	16,413	14,468	16,413	14,468
Buildings		573	595	17,340	17,346	17,913	17,941
Roads		–	–	99,992	98,479	99,992	98,479
Bridges		–	–	21,542	21,686	21,542	21,686
Footpaths		–	–	11,285	7,127	11,285	7,127
Other Road Assets		–	–	1,819	1,857	1,819	1,857
Bulk earthworks		–	–	289,732	289,732	289,732	289,732
Stormwater drainage		–	–	25,903	26,123	25,903	26,123
Water supply		–	–	63,515	63,473	63,515	63,473
Sewerage network		–	–	35,468	28,601	35,468	28,601
Swimming pools		–	–	1,800	860	1,800	860
Other recreational assets		–	–	3,144	1,825	3,144	1,825
Other assets		–	–	5,821	5,417	5,821	5,417
Quarry assets		–	–	81	87	81	87
Aerodrome		–	–	3,361	3,411	3,361	3,411
Work in Progress		–	–	4,873	5,846	4,873	5,846
Total infrastructure, property, plant and equipment		2,302	2,324	616,217	596,943	618,519	599,267

Valuation techniques

E2-1 Fair value measurement (continued)

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:

Infrastructure, property, plant and equipment (IPPE)

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Operational Land – Industrial land, quarries, aerodrome, depot.

Valuation Techniques: 'Market approach'

Inputs Used (Levels 2 and 3): Land area and characteristics, rate per square metre, zoning restrictions, geographical location, sales of comparable land, proximity to services.

Council's Operational Land was valued by Australis Asset Advisory Group, to inspect, analyse, compare with related assets and to provide a comprehensive valuation in accordance with AASB and OLG as at 30 June 2018.

Under the NSW Legislation we have considered the subject land and the surrounding land to determine the form of valuation, taking into account the land characteristics, location, zoning, proximity to services. Market Value of Land as stated as per the Australian Property Institute in accordance with the guidelines "... the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion." "Asset includes property." Council has identified the subject property by a copy of the location map and the plans provided by Cowra Council and based upon our visual inspection.

Community Land – Parkland, sporting grounds, reserves, land under public buildings (halls & community centres)

Valuation Techniques: 'Market approach' adjusted for restrictions

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 30 June 2021)

Council's community land 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, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold;
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years; and
- Must have a plan of management for it.

Buildings – Community halls, toilet blocks, council offices, library, civic centre, works depot

E2-1 Fair value measurement (continued)

Valuation Techniques: 'Cost approach'

Inputs Used (Levels 2 and 3): Unit rates, useful life, asset condition, use of site, zoning and other restrictions

Council's buildings were valued at fair value as at 30th June 2018 in accordance with Compiled Accounting Standard AASB116 Property, Plant and Equipment, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction".

Council's Buildings were valued by Australis Asset Advisory Group as at 30 June 2018. Australis provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology.

Australis Asset Advisory Group estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is significant in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, split between short-life and long-life part, valuation profile and consumption score

Council's road infrastructure assets were last valued on 30 June 2020 by APV Valuers & Asset Management. As per Paragraph 43 of AASB116, Council's roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter
- Culverts

Roads – Sealed and Unsealed, Culverts and Kerb Gutter

Valuations were performed by APV Valuers & Asset Management using the assets data in Council's Asset Management System.

Bridges – (excluding culverts under 6 metres in length)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, split between short-life and long-life part, valuation profile and consumption score

Council's bridge infrastructure assets were last valued on 30 June 2020 by APV Valuers & Asset Management.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, split between short-life and long-life part, valuation profile and consumption score

Council's bridge infrastructure assets were last valued on 30 June 2020 by APV Valuers & Asset Management.

Stormwater Drainage – includes pits, drains

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Replacement cost, split between short-life and long-life part, valuation profile and consumption score

Council's bridge infrastructure assets were last valued on 30 June 2020 by APV Valuers & Asset Management

Water Supply – water mains, pump stations, treatment plant, reservoirs, meters

E2-1 Fair value measurement (continued)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Council's Water Treatment Plants were valued by Australis Asset Advisory Group with other system assets valued by council staff as at 30 June 2017. The valuation was based on the Department of Primary Industries Water (DPIW) Reference Rates Manual 2014 updated to May 2017.

