

Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Warren Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

115 Dubbo Street
WARREN NSW 2824

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.warren.nsw.gov.au

Warren Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Warren 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:

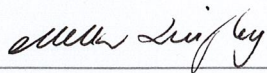
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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 26 August 2021.



Dr Milton Quigley
Mayor
26 August 2021



Mr Brett Williamson
Councillor
26 August 2021



Mr Gary Woodman
General Manager
26 August 2021



Mr Darren Arthur
Responsible Accounting Officer
26 August 2021

Warren Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Income from continuing operations				
6,179	Rates and annual charges	B2-1	6,161	5,983
787	User charges and fees	B2-2	564	1,117
395	Other revenue	B2-3	419	262
6,027	Grants and contributions provided for operating purposes	B2-4	12,813	9,065
2,550	Grants and contributions provided for capital purposes	B2-4	3,709	390
310	Interest and investment income	B2-5	60	209
120	Other income	B2-6	116	144
16,368	Total income from continuing operations		23,842	17,170
Expenses from continuing operations				
5,995	Employee benefits and on-costs	B3-1	5,742	5,534
4,558	Materials and services	B3-2	3,730	3,672
4	Borrowing costs	B3-3	7	15
3,818	Depreciation, amortisation and impairment for non-financial assets	B3-4	3,707	3,507
406	Other expenses	B3-5	359	277
–	Net losses from the disposal of assets	B4-1	574	937
14,781	Total expenses from continuing operations		14,119	13,942
1,587	Operating result from continuing operations		9,723	3,228
1,587	Net operating result for the year attributable to Council		9,723	3,228
(828)	Net operating result for the year before grants and contributions provided for capital purposes		6,014	2,838

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

Warren Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Net operating result for the year – from Income Statement		9,723	3,228
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>147</u>	<u>(7,680)</u>
Total items which will not be reclassified subsequently to the operating result		147	(7,680)
Total other comprehensive income for the year		147	(7,680)
Total comprehensive income for the year attributable to Council		9,870	(4,452)

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

Warren Shire Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	10,817	13,829
Receivables	C1-4	5,467	1,286
Inventories	C1-5	789	1,061
Other		12	12
Total current assets		17,085	16,188
Non-current assets			
Receivables	C1-4	262	164
Infrastructure, property, plant and equipment	C1-6	192,998	179,835
Intangible Assets	C1-7	48	73
Investments accounted for using the equity method	D2-2	70	61
Total non-current assets		193,378	180,133
Total assets		210,463	196,321
LIABILITIES			
Current liabilities			
Payables	C3-1	997	1,441
Contract liabilities	C3-2	4,018	3,020
Borrowings	C3-3	155	93
Employee benefit provisions	C3-4	1,465	1,657
Total current liabilities		6,635	6,211
Non-current liabilities			
Borrowings	C3-3	3,845	–
Employee benefit provisions	C3-4	76	73
Total non-current liabilities		3,921	73
Total liabilities		10,556	6,284
Net assets		199,907	190,037
EQUITY			
Accumulated surplus	C4-1	113,618	103,895
IPPE revaluation reserve	C4-1	86,289	86,142
Council equity interest		199,907	190,037
Total equity		199,907	190,037

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

Warren Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	as at 30/06/21			as at 30/06/20		
	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July	103,895	86,142	190,037	101,342	93,822	195,164
Changes due to AASB 1058 and AASB 15 adoption	-	-	-	(675)	-	(675)
Restated opening balance	103,895	86,142	190,037	100,667	93,822	194,489
Net operating result for the year	9,723	-	9,723	3,228	-	3,228
Restated net operating result for the period	9,723	-	9,723	3,228	-	3,228
Other comprehensive income						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	-	147	147	-	(7,680)	(7,680)
Other comprehensive income	-	147	147	-	(7,680)	(7,680)
Total comprehensive income	9,723	147	9,870	3,228	(7,680)	(4,452)
Closing balance at 30 June	113,618	86,289	199,907	103,895	86,142	190,037

Notes

C1-6

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

Warren Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Actual 2021 \$ '000	Actual 2020 \$ '000
	Notes		
Cash flows from operating activities			
<i>Receipts:</i>			
6,040	Rates and annual charges	6,186	5,826
950	User charges and fees	618	1,301
310	Investment and interest revenue received	69	212
8,575	Grants and contributions	13,367	12,492
–	Bonds, deposits and retention amounts received	94	140
1,420	Other	2,449	1,596
<i>Payments:</i>			
(5,995)	Employee benefits and on-costs	(5,948)	(5,452)
(3,658)	Materials and services	(3,700)	(2,843)
(4)	Borrowing costs	(4)	(9)
–	Bonds, deposits and retention amounts refunded	(101)	–
(2,040)	Other	(2,910)	(1,922)
5,598	Net cash flows from operating activities	10,120	11,341
	G1-1a		
Cash flows from investing activities			
<i>Receipts:</i>			
33	Sale of real estate assets	46	64
263	Sale of infrastructure, property, plant and equipment	231	63
7	Deferred debtors receipts	6	–
<i>Payments:</i>			
(10,113)	Purchase of infrastructure, property, plant and equipment	(17,307)	(9,377)
–	Deferred debtors and advances made	(12)	(19)
(9,810)	Net cash flows from investing activities	(17,036)	(9,269)
Cash flows from financing activities			
<i>Receipts:</i>			
4,000	Proceeds from borrowings	4,000	–
<i>Payments:</i>			
(97)	Repayment of borrowings	(96)	(92)
3,903	Net cash flows from financing activities	3,904	(92)
(309)	Net change in cash and cash equivalents	(3,012)	1,980
13,829	Cash and cash equivalents at beginning of year	13,829	11,849
13,520	Cash and cash equivalents at end of year	10,817	13,829
	C1-1		

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

Warren 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 26 August 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) employee benefit provisions – refer Note C3-4

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

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.

A1-1 Basis of preparation (continued)

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's Information Centre is manned by residents of Warren on an adhoc volunteer basis, the cost cannot be reliably measured so they have not been included in the Income Statement. Due to Covid-19 the Information Centre was closed all of 2020/2021 and is unlikely to re-open again in the future.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

There is no material impact on the financial statements with the adoption of the new accounting standards during the year.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Functions or activities										
Social	415	286	980	894	(565)	(608)	231	175	2,884	2,854
Economic	926	1,189	451	346	475	843	841	1,095	3,017	3,092
Infrastructure	9,533	5,213	7,201	7,066	2,332	(1,853)	9,429	4,528	150,714	144,543
Environmental	4,460	2,295	1,962	2,170	2,498	125	2,858	684	35,559	29,131
Governance	401	252	3,525	3,466	(3,124)	(3,214)	30	8	18,289	16,701
General Purpose Revenues	8,107	7,935	–	–	8,107	7,935	3,133	2,965	–	–
Total functions and activities	23,842	17,170	14,119	13,942	9,723	3,228	16,522	9,455	210,463	196,321

B1-2 Components of functions or activities

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

Social

Includes income and expenses relating to Fire Protection, Animal Control, Health, Youth Services, Community Services, Public Cemeteries and Council Housing etc.

Economic

Includes income & expenses relating to Tourism, Economic Development, and other Business Undertakings.

Infrastructure

Includes Income and Expenditure for Roads, Bridges, Footpaths, Recreation, Aerodrome, Parking Areas and CBD.

Environmental

Includes income and expenses for both Domestic and Industry Waste, Stormwater, Levee Protection, Water and Sewerage Services

Governance

Includes income and expenses for Governance and Administration.

General Purpose Revenues

Includes income from General Rates, General Fund Interest on Investments and Overdue Rates, Financial Assistance Grants and General Fund Pensioner Subsidy Rebates.