The asset register was compiled in 2012 using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Unit rates were applied across the network. Condition data was then applied to each individual asset to provide a written down value.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Council's Sewer Treatment Plant was valued by Australis Asset Advisory Group with other network assets valued by council staff as at 30 June 2017. The valuation was based on the Department of Primary Industries Water (DPIW) Reference Rates Manual 2014 updated to May 2017.

The asset register was compiled in 2012 using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Unit rates were applied across the network. Condition data was then applied to each individual asset to provide a written down value.

Swimming Pool Council's swimming pool was last valued as at 30 June 2021 based on pool upgrade feasibility reports produced by a consultant.

Other Assets – Structures, Skate Park, Netball Courts, Cricket Nets, Basketball Courts, Caravan Park Cabins, Play Units, Memorials and Sheds

Council's other assets have been revalued in house by council staff as at 30 June 2021.

By using a combination of market information, unit rates and an expert knowledge in that area. The fair value was assessed by identifying individual assets, location and its services to the public.

Structures and shelters were valued by an independent valuer (Scott Fullarton Valuations Pty Ltd). The process included inspection, analysis and comparison with related assets and to provide a comprehensive valuation in accordance with AASB and OLG. The Gross Replacement Value is determined as at the date of valuation to allow for replacement with similar improvements in a condition equal to, but not better nor more extensive than, its condition when new. An additional allowance is made for professional costs such as architect, surveyor and consulting engineer fees. If the date of valuation differs significantly from the policy commencement date, then an adjustment to the value may be necessary.

BBQs – Market price based on quotation of "Mobile Outdoor Products" Quote.

Balance of the assets in this class are based on internal knowledge of Manager – Cowra Services and Manager – Assets.

Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuations are based on actual timing of costs and future environmental management requirement.

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

The valuation processes have been described above.

Management determines who will undertake the valuations.

The level 3 valuations are reviewed by councils assets and finance staff post valuation.

Valuations are undertaken in house with the exception of Operational Land, Buildings, Roads including bridges, footpaths and bulk earthworks, stormwater drainage, water and sewer assets treatment plants which were valued by external valuers appointed by council.

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Office furniture	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Furniture and fittings	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Operational land	Market Value	Price per sq metre
Community land	Land values obtained from NSW Valuer General	Land value, land area
Buildings	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Roads	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Bridges	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Footpaths	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Other Road Assets	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Bulk earthworks	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Stormwater drainage	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Water supply	NSW Reference Rates Manual	Unit rates, asset condition, remaining useful life
Sewerage network	NSW Reference Rates Manual	Unit rates, asset condition, remaining useful life
Swimming pools	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Other recreational assets	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Aerodrome	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Other assets	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Quarry assets	Cost used to approximate fair value	Discounted Future Cash Flow, remaining life, remediation cost estimates
Work in Progress	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life

E2-1 Fair value measurement (continued)

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

\$ '000	Total IPP&E	
	2021	2020
Opening balance	596,943	583,569
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	6,582	8,938
Other movements		
Transfers from/(to) another asset class	–	(42)
Purchases (GBV)	20,253	11,638
Disposals (WDV)	(217)	(88)
Depreciation and impairment	(7,344)	(7,072)
Closing balance	616,217	596,943

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 215,267. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$109,600. Council's expected contribution to the plan for the next annual reporting period is \$226,229.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is .30%

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

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

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

* Plus promotional increases

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

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

(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.

E3-1 Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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:

\$ '000	2021	2020
Compensation:		
Short-term benefits	993	977
Other long-term benefits	23	18
Total	1,016	995

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	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2021					
Employee expenses relating to close family members of KMP	64	6	Council staff award	—	—
2020					
Employee expenses relating to close family members of KMP	61	9	Council staff award	—	—

Council owes \$6,320 for 1 day payroll and accrued leave balances.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	27
Councillors' fees	98	109
Other Councillors' expenses (including Mayor)	23	50
Total	148	186

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	51	51
Remuneration for audit and other assurance services	51	51
Total Auditor-General remuneration	51	51
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services	23	21
Remuneration for audit and other assurance services	23	21
Total remuneration of non NSW Auditor-General audit firms	23	21
Total audit fees	74	72

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	13,543	4,390
Adjust for non-cash items:		
Depreciation and amortisation	7,366	7,094
Net losses/(gains) on disposal of assets	(863)	(702)
Non-cash capital grants and contributions	(7,429)	(60)
Adoption of AASB 15/1058	–	(513)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	–	(33)
Unwinding of discount rates on reinstatement provisions	26	24
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	836	(704)
Decrease/(increase) in inventories	212	(271)
Decrease/(increase) in other current assets	(33)	–
Decrease/(increase) in contract assets	(764)	(523)
Increase/(decrease) in payables	(154)	(900)
Increase/(decrease) in accrued interest payable	(9)	4
Increase/(decrease) in other accrued expenses payable	(438)	127
Increase/(decrease) in other liabilities	(5)	628
Increase/(decrease) in contract liabilities	1,544	1,051
Increase/(decrease) in provision for employee benefits	155	593
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	13,987	10,205

(b) Non-cash investing and financing activities

Wyangala sewer scheme	6,506	–
Bushfire grants	923	60
Total non-cash investing and financing activities	7,429	60

G2-1 Commitments

Capital commitments (exclusive of GST)

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

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

Property, plant and equipment

Buildings	3,604	–
Plant and equipment	353	–
Road infrastructure	–	1,357
Total commitments	3,957	1,357

These expenditures are payable as follows:

Within the next year	3,957	1,357
Total payable	3,957	1,357

Sources for funding of capital commitments:

Unrestricted general funds	–	127
Future grants and contributions	3,604	1,128
Internally restricted reserves	353	–
Unexpended loans	–	102
Total sources of funding	3,957	1,357

Details of capital commitments

Commitments consist of:

- Contract with NSW Rural Fire Service for the construction of the new NSW RFS/Cowra Council Area Command Precinct
- Contract with Tracserv Pty Limited for supply of an 8x4 truck.

G3 Statement of developer contributions as at 30 June 2021

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	–	1	–	–	(1)	–	–	–
Roads	–	2	–	–	(2)	–	–	–
Open space	–	1	–	–	(1)	–	–	–
Community facilities	–	1	–	–	(1)	–	–	–
Other	34	20	–	–	(47)	–	7	–
S7.11 contributions – under a plan	34	25	–	–	(52)	–	7	–
S7.12 levies – under a plan	157	149	–	1	(188)	–	119	–
Total S7.11 and S7.12 revenue under plans	191	174	–	1	(240)	–	126	–
S64 contributions	–	99	–	–	(41)	–	58	–
Total contributions	191	273	–	1	(281)	–	184	–

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.

G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER – COWRA SHIRE COUNCIL								
Drainage	—	1	—	—	(1)	—	—	—
Roads	—	2	—	—	(2)	—	—	—
Open space	—	1	—	—	(1)	—	—	—
Community facilities	—	1	—	—	(1)	—	—	—
Other	34	20	—	—	(47)	—	7	—
Total	34	25	—	—	(52)	—	7	—

G3-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER – COWRA SHIRE COUNCIL								
Other	157	149	–	1	(188)	–	119	–
Total	157	149	–	1	(188)	–	119	–

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	299	0.77%	3.01%	5.30%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	38,748				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	29,327	57.36%	72.72%	76.11%	> 60.00%
Total continuing operating revenue ¹	51,129				
3. Unrestricted current ratio					
Current assets less all external restrictions	16,583	4.33x	4.21x	4.19x	> 1.50x
Current liabilities less specific purpose liabilities	3,834				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,788	3.61x	4.06x	4.06x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,432				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	2,430	14.49%	14.73%	10.43%	< 10.00%
Rates and annual charges collectable	16,770				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	32,494	11.08	11.97	11.59	> 3.00
Monthly payments from cash flow of operating and financing activities	2,934	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

G4-2 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}	4.60%	0.45%	(8.75)%	4.86%	(9.87)%	14.49%	> 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	55.76%	61.92%	93.16%	97.13%	37.03%	93.83%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.33x	4.21x	8.89x	8.09x	33.74x	44.33x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.86x	6.29x	1.91x	3.02x	1.33x	2.82x	> 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	11.30%	12.41%	25.30%	25.73%	17.34%	13.79%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.46	8.03	14.68	13.29	30.41	40.70	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note G4-1 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 Council information and contact details

Principal place of business:

116 Kendal Street
Cowra NSW 2794

Contact details

Mailing Address:

Private Bag 342
Cowra NSW 2794

Opening hours:

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

Telephone: 02 6340 2000

Facsimile: 02 6340 2011

Internet: www.cowracouncil.com.au

Email: council@cowra.nsw.gov.au

Officers

General Manager

Paul Devery

Responsible Accounting Officer

Michael Jones

Elected members

Mayor

Cr WJ West

Councillors

Cr JA Smith - Deputy Mayor

Cr RA Fagan

Cr BE Miller

Cr MA Nobes

Cr RJ Walsh

Cr KJ Wright

Cr PB Wright

Other information

ABN: 26 739 454 579

Cowra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Cowra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Cowra 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).