B2 Sources of income

B2-1 Rates and annual charges

	2021 \$ '000	2020 \$ '000
Ordinary rates		
Residential	641	626
Farmland	4,107	4,016
Business	207	202
Less: pensioner rebates (mandatory)	(35)	(37)
Rates levied to ratepayers	4,920	4,807
Pensioner rate subsidies received	19	20
Total ordinary rates	4,939	4,827
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	295	269
Water supply services	462	419
Sewerage services	487	489
Less: pensioner rebates (mandatory) – Domestic waste	(16)	(16)
Less: pensioner rebates (mandatory) – Water supply services	(17)	(17)
Less: pensioner rebates (mandatory) – Sewerage services	(15)	(16)
Annual charges levied	1,196	1,128
Pensioner subsidies received:		
– Domestic waste management	9	9
– Water	9	10
– Sewerage	8	9
Total annual charges	1,222	1,156
Total rates and annual charges	6,161	5,983

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, they are subsidised by the NSW Government at the rate of 55%.

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

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	1	13	9
Water supply services	1	275	267
Sewerage services	1	38	34
Total specific user charges		326	310
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	–	1
Planning and building regulation	2	26	6
Private works – section 67	2	35	45
Registration fees	2	6	4
Section 10.7 certificates (EP&A Act)	2	6	10
Section 603 certificates	2	6	4
Total fees and charges – statutory/regulatory		79	70
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	1	17	6
Cemeteries	2	34	20
Child care	1	6	2
Leaseback fees – Council vehicles	1	51	24
Multipurpose centre	1	13	17
Sporting Grounds, Reserves & Parks User Fees	1	46	–
Quarry revenues	1	1	–
Transport for NSW works (state roads not controlled by Council)	1	(28)	574
Swimming centres	1	7	20
Waste disposal tipping fees	1	5	63
Water connection fees	1	4	7
Other	1	3	4
Total fees and charges – other		159	737
Total user charges and fees		564	1,117
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		451	1,027
User charges and fees recognised at a point in time (2)		113	90
Total user charges and fees		564	1,117

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 ad-hoc facility hire, the customer is required to pay a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

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

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

B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Fines	2	3	5
Commissions and agency fees	1	85	82
Diesel rebate	1	68	53
Insurance claims recoveries	2	115	17
Sales – general	1	15	3
Swimming pool canteen sales	2	19	19
WHS incentive payment	2	18	37
NSW OLG - ESL reimbursement	2	58	23
Motor vehicle insurance rebate	2	7	–
Sale of Scrap Metal	2	17	10
Procurement Rebates	2	3	6
Sale of Old Materials	2	4	1
Other	1	7	6
Total other revenue		419	262

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	175	144
Other revenue recognised at a point in time (2)	244	118
Total other revenue	419	262

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	1	1,513	1,439	-	-
Payment in advance - future year allocation					
Financial assistance	1	1,620	1,526	-	-
Amount recognised as income during current year					
		3,133	2,965	-	-
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Water supplies	1	-	415	491	232
Sewerage services	1	-	-	2,367	37
Child care	1	5	-	-	-
Parental leave scheme	1	27	1	-	-
Employment and training programs	1	2	-	-	-
Youth services	1	76	84	-	-
Library	2	-	6	-	-
Library – per capita	2	14	14	-	-
Library – special projects	2	54	54	-	-
Recreation and culture	1	130	1,039	-	-
Street lighting	1	30	30	-	-
Transport (roads to recovery)	1	983	983	-	-
Transport (other roads and bridges funding)	1	-	-	851	40
Showground/Racecourse Upgrades	1	797	-	-	-
Fixing Local Roads Program	1	1,302	-	-	-
Local Roads & Community Infrastructure Program	1	655	-	-	-
Pathways Upgrade	1	-	123	-	-
Warren Airport Upgrade	1	2,158	86	-	-
Federal Government Drought Projects	1	273	141	-	-
MDBA Regional Infrastructure Improvements	1	568	944	-	-
Splash/Water Park - SCCF	1	602	-	-	-
Other specific grants	1	25	28	-	-
Previously contributions:					
Bushfire services	1	108	56	-	-
Transport for NSW contributions (regional roads, block grant)	1	1,784	2,023	-	81
Other contributions	1	-	1	-	-
Library	1	87	72	-	-
Total special purpose grants and non-developer contributions – cash					
		9,680	6,100	3,709	390
Total special purpose grants and non-developer contributions (tied)					
		9,680	6,100	3,709	390
Total grants and non-developer contributions					
		12,813	9,065	3,709	390
Comprising:					
– Commonwealth funding		5,042	5,448	-	-
– State funding		7,771	3,617	3,709	390
		12,813	9,065	3,709	390

continued on next page ...

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000
Unspent grants and contributions		
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,700	3,120
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,957)	(675)
Unspent funds at 30 June	3,873	3,130
Contributions		
Unspent funds at 1 July	3	368
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	346	3
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(1)	(368)
Unspent contributions at 30 June	348	3

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	11	18
– Cash and investments	49	191
Total interest and investment income (losses)	60	209
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	6	10
General Council cash and investments	33	137
Restricted investments/funds – external:		
Water fund operations	5	14
Sewerage fund operations	15	46
Domestic waste management operations	1	2
Total interest and investment income	60	209

Accounting policy

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

B2-6 Other income

	2021 \$ '000	2020 \$ '000
	Notes	
Rental income		
Other lease income		
Other	107	135
Total Other lease income	107	135
Total rental income	C2-1 107	135
Net share of interests in joint ventures and associates using the equity method		
Joint ventures	9	9
Total net share of interests in joint ventures and associates using the equity method	D2-2 9	9
Total other income	116	144

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	4,985	4,698
Employee leave entitlements (ELE)	488	531
Superannuation	504	474
Workers' compensation insurance	112	225
Fringe benefit tax (FBT)	29	19
Total employee costs	6,118	5,947
Less: capitalised costs	(376)	(413)
Total employee costs expensed	5,742	5,534
Number of 'full-time equivalent' employees (FTE) at year end	69	69

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		2,634	2,519
Contractor and consultancy costs		21	5
Audit Fees	F2-1	75	59
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	152	161
Advertising		21	43
Bank charges		11	10
Electricity and heating		185	220
Insurance		245	224
Postage		8	9
Printing and stationery		24	22
Street lighting		91	111
Subscriptions and publications		48	51
Telephone and communications		72	78
Valuation fees		16	15
Water purchases		19	27
Contribution to north western library co-operative		59	58
Training costs (other than salaries and wages)		44	56
Other expenses		1	–
Legal expenses:			
Expenses from leases of low value assets		4	4
Total materials and services		3,730	3,672
Total materials and services		3,730	3,672

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

B3-3 Borrowing costs

	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs		
Interest on loans	4	9
Total interest bearing liability costs	4	9
Total interest bearing liability costs expensed	4	9
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council	3	6
Total other borrowing costs	3	6
Total borrowing costs expensed	7	15

Accounting policy

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

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		751	760
Office equipment		58	65
Furniture and fittings		23	22
Infrastructure:	C1-6		
– Buildings – non-specialised		100	101
– Buildings – specialised		167	170
– Other structures		143	149
– Roads		1,780	1,595
– Bridges		201	176
– Footpaths		36	51
– Stormwater drainage		25	40
– Swimming pools		1	31
– Water supply network		259	228
– Sewerage network		192	202
– Other open space/recreational assets		98	89
Intangible assets	C1-7	25	24
Total gross depreciation and amortisation costs		3,859	3,703
Less: capitalised costs		(152)	(196)
Total depreciation and amortisation costs		3,707	3,507
Total depreciation, amortisation and impairment for non-financial assets		3,707	3,507

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
User charges and fees		19	–
Total impairment of receivables	C1-4	19	–
Other			
Contributions/levies to other levels of government			
– Emergency services levy (SES)		5	4
– NSW fire and rescue levy		25	23
– NSW rural fire service levy		181	127
– Contribution to Castlereagh Macquarie County Council		111	108
– Other contributions/levies		10	10
Donations, contributions and assistance to other organisations (Section 356)		8	5
Total other		340	277
Total other expenses		359	277