Cowra 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, and
- accord with Council's accounting and other records,
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 27 September 2021.


Cr WJ West
Mayor
27 September 2021
Cr JA Smith
Councillor
27 September 2021
Paul Devery
General Manager
27 September 2021
Michael Jones
Responsible Accounting Officer
27 September 2021

Cowra Shire Council

Income Statement of water supply business activity for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	1,780	1,695
User charges	4,201	5,138
Fees	59	76
Interest	16	37
Grants and contributions provided for non-capital purposes	39	138
Other income	839	904
Total income from continuing operations	6,934	7,988
Expenses from continuing operations		
Employee benefits and on-costs	1,196	1,091
Borrowing costs	305	338
Materials and services	3,829	4,005
Depreciation, amortisation and impairment	1,966	1,935
Water purchase charges	216	216
Calculated taxation equivalents	–	14
Other expenses	29	15
Total expenses from continuing operations	7,541	7,614
Surplus (deficit) from continuing operations before capital amounts	(607)	374
Grants and contributions provided for capital purposes	467	94
Surplus (deficit) from continuing operations after capital amounts	(140)	468
Surplus (deficit) from all operations before tax	(140)	468
Less: corporate taxation equivalent [based on result before capital]	–	(103)
Surplus (deficit) after tax	(140)	365
Plus accumulated surplus	17,649	17,167
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	14
– Corporate taxation equivalent	–	103
Closing accumulated surplus	17,509	17,649
Return on capital %	(0.5)%	1.1%
Subsidy from Council	1,268	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(140)	365
Less: capital grants and contributions (excluding developer contributions)	(467)	(94)
Surplus for dividend calculation purposes	–	271
Potential dividend calculated from surplus	–	136

Cowra Shire Council

Income Statement of sewerage business activity for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	2,842	2,702
User charges	674	682
Liquid trade waste charges	64	87
Interest	21	54
Grants and contributions provided for non-capital purposes	–	214
Other income	259	244
Total income from continuing operations	3,860	3,983
Expenses from continuing operations		
Employee benefits and on-costs	413	365
Borrowing costs	514	525
Materials and services	2,581	1,786
Depreciation, amortisation and impairment	732	730
Calculated taxation equivalents	9	9
Other expenses	1	–
Total expenses from continuing operations	4,250	3,415
Surplus (deficit) from continuing operations before capital amounts	(390)	568
Grants and contributions provided for capital purposes	6,563	34
Surplus (deficit) from continuing operations after capital amounts	6,173	602
Surplus (deficit) from all operations before tax	6,173	602
Less: corporate taxation equivalent [based on result before capital]	–	(156)
Surplus (deficit) after tax	6,173	446
Plus accumulated surplus	23,205	22,594
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	9	9
– Corporate taxation equivalent	–	156
Closing accumulated surplus	29,387	23,205
Return on capital %	0.3%	3.6%
Subsidy from Council	432	–
Calculation of dividend payable:		
Surplus (deficit) after tax	6,173	446
Less: capital grants and contributions (excluding developer contributions)	(6,563)	(34)
Surplus for dividend calculation purposes	–	412
Potential dividend calculated from surplus	–	206

Cowra Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	1,494	1,869
Investments	6,000	5,000
Receivables	1,780	2,184
Total current assets	9,274	9,053
Non-current assets		
Infrastructure, property, plant and equipment	64,808	64,910
Other	10	—
Total non-current assets	64,818	64,910
Total assets	74,092	73,963
LIABILITIES		
Current liabilities		
Contract liabilities	389	—
Payables	56	220
Borrowings	599	568
Employee benefit provisions	345	331
Total current liabilities	1,389	1,119
Non-current liabilities		
Borrowings	4,144	4,743
Employee benefit provisions	19	—
Total non-current liabilities	4,163	4,743
Total liabilities	5,552	5,862
Net assets	68,540	68,101
EQUITY		
Accumulated surplus	17,509	17,649
Revaluation reserves	51,031	50,452
Total equity	68,540	68,101