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal - property assets		10	–
Less: carrying amount of property assets sold/written off		(256)	(287)
Gain (or loss) on disposal		(246)	(287)
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		221	63
Less: carrying amount of plant and equipment assets sold/written off		(56)	(14)
Gain (or loss) on disposal		165	49
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(522)	(703)
Gain (or loss) on disposal		(522)	(703)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		46	64
Less: carrying amount of real estate assets sold/written off		(17)	(60)
Gain (or loss) on disposal		29	4
Net gain (or loss) on disposal of assets		(574)	(937)

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 25/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
REVENUES					
Rates and annual charges	6,179	6,161	(18)	0%	U
User charges and fees	787	564	(223)	(28)%	U
Council initially budgeted to undertake State Highway RMCC works but did not renew the contract. The Covid-19 pandemic also reduced use of Council's sporting and recreation facilities.					
Other revenues	395	419	24	6%	F
Operating grants and contributions	6,027	12,813	6,786	113%	F
Council received additional grants during 2020/2021 that were not anticipated when the budget was developed and adopted.					
Capital grants and contributions	2,550	3,709	1,159	45%	F
Council received additional grants during 2020/2021 that were not anticipated when the budget was developed and adopted.					
Interest and investment revenue	310	60	(250)	(81)%	U
The original budget was well over estimated in error.					
Other income	120	116	(4)	(3)%	U
EXPENSES					
Employee benefits and on-costs	5,995	5,742	253	4%	F
Materials and services	4,558	3,730	828	18%	F
With the additional grants received in 2020/2021 there was more focus on capital works projects to satisfy the conditions of the grants received.					
Borrowing costs	4	7	(3)	(75)%	U
Council does not budget for the fair value expense on it's interest free loan.					
Depreciation, amortisation and impairment of non-financial assets	3,818	3,707	111	3%	F
Other expenses	406	359	47	12%	F
Net losses from disposal of assets	-	574	(574)	∞	U
Council does not budget for gains or losses on disposal of assets.					

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	5,598	10,120	4,522	81%	F
This favourable result is directly attributable to the additional grants received in 2020/2021.					
Cash flows from investing activities	(9,810)	(17,036)	(7,226)	74%	U
With the additional grant funds received in 2020/2021 additional capital works were undertaken.					
Cash flows from financing activities	3,903	3,904	1	0%	F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	9,091	2,913
Cash-equivalent assets		
– Deposits at call	216	416
– Short-term deposits	1,510	10,500
Total cash and cash equivalents	10,817	13,829

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,817	13,829
Balance as per the Statement of Cash Flows	10,817	13,829

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 Financial investments

Nil

C1-3 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	10,817	–	13,829	–
attributable to:				
External restrictions	6,970	–	7,049	–
Internal restrictions	3,347	–	6,280	–
Unrestricted	500	–	500	–
	10,817	–	13,829	–

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

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	3,789	2,997
Transport for NSW advances	211	–
Cwcma roadside mapping	7	7
Destination Macquarie Marshes Project - RNSW2215	–	649
Regional Cultural Fund - Nevertire Hall	9	10
External restrictions – included in liabilities	4,016	3,663

External restrictions – other

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

Transport for NSW contributions	133	1
Other Contributions - Library	4	2
Specific purpose unexpended grants (recognised as revenue) – general fund	84	133
Water fund	1,050	395
Sewer fund	1,455	2,615
Domestic waste management	228	240
External restrictions – other	2,954	3,386

Total external restrictions

6,970	7,049
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Internal restrictions

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

Plant and vehicle replacement	82	547
Infrastructure replacement	809	1,029
Employees leave entitlement	400	400
Roadworks	–	242
Bridgeworks	–	385
Risk management, whs and insurance	–	101
Specific maintenance and repair	32	32
Specific programs	288	528
CBD improvements	–	94
Prepaid financial assistance grant	1,620	1,526
Construction of Council Chambers and 2 Dwellings	84	1,266
Other	32	130
Total internal restrictions	3,347	6,280

Total restrictions

10,317	13,329
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	159	153	216	108
Interest and extra charges	15	15	17	10
User charges and fees	162	79	249	33
Accrued revenues				
– Interest on investments	–	–	12	–
– Other income accruals	13	–	13	–
Deferred debtors	11	15	7	13
Government grants and subsidies	4,990	–	694	–
Net GST receivable	51	–	78	–
Other debtors	85	–	–	–
Total	5,486	262	1,286	164
Less: provision of impairment				
User charges and fees	(19)	–	–	–
Total provision for impairment – receivables	(19)	–	–	–
Total net receivables	5,467	262	1,286	164
Externally restricted receivables				
Water supply				
– Specific purpose grants	323	–	132	–
– Rates and availability charges	28	27	26	19
– Other	85	44	75	34
Sewerage services				
– Specific purpose grants	1,271	–	–	–
– Rates and availability charges	28	36	31	25
– Other	14	6	15	3
Domestic waste management	31	19	29	13
Total external restrictions	1,780	132	308	94
Unrestricted receivables	3,687	130	978	70
Total net receivables	5,467	262	1,286	164

Accounting policy

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

Impairment

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or

C1-4 Receivables (continued)

- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	145	-	162	-
Stores and materials	240	-	241	-
Trading stock	249	-	516	-
Loose tools	155	-	142	-
Total inventories at cost	789	-	1,061	-
Total inventories	789	-	1,061	-

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total unrestricted assets	789	-	1,061	-
Total inventories	789	-	1,061	-

(ii) Other disclosures

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(a) Details for real estate development					
Industrial/commercial		92	-	101	-
Other properties		53	-	61	-
Total real estate for resale		145	-	162	-

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		145	-	162	-
Total costs		145	-	162	-
Total real estate for resale		145	-	162	-

Movements:

Real estate assets at beginning of the year		162	-	145	-
- Transfers in from (out to) Note C1-6		-	-	77	-
- WDV of sales (expense)	B4-1	(17)	-	(60)	-
Total real estate for resale		145	-	162	-

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

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

	2021 \$ '000	2020 \$ '000
Real estate for resale	126	145
Trading Stock	220	400
	346	545

C1-5 Inventories (continued)

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 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 \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	5,095	–	5,095	9,581	2,158	–	–	(1,731)	–	15,103	–	15,103
Plant and equipment	11,032	(6,906)	4,126	344	–	(56)	(751)	–	–	10,214	(6,551)	3,663
Office equipment	313	(188)	125	36	–	–	(58)	–	–	349	(246)	103
Furniture and fittings	266	(118)	148	1	–	–	(23)	–	–	268	(142)	126
Land:												
– Operational land	1,859	–	1,859	–	–	–	–	–	–	1,859	–	1,859
– Community land	180	–	180	–	–	–	–	–	–	180	–	180
– Crown land	1,175	–	1,175	–	–	–	–	–	–	1,175	–	1,175
Infrastructure:												
– Buildings – non-specialised	7,809	(2,889)	4,920	7	–	–	(100)	–	–	7,816	(2,989)	4,827
– Buildings – specialised	12,867	(4,436)	8,431	102	–	(256)	(167)	–	–	12,408	(4,298)	8,110
– Other structures	12,531	(6,145)	6,386	–	–	–	(143)	–	–	12,530	(6,287)	6,243
– Roads	159,062	(49,213)	109,849	1,729	1,556	(302)	(1,780)	721	–	162,385	(50,612)	111,773
– Bridges	20,140	(5,882)	14,258	754	–	(217)	(201)	–	–	20,580	(5,986)	14,594
– Footpaths	3,866	(1,478)	2,388	–	–	–	(36)	–	–	3,866	(1,514)	2,352
– Stormwater drainage	4,552	(2,054)	2,498	–	–	–	(25)	216	–	4,768	(2,079)	2,689
– Water supply network	18,086	(9,048)	9,038	–	–	–	(259)	–	81	18,253	(9,393)	8,860
– Sewerage network	14,308	(6,988)	7,320	21	–	(2)	(192)	–	66	14,456	(7,243)	7,213
– Swimming pools	1,569	(1,569)	–	760	–	–	(1)	794	–	1,554	(1)	1,553
– Other open space/recreational assets	3,493	(1,454)	2,039	–	634	–	(98)	–	–	4,127	(1,552)	2,575
Total infrastructure, property, plant and equipment	278,203	(98,368)	179,835	13,335	4,348	(833)	(3,834)	–	147	291,891	(98,893)	192,998

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Tfrs from/(to) real estate assets (Note C1-5) \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	3,450	–	3,450	2,407	1,142	–	–	(1,827)	(77)	–	–	5,095	–	5,095
Plant and equipment	9,848	(6,259)	3,589	1,311	–	(14)	(760)	–	–	–	–	11,032	(6,906)	4,126
Office equipment	364	(183)	181	9	–	–	(65)	–	–	–	–	313	(188)	125
Furniture and fittings	254	(96)	158	12	–	–	(22)	–	–	–	–	266	(118)	148
Land:														
– Operational land	1,691	–	1,691	20	–	–	–	88	–	–	60	1,859	–	1,859
– Community land	203	–	203	–	–	–	–	–	–	(23)	–	180	–	180
– Crown land	960	–	960	–	–	–	–	–	–	–	215	1,175	–	1,175
Infrastructure:														
– Buildings – non-specialised	7,995	(2,891)	5,104	–	–	(83)	(101)	–	–	–	–	7,809	(2,889)	4,920
– Buildings – specialised	13,394	(4,665)	8,729	3	65	(203)	(170)	7	–	–	–	12,867	(4,436)	8,431
– Other structures	12,363	(6,013)	6,350	78	20	–	(149)	87	–	–	–	12,531	(6,145)	6,386
– Roads	137,271	(18,282)	118,989	2,246	177	(674)	(1,595)	1,148	–	(10,442)	–	159,062	(49,213)	109,849
– Bridges	18,496	(6,806)	11,690	–	–	–	(176)	–	–	–	2,744	20,140	(5,882)	14,258
– Footpaths	4,609	(1,890)	2,719	–	–	–	(51)	–	–	(280)	–	3,866	(1,478)	2,388
– Stormwater drainage	3,993	(1,836)	2,157	–	489	–	(40)	–	–	(108)	–	4,552	(2,054)	2,498
– Water supply network	17,255	(8,735)	8,520	101	359	–	(228)	201	–	–	85	18,086	(9,048)	9,038
– Sewerage network	14,141	(6,720)	7,421	32	–	–	(202)	–	–	–	69	14,308	(6,988)	7,320
– Swimming pools	1,654	(1,601)	53	–	–	(22)	(31)	–	–	–	–	1,569	(1,569)	–
– Other open space/recreational assets	2,533	(1,386)	1,147	3	690	(8)	(89)	296	–	–	–	3,493	(1,454)	2,039
Total infrastructure, property, plant and equipment	250,474	(67,363)	183,111	6,222	2,942	(1,004)	(3,679)	–	(77)	(10,853)	3,173	278,203	(98,368)	179,835

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

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

Accounting policy

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 5		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 100
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Reservoirs	100	Culverts	50 to 80
Bores	50		
Reticulation pipes: PVC	80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
		Other infrastructure assets	
Transportation assets		Swimming pools	50
Sealed roads: surface	25	Other open space/recreation assets	20 to 50
Sealed roads: pavement	60		
Unsealed roads: pavement	30		
Road: formation	100	Other open space/recreational assets	20
Bridge: concrete	100	Other infrastructure	20
Bridge: other	50		
Kerb, gutter and footpaths	80		

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

Land under roads

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

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

Crown reserves

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

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant & vehicle assets. All rural fire service buildings on Council land have been recognised as assets.

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/21			as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	827	–	827	255	–	255
Plant and equipment	265	184	81	240	159	81
Land						
– Operational land	125	–	125	125	–	125
– Community land	10	–	10	10	–	10
Other structures	93	38	55	93	36	57
Infrastructure	18,253	9,393	8,860	18,086	9,048	9,038
Total water supply	19,573	9,615	9,958	18,809	9,243	9,566
Sewerage services						
WIP	5,589	–	5,589	604	–	604
Plant and equipment	347	263	84	337	243	94
Land						
– Operational land	190	–	190	190	–	190
– Community land	75	–	75	75	–	75
Other structures	20	6	14	20	5	15
Infrastructure	14,456	7,243	7,213	14,308	6,988	7,320
Total sewerage services	20,677	7,512	13,165	15,534	7,236	8,298
Domestic waste management						
Land						
– Operational land	105	–	105	105	–	105
Total domestic waste management	105	–	105	105	–	105
Total restricted infrastructure, property, plant and equipment	40,355	17,127	23,228	34,448	16,479	17,969

C1-7 Intangible assets

Intangible assets are as follows:

	2021 \$ '000	2020 \$ '000
Software		
Opening values at 1 July		
Gross book value	121	121
Accumulated amortisation	(48)	(24)
Net book value – opening balance	73	97
Movements for the year		
Amortisation charges	(25)	(24)
Closing values at 30 June		
Gross book value	121	121
Accumulated amortisation	(73)	(48)
Total software – net book value	48	73
Total intangible assets – net book value	48	73

Accounting policy

IT development and software

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

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

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

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

	2021	2020
	\$ '000	\$ '000

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

Operating lease expenses

(i) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of staff housing, medical and aged care services to the Warren Shire Community, the table below relates to operating leases on assets disclosed in C1-6.

Lease income (excluding variable lease payments not dependent on an index or rate)	107	135
Total income relating to operating leases for Council assets	107	135

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Goods and services – operating expenditure	190	–	215	–
Goods and services – capital expenditure	373	–	148	–
Accrued expenses:				
– Salaries and wages	37	–	43	–
– Other expenditure accruals	26	–	29	–
Security bonds, deposits and retentions	133	–	140	–
Sundry deposits	33	–	24	–
Other	13	–	13	–
Government departments and agencies	26	–	676	–
Prepaid rates	166	–	153	–
Total payables	997	–	1,441	–
Total payables	997	–	1,441	–

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	13	–	13	–
Payables relating to externally restricted assets	13	–	13	–
Total payables relating to restricted assets	13	–	13	–
Total payables relating to unrestricted assets	984	–	1,428	–
Total payables	997	–	1,441	–

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

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	4,000	–	2,997	–
Total grants received in advance		4,000	–	2,997	–
User fees and charges received in advance:					
Other	(ii)	18	–	23	–
Total user fees and charges received in advance		18	–	23	–
Total contract liabilities		4,018	–	3,020	–

Notes

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

(ii) Upfront membership fees for the gym do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	4,000	–	2,997	–
Contract liabilities relating to externally restricted assets	4,000	–	2,997	–
Total contract liabilities relating to restricted assets	4,000	–	2,997	–
Total contract liabilities relating to unrestricted assets	18	–	23	–
Total contract liabilities	4,018	–	3,020	–

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

	2021 \$ '000	2020 \$ '000
Grants and contributions received in advance:		
Operating grants (received prior to performance obligation being satisfied)	1,863	594
Operating contributions (received prior to performance obligation being satisfied)	–	81
User fees and charges received in advance:		
Other	23	–
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,886	675

C3-2 Contract Liabilities (continued)

Significant changes in contract liabilities

Council received 2 significant grants in June 2021 totalling \$1,254K for renewal works on Councils infrastructure assets, these works are programmed to be undertaken in 2021/2022.