Cowra Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	1,241	1,805
Investments	7,921	7,686
Receivables	647	837
Total current assets	9,809	10,328
Non-current assets		
Infrastructure, property, plant and equipment	37,347	30,472
Other	10	—
Total non-current assets	37,357	30,472
Total assets	47,166	40,800
LIABILITIES		
Current liabilities		
Payables	95	54
Borrowings	146	131
Employee benefit provisions	48	48
Total current liabilities	289	233
Non-current liabilities		
Borrowings	6,099	6,245
Employee benefit provisions	10	—
Total non-current liabilities	6,109	6,245
Total liabilities	6,398	6,478
Net assets	40,768	34,322
EQUITY		
Accumulated surplus	29,387	23,205
Revaluation reserves	11,381	11,117
Total equity	40,768	34,322

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. Cowra Shire Council Water Supply

Water supply activities servicing the town of Cowra, surrounding villages & rural properties.

b. Cowra Shire Sewerage Service

Sewerage reticulation & treatment activities servicing the town of Cowra.

Category 2

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

Nil

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%

Note – Significant Accounting Policies (continued)

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

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

In accordance with the Department of Planning, Industry & Environment – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities. The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act. Achievement of substantial compliance to the DPIE – Water guidelines is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

Note – Significant Accounting Policies (continued)

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.

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the 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 submitted to DPIE – Water.

Cowra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Cowra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	6,967	7,161
Plus or minus adjustments ²	b	15	19
Notional general income	$c = a + b$	6,982	7,180
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	$i = e \times (c + g)$	182	144
Sub-total	$k = (c + g + h + i + j)$	7,164	7,324
Plus (or minus) last year's carry forward total	l	—	2
Sub-total	$n = (l + m)$	—	2
Total permissible income	$o = k + n$	7,164	7,326
Less notional general income yield	p	7,161	7,323
Catch-up or (excess) result	$q = o - p$	3	2
Carry forward to next year ⁶	$t = q + r + s$	3	2

Notes

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

Cowra 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			1	2	3	4	5
Buildings	Council Offices/ Administration Centres	—	—	146	151	2,881	6,216	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Works Depot	—	—	111	163	1,248	2,202	0.0%	50.0%	50.0%	0.0%	0.0%
	Public Halls	—	—	111	207	1,839	3,906	0.0%	95.0%	5.0%	0.0%	0.0%
	Libraries	—	—	130	69	2,010	4,201	0.0%	100.0%	0.0%	0.0%	0.0%
	Houses	—	—	10	17	242	594	0.0%	0.0%	100.0%	0.0%	0.0%
	RFS Sheds	—	—	4	2	2,194	2,911	25.0%	25.0%	50.0%	0.0%	0.0%
	Amenities/Toilets	—	—	194	165	2,327	5,598	12.0%	52.0%	28.0%	8.0%	0.0%
	Other	—	—	194	171	5,172	10,368	21.0%	36.0%	38.0%	5.0%	0.0%
	Sub-total	—	—	900	945	17,913	35,996	9.9%	62.8%	24.6%	2.7%	0.0%
Roads	Sealed roads structure	—	—	418	489	38,368	52,423	61.0%	33.0%	6.0%	0.0%	0.0%
	Sealed roads surface	—	—	779	837	23,248	28,306	90.0%	7.0%	2.0%	1.0%	0.0%
	Unsealed roads	—	—	1,338	989	14,879	18,514	63.0%	23.0%	11.0%	3.0%	0.0%
	Bridges	—	—	38	3	21,542	26,722	70.0%	25.0%	5.0%	0.0%	0.0%
	Footpaths	—	—	43	54	11,285	14,080	81.0%	14.0%	5.0%	0.0%	0.0%
	Other road assets	—	—	297	291	1,724	2,244	0.0%	50.0%	50.0%	0.0%	0.0%
	Bulk earthworks	—	—	—	—	289,732	289,732	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	—	—	61	18	13,605	19,604	68.0%	28.0%	4.0%	0.0%	0.0%
	Culverts & pipes	—	—	80	33	9,892	18,603	39.0%	42.0%	17.0%	2.0%	0.0%
	Road Furniture	—	—	61	66	95	262	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	—	—	3,115	2,780	424,370	470,490	87.0%	9.9%	2.8%	0.3%	0.0%
Water supply network	Mains	792	792	754	790	39,747	79,223	18.0%	15.0%	39.0%	27.0%	1.0%
	Reservoirs	—	—	81	100	7,275	18,299	0.0%	3.0%	69.0%	28.0%	0.0%
	Pumping Stations	—	—	469	470	4,686	8,894	8.0%	30.0%	59.0%	3.0%	0.0%
	Treatment Plant	—	—	1,341	1,230	10,627	21,024	26.0%	42.0%	14.0%	18.0%	0.0%
	Meters	—	—	181	216	1,180	1,445	0.0%	25.0%	65.0%	10.0%	0.0%
	Sub-total	792	792	2,826	2,806	63,515	128,885	15.9%	18.8%	40.9%	23.8%	0.6%
Sewerage network	Mains	—	—	331	238	13,834	33,860	16.0%	11.0%	62.0%	11.0%	0.0%
	Pumping Stations	—	—	152	120	1,424	2,455	22.0%	25.0%	43.0%	10.0%	0.0%
	Treatment Plant	—	—	551	754	20,210	25,289	88.0%	12.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	1,034	1,112	35,468	61,604	45.8%	12.0%	35.8%	6.4%	0.0%