Accounting policy

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

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	155	3,845	68	–
Government advances	–	–	25	–
Total borrowings	155	3,845	93	–

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

Borrowings relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	29	721	–	–
Sewer	97	2,403	–	–
Borrowings relating to externally restricted assets	126	3,124	–	–
Total borrowings relating to restricted assets	126	3,124	–	–
Total borrowings relating to unrestricted assets	29	721	93	–
Total borrowings	155	3,845	93	–

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	68	(68)	4,000	–	–	–	4,000
Government advances	25	(28)	–	3	–	–	–
Total liabilities from financing activities	93	(96)	4,000	3	–	–	4,000

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	133	(65)	–	–	–	–	68
Government advances	46	(28)	–	7	–	–	25
Total liabilities from financing activities	179	(93)	–	7	–	–	93

C3-3 Borrowings (continued)

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	25	25
Total financing arrangements	525	525
Drawn facilities		
– Credit cards/purchase cards	3	5
Total drawn financing arrangements	3	5

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	488	–	474	–
Long service leave	977	76	1,183	73
Total employee benefit provisions	1,465	76	1,657	73

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	3	4	1	13
Sewer	41	–	37	–
Employee benefit provisions relating to externally restricted assets	44	4	38	13
Total employee benefit provisions relating to restricted assets	44	4	38	13
Total employee benefit provisions relating to unrestricted assets	1,421	72	1,619	60
Total employee benefit provisions	1,465	76	1,657	73

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	942	1,083
	942	1,083

Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
2021			
At beginning of year	474	1,256	1,730
Additional provisions	382	308	690
Amounts used (payments)	(372)	(304)	(676)
Remeasurement effects	(10)	(47)	(57)
Other	14	(160)	(146)
Total ELE provisions at end of year	488	1,053	1,541
2020			
At beginning of year	453	1,177	1,630
Additional provisions	362	169	531
Amounts used (payments)	(322)	(116)	(438)
Remeasurement effects	1	6	7
Other	(20)	20	–
Total ELE provisions at end of year	474	1,256	1,730

C3-4 Employee benefit provisions (continued)

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	5,142	515	504
User charges and fees	240	284	40
Interest and investment revenue	40	5	15
Other revenues	419	–	–
Grants and contributions provided for operating purposes	12,796	9	8
Grants and contributions provided for capital purposes	851	491	2,367
Other income	116	–	–
Total income from continuing operations	19,604	1,304	2,934
Expenses from continuing operations			
Employee benefits and on-costs	5,285	268	189
Materials and services	3,342	282	106
Borrowing costs	7	–	–
Depreciation, amortisation and impairment of non-financial assets	3,208	286	213
Other expenses	330	23	6
Net losses from the disposal of assets	572	–	2
Total expenses from continuing operations	12,744	859	516
Operating result from continuing operations	6,860	445	2,418
Net operating result for the year	6,860	445	2,418
Net operating result attributable to each council fund	6,860	445	2,418
Net operating result for the year before grants and contributions provided for capital purposes	6,009	(46)	51

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	8,312	1,050	1,455
Receivables	3,718	436	1,313
Inventories	789	–	–
Other	12	–	–
Total current assets	12,831	1,486	2,768
Non-current assets			
Receivables	149	71	42
Infrastructure, property, plant and equipment	169,875	9,958	13,165
Investments accounted for using the equity method	70	–	–
Intangible assets	48	–	–
Total non-current assets	170,142	10,029	13,207
TOTAL ASSETS	182,973	11,515	15,975
LIABILITIES			
Current liabilities			
Payables	984	13	–
Contract liabilities	4,018	–	–
Borrowings	29	29	97
Employee benefit provision	1,421	3	41
Total current liabilities	6,452	45	138
Non-current liabilities			
Borrowings	721	721	2,403
Employee benefit provision	72	4	–
Total non-current liabilities	793	725	2,403
TOTAL LIABILITIES	7,245	770	2,541
Net assets	175,728	10,745	13,434
EQUITY			
Accumulated surplus	100,099	6,520	6,999
Revaluation reserves	75,629	4,225	6,435
Council equity interest	175,728	10,745	13,434
Total equity	175,728	10,745	13,434

D2 Interests in other entities

D2-1 Subsidiaries

Council has no interest in any controlled entities (subsidiaries).

	Council's share of net assets	
	2021 \$ '000	2020 \$ '000
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	70	61
Total net share of interests in joint ventures and associates using the equity method – assets	70	61
Total Council's share of net assets	70	61

D2-2 Interests in joint arrangements

Net carrying amounts – Council's share

	Nature of relationship	Place of business	Interest in ownership			
			2021 \$ '000	2020 \$ '000	2021 %	2020 %
North Western Library Co-operative	Joint Venture	Warren	70	61	25.0%	25.0%
Total carrying amounts			70	61	25.0%	25.0%

North Western Library Co-operative

Joint purchasing of books and e-resources

Material joint ventures

Council has incorporated the following joint venture into its consolidated financial statements.

Details

	Principal activity	Measurement method
North Western Library Co-operative	Joint purchasing of books and e-resources	At cost

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
North Western Library Co-operative	25.0%	25.0%	25.0%	25.0%

D2-2 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

	North Western Library Co-operative	
	2021 \$ '000	2020 \$ '000
Statement of financial position		
Current assets		
Cash and cash equivalents	17	9
Other current assets	–	3
Non-current assets	265	233
Net assets	282	245
Statement of comprehensive income		
Income	251	259
Depreciation and amortisation	(47)	(85)
Other expenses	(167)	(137)
Profit/(loss) from continuing operations	37	37
Profit/(loss) for the period	37	37
Total comprehensive income	37	37
Share of income – Council (%)	25.0%	25.0%
Profit/(loss) – Council (\$)	9	9
Total comprehensive income – Council (\$)	9	9
Summarised Statement of cash flows		
Cash flows from operating activities	84	122
Cash flows from investing activities	(78)	(113)
Net increase (decrease) in cash and cash equivalents	6	9
Reconciliation of the carrying amount		
Opening net assets (1 July)	244	207
Profit/(loss) for the period	37	37
Closing net assets	281	244
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	70	61

County Councils

Council is a member of the Castlereagh Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control noxious weeds. Council is one of five constituent council members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

D2-3 Subsidiaries, joint arrangements and associates not recognised

Orana Joint Organisation

Warren Shire Council is a member of the Orana Joint Organisation along with Bogan, Gilgandra, Narromine, Mid-Western and Warrumbungle Shire Councils.

The principal functions of the Orana Joint Organisation is to:

- establish strategic regional priorities for the Joint Organisation area and develop strategies and plans for delivering these priorities.
- provide regional leadership for the Joint Organisation area and to be an advocate for strategic regional priorities.
- identify and take up opportunities for intergovernmental cooperation on matters relating to the Joint Organisation area.

Other services, functions or types of functions the Orana Joint Organisation will undertake are:

- to provide support for the operations of its Member Councils aimed at strengthening local government in its Joint Organisation area.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

	Carrying value 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,817	13,829	10,817	13,829
Receivables	5,729	1,450	5,729	1,450
Total financial assets	16,546	15,279	16,546	15,279
Financial liabilities				
Payables	997	1,441	997	1,441
Loans/advances	4,000	93	4,000	93
Total financial liabilities	4,997	1,534	4,997	1,534

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

(a) Market risk – interest rate and price risk

	2021 \$ '000	2020 \$ '000
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	108	138

(b) Credit risk

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

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

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.

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	–	159	89	54	10	312
2020						
Gross carrying amount	–	233	56	31	4	324

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

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	756	323	3	2,800	1,554	5,436
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.22%	0.35%
ECL provision	-	-	-	-	19	19
2020						
Gross carrying amount	786	150	105	55	30	1,126
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	-	-	-	-	-	-

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021							
Trade/other payables	0.00%	133	698	-	-	831	831
Loans and advances	2.60%	-	155	837	3,008	4,000	4,000
Total financial liabilities		133	853	837	3,008	4,831	4,831
2020							
Trade/other payables	0.00%	140	1,148	-	-	1,288	1,288
Loans and advances	6.80%	-	96	-	-	96	93
Total financial liabilities		140	1,244	-	-	1,384	1,381

E2-1 Fair value measurement (continued)

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

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

Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the land values in the Warren Shire LGA. As these rates were not considered to be observable market evidence they have been classified a Level 3.

Council revalued all land in 2019/20 using the Valuer General's land values base dated 1st July 2019.

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings were valued externally in 2017/18 using the Rawlinson's Construction Guide in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's Construction Guide no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

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

Other Structures

Other Structures comprise of Aerodrome runway, lighting, irrigation systems and fencing etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

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

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house in June 2020 based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges

Bridges were valued in-house in June 2020 the unit rates were calculated using the contract value for the replacement of the Wonbobbie Bridge as adopted by Council at the March 2020 Council Meeting, the commencement date for construction is in August 2020. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

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

Footpaths

Footpaths were valued in-house by Council's Engineering Department in June 2020 and were based on actual cost per square metre of works carried out during the year. Footpaths are inspected annually and condition assessed

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

E2-1 Fair value measurement (continued)

Drainage Infrastructure

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

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

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets were indexed by 0.92% in 2020/21 as required by the Department of Industry - Water each year according to their published reference rates.

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

Sewerage Network

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets were indexed by 0.92% in 2020/21 as required by the Department of Industry - Water each year according to their published reference rates.

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

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued in-house by experienced staff in Council's Health & Development Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

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

Other Open Space/Recreational Assets

Assets within this class comprise synthetic & turf surfaces, lighting, playground equipment etc. All assets in Other Structures were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Fair value measurements using significant unobservable inputs (level 3)

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:

	Plant & equipment		Office equipment		Furniture and fittings		Operational Land	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	4,126	3,589	125	181	148	158	1,859	1,691
Total gains or losses for the period								
Other movements								
Purchases (GBV)	344	1,311	36	9	1	12	–	20
Disposals (WDV)	(56)	(14)	–	–	–	–	–	–
Depreciation and impairment	(751)	(760)	(58)	(65)	(23)	(22)	–	–
Transfers from Works in Progress	–	–	–	–	–	–	–	88
Revaluation Increment / (Decrement) to Equity	–	–	–	–	–	–	–	60
Closing balance	3,663	4,126	103	125	126	148	1,859	1,859

	Community / Crown Land		Buildings non-specialised		Building specialised		Other structures	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	1,355	1,163	4,920	5,104	8,431	8,729	6,386	6,350
Total gains or losses for the period								
Other movements								
Purchases (GBV)	–	–	7	–	102	68	–	98
Disposals (WDV)	–	–	–	(83)	(256)	(203)	–	–
Depreciation and impairment	–	–	(100)	(101)	(167)	(170)	(143)	(149)
Transfers from Works in Progress	–	–	–	–	–	7	–	87
Revaluation Increment / (Decrement) to Equity	–	192	–	–	–	–	–	–
Closing balance	1,355	1,355	4,827	4,920	8,110	8,431	6,243	6,386

	Roads		Bridges		Footpaths		Stormwater drainage	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	109,849	118,989	14,258	11,690	2,388	2,719	2,498	2,157
Total gains or losses for the period								
Other movements								
Purchases (GBV)	3,285	2,423	754	–	–	–	–	489
Disposals (WDV)	(302)	(674)	(217)	–	–	–	–	–
Depreciation and impairment	(1,780)	(1,595)	(201)	(176)	(36)	(51)	(25)	(40)
Transfers from Works in Progress	721	1,148	–	–	–	–	216	–
Revaluation Increment / (Decrement) to Equity	–	(10,442)	–	2,744	–	(280)	–	(108)
Closing balance	111,773	109,849	14,594	14,258	2,352	2,388	2,689	2,498

	Water supply network		Sewerage network		Swimming pools		Open space / recreational	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	9,038	8,520	7,320	7,421	–	53	2,039	1,147
Total gains or losses for the period								
Other movements								

continued on next page ...

E2-1 Fair value measurement (continued)

	Water supply network		Sewerage network		Swimming pools		Open space / recreational	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Purchases (GBV)	–	460	21	32	759	–	635	693
Disposals (WDV)	–	–	(2)	–	–	(22)	–	(8)
Depreciation and impairment	(259)	(228)	(192)	(202)	–	(31)	(99)	(89)
Transfers from Works in Progress	–	201	–	–	794	–	–	296
Revaluation Increment /(Decrement) to Equity	81	85	66	69	–	–	–	–
Closing balance	8,860	9,038	7,213	7,320	1,553	–	2,575	2,039

	Total	
	2021 \$ '000	2020 \$ '000
Opening balance	174,740	179,661
Purchases (GBV)	5,944	5,615
Disposals (WDV)	(833)	(1,004)
Depreciation and impairment	(3,834)	(3,679)
Transfers from Works in Progress	1,731	1,827
Revaluation Increment /(Decrement) to Equity	147	(7,680)
Closing balance	177,895	174,740

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

Roads

\$721K was transferred out of Works in Progress for the completion of Nevertire Town streets construction (\$665K) and Tyrie Road Resheeting on Segments 00 & 02 (\$56K).

Stormwater Drainage

\$216K was transferred from Works in Progress for the installation of new drainage in Nevertire, this was undertaken in conjunction with the streets construction.

Swimming Pools

\$794K was transferred from Works in Progress for the completion of the Warren Memorial Swimming Pool upgrade.

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 \$69,062.38. The last valuation of the Scheme was performed by Richard Boyfield FIAA, and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$60,800.00. Council's expected contribution to the plan for the next annual reporting period is \$69,269.28.

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 other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that is broadly attributed to Council is estimated to be in the order of 0.15% as at 30 June 2021.

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

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

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

* Plus promotional increases

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

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

(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.

(ii) Garbage Depot Reinstatement

Garbage is disposed of in pits at the Ewenmar Depot. When a new pit is required the old pit is reinstated at the same time as the digging of the new pit. As a result reinstatement costs are expensed each year. Should current practices change, it will be necessary to consider the need to establish a Garbage Depot Remediation provision.

(iii) Mount Foster Quarry Remediation

Mt Foster is an above ground crushing operation of material that Council utilises from the hill for the supply of road making materials, there will be no remediation costs involved with this operation. The quarry has not been in operation for the last 18 years.

(iv) Gravel Pits Reinstatement

Council's practice with regard to the remediation of road reserve and private property gravel pits is to construct water storage for future road maintenance or a farm dam in return for the use of material where feasible. If this is not feasible for whatever reason then the pit is scarified and seeded upon completion of works undertaken and expensed accordingly, therefore future remediation costs are zero.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	1,069	849
Post-employment benefits	125	54
Other long-term benefits	19	23
Total	1,213	926

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021						
Supply of general household goods	1	8	-		-	-
Motor vehicle servicing & parts	2	18	-		-	-
Motor vehicle purchases & trades – nett	3	151	-		-	-
Building maintenance & repair	4	1	-		-	-
2020						
Supply of general household goods	1	8	-		-	-
Motor vehicle servicing & parts	2	22	-		-	-
Motor vehicle purchases & trades – nett	3	209	-		-	-
Building maintenance & repair	4	1	-		-	-

continued on next page ...

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

- 1 Council purchases general household goods such as cleaning material, drinks, batteries etc. from the local supermarket of which a KMP is the owner, all goods purchased are at normal retail prices that the general public are offered.
- 2 Council has it's small plant fleet serviced as per the manufacturer's handbook at the local dealership of which a KMP is a Director, the services are undertaken locally as the other nearest other service centre is 120 kms away, the services are carried out on a normal cost basis as would be charged to the general public.
- 3 Council advertises and seeks expressions and quotations for the supply and of sale of all motor vehicles, all responses are then evaluated my management and the Plant Committee, a KMP is a Director of a motor vehicle dealership that was successful in the supply and trade of three vehicles, the KMP is not a member of the Plant Committee.
- 4 Council required urgent repairs to the Warren Sporting & Cultural Complex toilets the local plumbing contractor undertaking the repairs is the son of a KMP of Council.