Cowra 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
Stormwater drainage	Conduits	—	—	45	45	19,432	27,191	40.0%	47.0%	12.0%	1.0%	0.0%
	Inlet & Junction Pits	—	—	15	15	6,472	9,730	59.0%	32.0%	9.0%	0.0%	0.0%
	Sub-total	—	—	60	60	25,904	36,921	45.0%	43.0%	11.2%	0.7%	0.0%
Open space / recreational assets	Swimming pools	—	—	286	358	1,800	4,500	0.0%	0.0%	100.0%	0.0%	0.0%
	Other Recreational Assets	—	—	1,434	1,167	3,144	5,125	30.0%	36.0%	28.0%	6.0%	0.0%
	Sub-total	—	—	1,720	1,525	4,944	9,625	16.0%	19.2%	61.7%	3.2%	0.0%
Aerodrome	Aerodrome	—	—	135	161	3,361	4,603	0.0%	50.0%	50.0%	0.0%	0.0%
	Sub-total	—	—	135	161	3,361	4,603	0.0%	50.0%	50.0%	0.0%	0.0%
Total – all assets		792	792	9,790	9,389	575,475	748,124	64.2%	16.2%	14.6%	5.0%	0.1%

(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

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

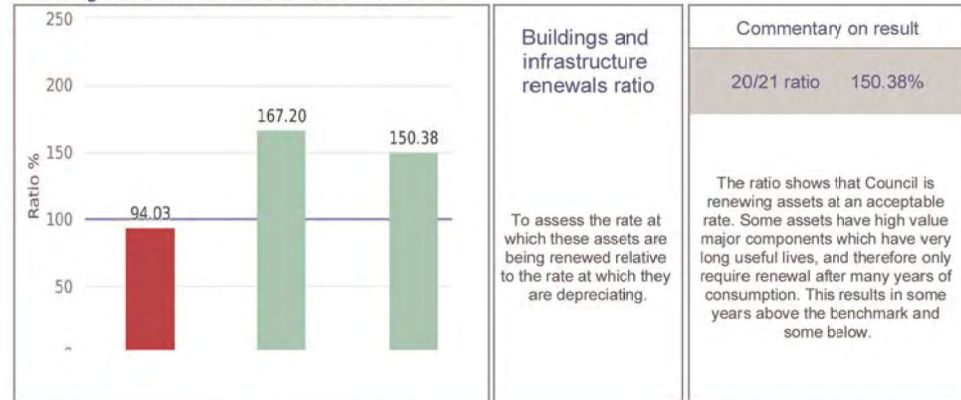
\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	8,265	150.38%	167.20%	94.03%	>= 100.00%
Depreciation, amortisation and impairment	5,496				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	792	0.14%	0.14%	0.47%	< 2.00%
Net carrying amount of infrastructure assets	580,347				
Asset maintenance ratio					
Actual asset maintenance	9,389	95.90%	100.16%	102.67%	> 100.00%
Required asset maintenance	9,790				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	792	0.11%	0.11%	0.38%	
Gross replacement cost	748,124				

(*) 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.