F1-2 Councillor and Mayoral fees and associated expenses

	2021 \$ '000	2020 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	27
Councillors' fees	107	107
Other Councillors' expenses (including Mayor)	18	27
Total	152	161

F1-3 Other related parties

	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021						
Orana Joint Organisation	2	–	–		–	–
2020						
Joint Venture	1	58	–		–	–
Orana Joint Organisation	2	11	–		–	–

- 1 Council is a member of a Joint Venture being the North Western Library Co-operative with three other councils, each council contributes an equal amount to the joint venture each year for the operation of the service which is to purchase books and e-resources for the benefit of the residents and ratepayers in the four local government areas.
- 2 Council is a member of the Orana Joint Organisation with five other councils, each council contributes an amount based on population to the joint organisation each year for the operation of the organisation for the benefit of the residents and ratepayers in each local government areas.

F2 Other relationships

F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	49	52
Remuneration for audit and other assurance services	49	52
Total Auditor-General remuneration	49	52
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal Audit	26	7
Remuneration for audit and other assurance services	26	7
Total remuneration of non NSW Auditor-General audit firms	26	7
Total audit fees	75	59

G Other matters

G1-1 Statement of Cash Flows information

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

	2021 \$ '000	2020 \$ '000
Net operating result from Income Statement	9,723	3,228
Adjust for non-cash items:		
Depreciation and amortisation	3,707	3,507
Net losses/(gains) on disposal of assets	574	937
Adoption of AASB 15/1058	-	(675)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	3	6
Share of net (profits)/losses of associates/joint ventures using the equity method	(9)	(9)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(4,292)	456
Increase/(decrease) in provision for impairment of receivables	19	-
Decrease/(increase) in inventories	255	(53)
Decrease/(increase) in other current assets	-	(1)
Increase/(decrease) in payables	(25)	37
Increase/(decrease) in other accrued expenses payable	(9)	5
Increase/(decrease) in other liabilities	(635)	783
Increase/(decrease) in contract liabilities	998	3,020
Increase/(decrease) in provision for employee benefits	(189)	100
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	10,120	11,341

(b) Non-cash investing and financing activities

Nil

(c) Net cash flows attributable to discontinued operations

Nil

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Sewerage and water infrastructure	2,385	–
Buildings	95	223
Plant and equipment	35	–
Other	113	–
Road infrastructure	162	–
Bridge Infrastructure	–	632
Equestrian Arena - Showground	112	354
Carter Oval Redevelopment	73	205
Total commitments	2,975	1,414
These expenditures are payable as follows:		
Within the next year	2,975	1,414
Total payable	2,975	1,414
Sources for funding of capital commitments:		
Unrestricted general funds	36	–
Future grants and contributions	560	1,191
Internally restricted reserves	2,285	52
Other funding - Sale of 39 Garden Ave Warren NSW 2824	94	171
Total sources of funding	2,975	1,414
Details of capital commitments		
Construction of 2 new Council houses		
Construction of Council Chambers		
Construction of Wonbobbie Bridge		
Construction of Equestrian Arena - Warren Showground/Racecourse		
Carter Oval Redevelopment		

G3-1 Events occurring after the reporting date

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

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6,579	32.69%	22.46%	16.31%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	20,124				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	7,311	30.68%	44.90%	47.97%	> 60.00%
Total continuing operating revenue ¹	23,833				
3. Unrestricted current ratio					
Current assets less all external restrictions	7,989	5.29x	3.98x	5.90x	> 1.50x
Current liabilities less specific purpose liabilities	1,510				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,293	99.93x	68.11x	56.66x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	103				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	342	5.24%	5.66%	3.31%	< 10.00%
Rates and annual charges collectable	6,523				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	10,817	10.17	16.08	11.67	> 3.00
Monthly payments from cash flow of operating and financing activities	1,063	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}	35.06%	23.27%	(5.66)%	25.63%	9.35%	(3.97)%	> 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	30.35%	42.00%	61.66%	54.06%	19.05%	92.83%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.29x	3.98x	33.02x	44.86x	20.06x	71.92x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	95.02x	60.85x	∞	∞	∞	∞	> 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	3.90%	4.66%	10.76%	10.02%	12.52%	11.09%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.39	13.98	21.99	6.05	57.62	128.08	> 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 G5-1 above.

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



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Warren Shire Council

To the Councillors of the Warren Shire Council

Opinion

I have audited the accompanying financial statements of Warren Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Manuel Moncada
Delegate of the Auditor-General for New South Wales

7 October 2021
SYDNEY



Cr Milton Quigley
Mayor
Warren Shire Council
PO Box 6
WARREN NSW 2824

Contact: Manuel Moncada
Phone no: 02 9275 7333
Our ref: D2120952/1802

7 October 2021

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements

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

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

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

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	6.16	5.98	↑ 3.0
Grants and contributions revenue	16.52	9.45	↑ 74.8
Operating result from continuing operations	9.72	3.23	↑ 200
Net operating result before capital grants and contributions	6.01	2.84	↑ 112

Council's operating result (\$9.72 million including the effect of depreciation and amortisation expense of \$3.71 million) was \$6.49 million higher than the 2019–20 result. This was mainly due to increased revenue from grants and contributions.

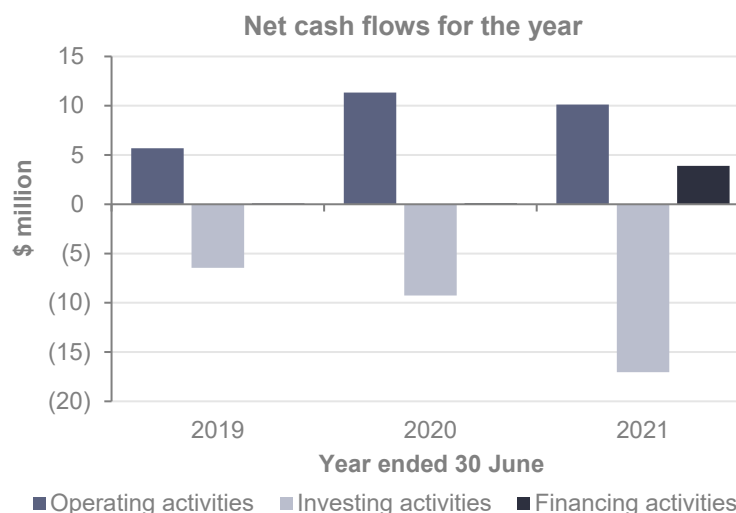
The net operating result before capital grants and contributions (\$6.01 million) was \$3.17 million higher than the 2019–20 result. This was due to increased revenue from operating grants and contributions.

Rates and annual charges revenue (\$6.16 million) increased by \$0.18 million (3.0 per cent) in 2020–2021.

Grants and contributions revenue (\$16.52 million) increased by \$7.07 million (74.8 per cent) in 2020–2021. This was mainly due to additional funding received for sewerage services, the Warren Airport, and road projects.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$3 million to \$10.8 million at the close of the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	10.8	13.8	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.
Restricted cash and investments:			<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program.
• External restrictions	7.0	7.0	
• Internal restrictions	3.3	6.3	

Debt

After repaying existing debt and taking up new borrowings of \$4 million at year-end, total debt as at 30 June 2021 was \$4 million.