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



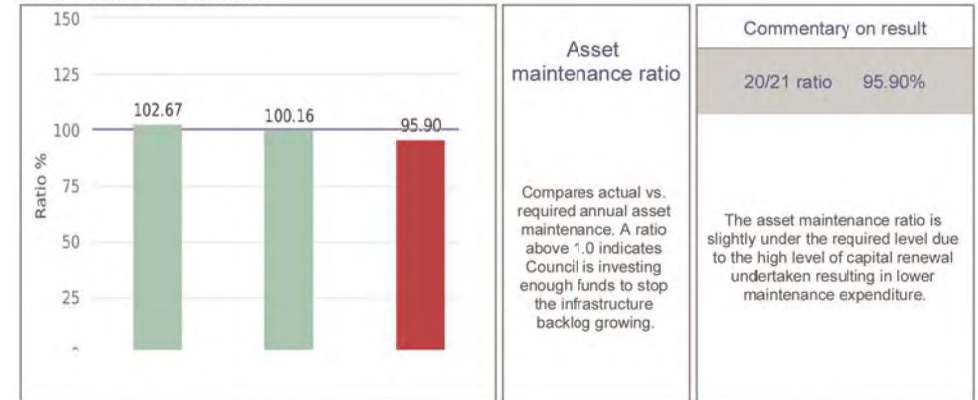
Benchmark: — $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



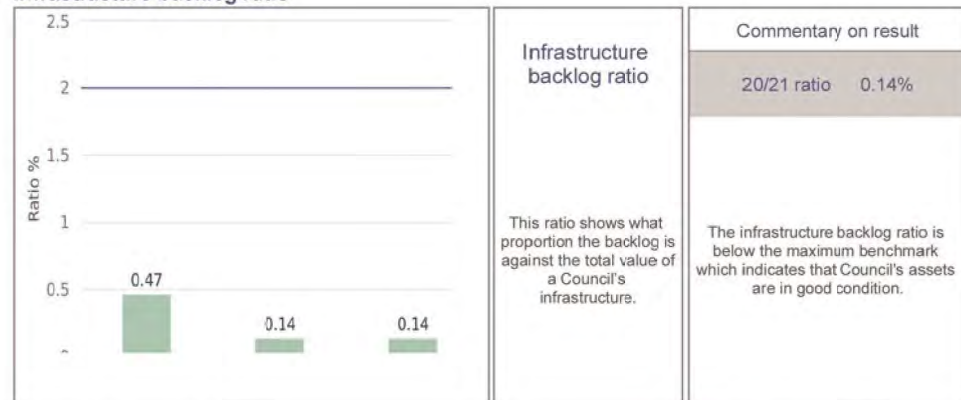
Benchmark: — $> 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



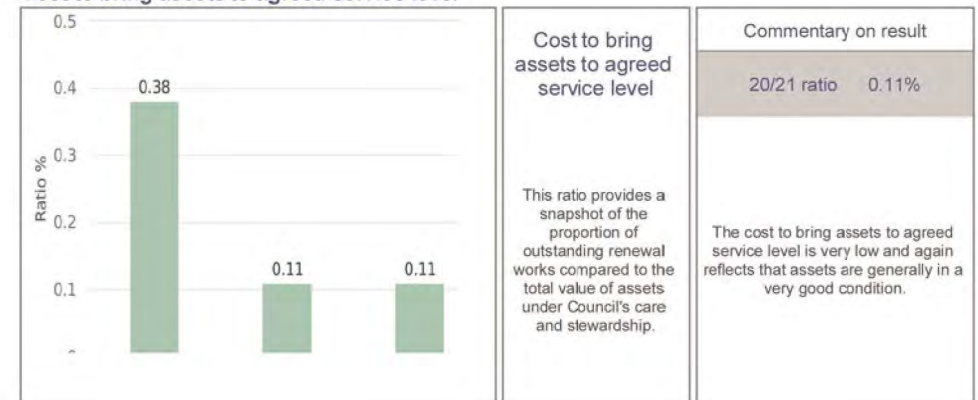
Benchmark: — $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cowra Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

	General fund		Water fund		Sewer fund		Benchmark
\$ '000	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	215.18%	271.69%	69.23%	56.41%	112.30%	57.60%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.00%	0.00%	1.25%	1.24%	0.00%	0.00%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	92.26%	101.59%	99.29%	99.53%	107.54%	93.82%	> 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	0.00%	0.00%	0.61%	0.62%	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.