PERFORMANCE

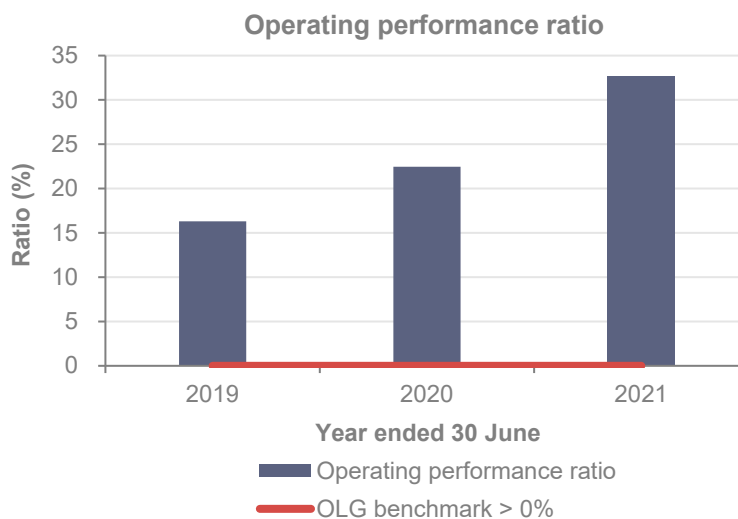
Performance measures

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

Operating performance ratio

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

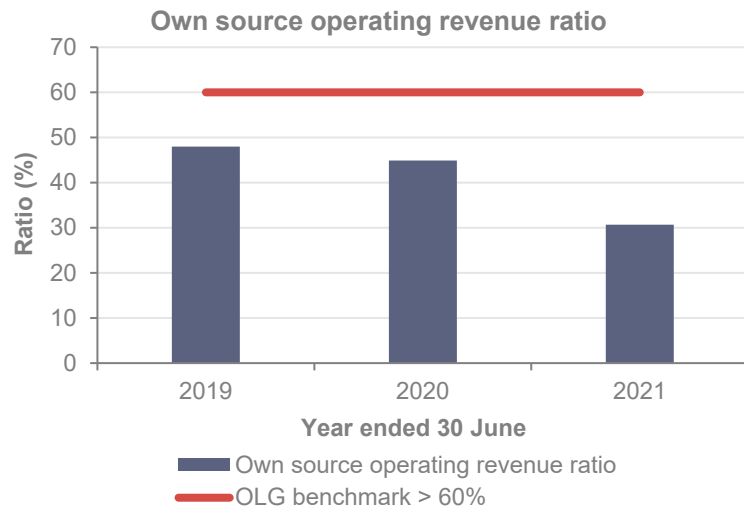
The Council exceeded the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

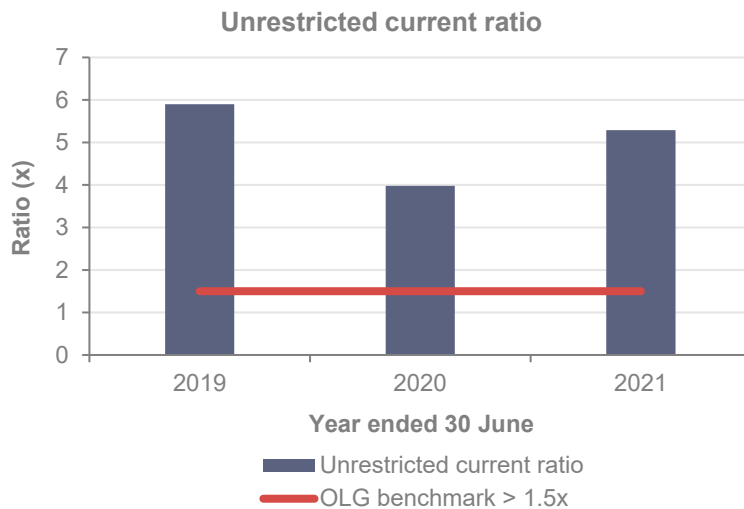
The Council did not meet the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

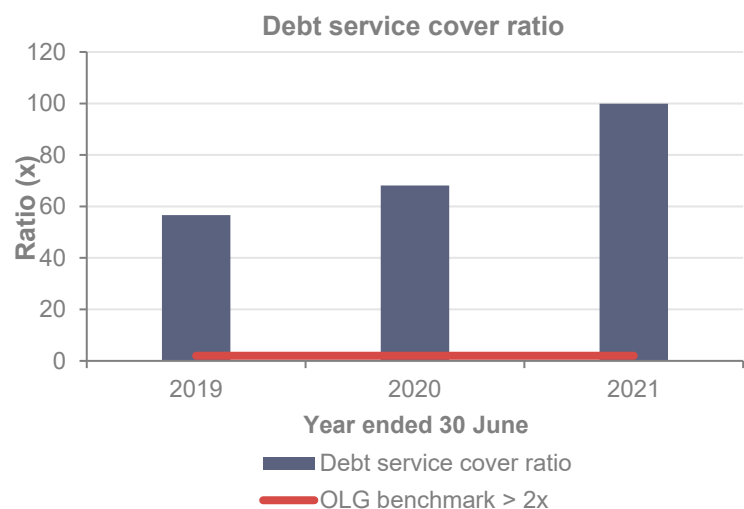
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

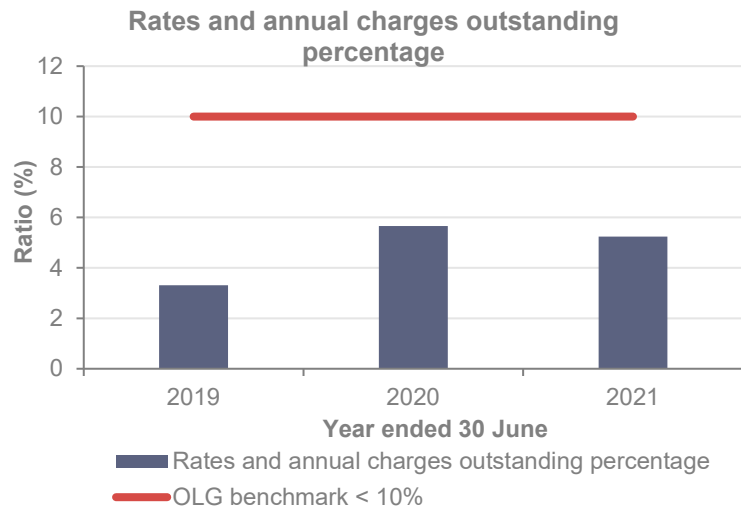
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

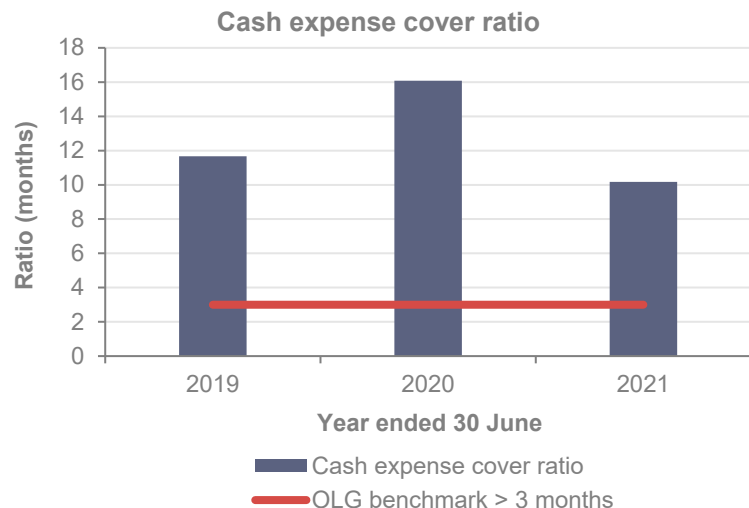
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$13.3 million compared \$6.2 million for the prior year
- Renewals primarily consisted of infrastructure assets
- The level of asset renewals during the year represented 350 percent of the total depreciation expense (\$3.8 million) for the year.

OTHER MATTERS

Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.

A handwritten signature in black ink, appearing to read 'Manuel Moncada', with a stylized flourish extending upwards and to the left.

Manuel Moncada
Delegate of the Auditor-General for New South Wales

cc: Gary Woodman, General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment