

# Dungog Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Dungog Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

198 Dowling Street  
DUNGOG NSW 2420

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

- 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.dungog.nsw.gov.au](http://www.dungog.nsw.gov.au).

# Dungog Shire Council

## General Purpose Financial Statements for the year ended 30 June 2021

### Statement by Councillors and Management

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

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

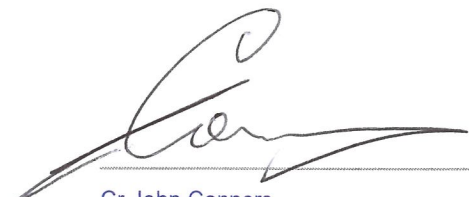
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

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



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Cr John Connors  
**MAYOR**



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Cr Stephen Lowe  
**COUNCILLOR**



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Gareth Curtis  
**GENERAL MANAGER**



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Shaun Chandler  
**RESPONSIBLE ACCOUNTING OFFICER**

## Dungog Shire Council

### Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Income from continuing operations</b>				
9,533	Rates and annual charges	B2-1	9,577	8,308
1,003	User charges and fees	B2-2	2,280	1,006
891	Other revenue	B2-3	976	1,954
4,627	Grants and contributions provided for operating purposes	B2-4	4,931	4,717
9,267	Grants and contributions provided for capital purposes	B2-4	13,023	8,138
487	Interest and investment income	B2-5	221	390
177	Other income	B2-6	348	177
546	Net gains from the disposal of assets	B4-1	-	-
26,531	<b>Total income from continuing operations</b>		<b>31,356</b>	24,690
<b>Expenses from continuing operations</b>				
6,051	Employee benefits and on-costs *	B3-1	6,204	5,279
7,398	Materials and services	B3-2	7,703	6,255
262	Borrowing costs	B3-3	229	289
6,144	Depreciation, amortisation and impairment for non-financial assets	B3-4	5,604	6,120
1,049	Other expenses *	B3-5	1,170	863
-	Net losses from the disposal of assets	B4-1	1,744	1,947
20,904	<b>Total expenses from continuing operations</b>		<b>22,654</b>	20,753
<b>5,627</b>	<b>Operating result from continuing operations</b>		<b>8,702</b>	<b>3,937</b>
<b>5,627</b>	<b>Net operating result for the year attributable to Council</b>		<b>8,702</b>	<b>3,937</b>
(3,065)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(4,321)</b>	(4,201)

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

(\*) Items have been reclassified in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020/21

## Dungog Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Net operating result for the year – from Income Statement</b>		<b>8,702</b>	<b>3,937</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<b>(2,337)</b>	2,468
Other comprehensive income – joint ventures and associates	D2-1	<b>–</b>	(1)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(2,337)</b>	2,467
<b>Total other comprehensive income for the year</b>		<b>(2,337)</b>	2,467
<b>Total comprehensive income for the year attributable to Council</b>		<b>6,365</b>	6,404

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

## Dungog Shire Council

### Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	2,564	3,303
Investments	C1-2	17,000	14,000
Receivables	C1-4	2,407	2,803
Inventories	C1-5	441	606
Other		97	37
<b>Total current assets</b>		<b>22,509</b>	<b>20,749</b>
<b>Non-current assets</b>			
Investments	C1-2	3,500	4,000
Receivables	C1-4	30	36
Inventories	C1-5	26	26
Infrastructure, property, plant and equipment	C1-6	396,229	385,077
Investments accounted for using the equity method	D2-1,D2-2	106	133
<b>Total non-current assets</b>		<b>399,891</b>	<b>389,272</b>
<b>Total assets</b>		<b>422,400</b>	<b>410,021</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	3,499	2,093
Contract liabilities	C3-2	2,042	1,525
Borrowings	C3-3	235	237
Employee benefit provisions *	C3-4	2,290	2,014
Provisions *	C3-5	3	3
<b>Total current liabilities</b>		<b>8,069</b>	<b>5,872</b>
<b>Non-current liabilities</b>			
Payables	C3-1	65	64
Borrowings	C3-3	4,113	4,346
Employee benefit provisions *	C3-4	94	101
Provisions *	C3-5	7,068	3,012
<b>Total non-current liabilities</b>		<b>11,340</b>	<b>7,523</b>
<b>Total liabilities</b>		<b>19,409</b>	<b>13,395</b>
<b>Net assets</b>		<b>402,991</b>	<b>396,626</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	147,891	139,189
IPPE revaluation reserve	C4-1	255,100	257,437
<b>Council equity interest</b>		<b>402,991</b>	<b>396,626</b>
<b>Total equity</b>		<b>402,991</b>	<b>396,626</b>

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

(\*) Items have been reclassified in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020/21

## Dungog Shire Council

### Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance		139,189	257,437	396,626	136,093	254,969	391,062
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(840)	-	(840)
Restated opening balances (with sub-total lines)		8,702	-	8,702	3,937	-	3,937
<b>Net operating result for the year</b>		<b>8,702</b>	<b>-</b>	<b>8,702</b>	<b>3,937</b>	<b>-</b>	<b>3,937</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	(2,337)	(2,337)	-	2,468	2,468
Joint ventures and associates	D2-1	-	-	-	(1)	-	(1)
<b>Other comprehensive income</b>		<b>-</b>	<b>(2,337)</b>	<b>(2,337)</b>	<b>(1)</b>	<b>2,468</b>	<b>2,467</b>
<b>Total comprehensive income</b>		<b>8,702</b>	<b>(2,337)</b>	<b>6,365</b>	<b>3,936</b>	<b>2,468</b>	<b>6,404</b>
<b>Closing balance at 30 June</b>		<b>147,891</b>	<b>255,100</b>	<b>402,991</b>	<b>139,189</b>	<b>257,437</b>	<b>396,626</b>

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

## Dungog Shire Council

### Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
9,533	Rates and annual charges		9,646	8,187
1,180	User charges and fees		2,193	966
487	Investment and interest revenue received		82	407
13,895	Grants and contributions		18,727	12,336
–	Bonds, deposits and retention amounts received		–	6
891	Other		990	1,883
<i>Payments:</i>				
(6,051)	Payments to employees		(5,935)	(5,239)
(7,398)	Payments for materials and services		(6,702)	(5,637)
(262)	Borrowing costs		(136)	(142)
–	Bonds, deposits and retention amounts refunded		(58)	–
(1,049)	Other		(391)	(2,037)
11,226	<b>Net cash flows from operating activities</b>	G1-1	<b>18,416</b>	<b>10,730</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investment securities		2,000	14,817
800	Sale of real estate assets		1,033	–
5	Sale of infrastructure, property, plant and equipment		642	107
5	Deferred debtors receipts		6	12
<i>Payments:</i>				
–	Purchase of investment securities		–	(12,000)
–	Acquisition of term deposits		(4,500)	–
(16,543)	Purchase of infrastructure, property, plant and equipment		(17,910)	(12,349)
–	Purchase of real estate assets		(191)	(37)
(15,733)	<b>Net cash flows from investing activities</b>		<b>(18,920)</b>	<b>(9,450)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(281)	Repayment of borrowings		(235)	(211)
(281)	<b>Net cash flows from financing activities</b>		<b>(235)</b>	<b>(211)</b>
(4,788)	<b>Net change in cash and cash equivalents</b>		<b>(739)</b>	<b>1,069</b>
2,128	Cash and cash equivalents at beginning of year		3,303	2,128
(2,660)	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>2,564</b>	<b>3,197</b>
18,000	plus: Investments on hand at end of year	C1-2	20,500	18,000
15,340	<b>Total cash, cash equivalents and investments</b>		<b>23,064</b>	<b>21,197</b>

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



# Dungog Shire Council

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# Dungog 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 20 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of 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) estimated quarry and landfill remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

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

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note E1-1.

#### Monies and other assets received by Council

##### The Consolidated Fund

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

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

- Clarence Town School of Arts
- Dungog Showground Management Committee
- James Theatre Management Committee
- Martins Creek School of Arts
- Gresford School of Arts
- Paterson School of Arts
- Vacy School of Arts
- Vacy Sportsground

## A1-1 Basis of preparation (continued)

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- Paterson Sportsground
- Gresford Sporting Complex

### 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.

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

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Volunteer services are used across a range of Council functions, including S355 Committees for community facilities and community groups. The value to Council of these services has not been recognised in the income statement as they cannot be reliably measured.

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

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

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

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

### New accounting standards adopted during the year

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

Those newly adopted standards did not have a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Functions or activities</b>										
Corporate & client services	1,290	1,621	4,147	3,678	(2,857)	(2,057)	52	11	30,791	28,042
Public order and safety	73	71	886	700	(813)	(629)	221	116	2,936	3,046
Health	60	66	144	143	(84)	(77)	54	80	–	1
Community services and education	146	136	181	214	(35)	(78)	4	8	1,280	1,336
Housing and community amenities	3,961	3,472	3,617	3,635	344	(163)	342	503	7,074	6,974
Recreation and culture	1,412	746	2,452	1,635	(1,040)	(889)	1,885	844	14,036	12,921
Mining, manufacture and construction	298	94	330	350	(32)	(256)	–	–	1,211	2,451
Transport and communication	12,851	7,432	10,388	9,249	2,463	(1,817)	12,243	8,117	361,326	351,442
Economic affairs	1,431	198	509	697	922	(499)	1	2	3,640	3,570
General purpose income	9,834	10,089	–	–	9,834	10,089	1,747	3,174	106	132
Other	–	765	–	452	–	313	1,405	–	–	106
<b>Total functions and activities</b>	<b>31,356</b>	<b>24,690</b>	<b>22,654</b>	<b>20,753</b>	<b>8,702</b>	<b>3,937</b>	<b>17,954</b>	<b>12,855</b>	<b>422,400</b>	<b>410,021</b>

## B1-2 Components of functions or activities

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

### Corporate & client services

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes corporate support and other support services, engineering works, and any Council policy compliance.

### Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

### Health

Includes health administration, food control, control of noxious plants.

### Community services and education

Includes administration and education; migrant, Indigenous and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

### Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons. Also includes insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

### Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

### Mining, manufacture and construction

Includes building control, quarries and pits and mineral resources.

### Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths and parking areas.

### Economic affairs

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

### General purpose income

Includes income from general rates, financial assistance grants, interest income and the share of gains/losses in associates and joint ventures.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	4,411	3,651
Farmland	2,754	2,398
Business	430	364
<b>Rates levied to ratepayers</b>	<b>7,595</b>	<b>6,413</b>
Pensioner rate subsidies received	68	63
<b>Total ordinary rates</b>	<b>7,663</b>	<b>6,476</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	1,665	1,599
Stormwater management services	42	42
Waste management services (non-domestic)	156	152
Section 611 charges	2	2
Sanitary	20	7
<b>Annual charges levied</b>	<b>1,885</b>	<b>1,802</b>
Pensioner subsidies received:		
– Domestic waste management	29	30
<b>Total annual charges</b>	<b>1,914</b>	<b>1,832</b>
<b>Total rates and annual charges</b>	<b>9,577</b>	<b>8,308</b>

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

#### Accounting policy

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

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

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

## B2-2 User charges and fees

\$ '000	Timing	2021	2020
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	294	186
<b>Total specific user charges</b>		<b>294</b>	<b>186</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services	2	4	2
Planning and building regulation	2	367	210
Private works – section 67	2	752	8
Town planning	2	65	29
Building control	2	70	44
Septic tank applications	2	22	18
<b>Total fees and charges – statutory/regulatory</b>		<b>1,280</b>	<b>311</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park	2	245	176
Cemeteries	2	42	40
Tourism	2	2	1
Onsite sewerage management services	2	264	245
Inspections and construction certificates – roads	2	130	25
Other	2	23	22
<b>Total fees and charges – other</b>		<b>706</b>	<b>509</b>
<b>Total user charges and fees</b>		<b>2,280</b>	<b>1,006</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		2,280	1,006
<b>Total user charges and fees</b>		<b>2,280</b>	<b>1,006</b>

### Accounting policy

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

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

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



## B2-3 Other revenue

\$ '000	Timing	2021	2020
Fines – other	2	21	9
Legal fees recovery – other	2	–	362
Commissions and agency fees	2	115	115
Insurance claims recoveries	2	26	176
Sales – general		4	–
Southern Phone	2	–	745
Landfill recycling stations sales	2	280	94
Section 88 fee collected	2	468	410
Workers compensation and insurance rebates	2	19	38
Other	2	43	5
<b>Total other revenue</b>		<b>976</b>	<b>1,954</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	976	1,954
<b>Total other revenue</b>	<b>976</b>	<b>1,954</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	854	854	–	–
Financial assistance – local roads component	2	616	626	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	914	904	–	–
Financial assistance – local roads component	2	491	496	–	–
<b>Amount recognised as income during current year</b>		<b>2,875</b>	<b>2,880</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
<b>Pensioners' rates subsidies:</b>					
– Other		6	–	–	–
Community care	1	4	8	–	–
Heritage and cultural	2	10	103	–	–
Library	1	64	63	20	–
Library – special projects	2	–	–	17	17
Noxious weeds	2	54	63	–	–
Recreation and culture	2	–	109	1,619	620
Bus shelters	2	–	22	–	–
Street lighting	2	21	21	–	–
Transport (roads to recovery)	2	–	–	575	575
Transport (other roads and bridges funding)	2	1,305	1,244	1,945	–
Other specific grants	2	327	52	–	326
<b>Previously contributions:</b>					
Bushfire services	2	2	1	25	41
Roads and bridges	2	–	–	67	149
Transport for NSW contributions (regional roads, block grant)	2	–	–	8,330	6,105
Tourism	2	1	2	–	–
Water supplies (excl. section 64 contributions)	2	–	1	–	–
Other contributions	2	–	–	154	11
Emergency services levy	2	194	74	–	–
Waste management	2	68	74	–	–
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>2,056</b>	<b>1,837</b>	<b>12,752</b>	<b>7,844</b>
<b>Total grants and non-developer contributions</b>		<b>4,931</b>	<b>4,717</b>	<b>12,752</b>	<b>7,844</b>
<b>Comprising:</b>					
– Commonwealth funding		2,875	2,721	575	575
– State funding		2,056	1,558	12,177	963
– Other funding		–	438	–	6,306
		<b>4,931</b>	<b>4,717</b>	<b>12,752</b>	<b>7,844</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	Timing	<b>Operating 2021</b>	Operating 2020	<b>Capital 2021</b>	Capital 2020
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G4					
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	–	–	271	294
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>271</b>	<b>294</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>271</b>	<b>294</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>271</b>	<b>294</b>
<b>Total grants and contributions</b>			<b>4,931</b>	<b>4,717</b>	<b>13,023</b>	<b>8,138</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			68	–	20	–
Grants and contributions recognised at a point in time (2)			4,863	4,717	13,003	8,138
<b>Total grants and contributions</b>			<b>4,931</b>	<b>4,717</b>	<b>13,023</b>	<b>8,138</b>

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	140	277	1,365	563
Add: Funds received and not recognised as revenue in the current year	214	39	1,208	911
Less: Funds received in prior year but revenue recognised and funds spent in current year	(141)	(176)	(770)	(109)
<b>Unspent funds at 30 June</b>	<b>213</b>	<b>140</b>	<b>1,803</b>	<b>1,365</b>
<b>Contributions</b>				
Unspent funds at 1 July	6,782	6,478	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	271	304	-	-
<b>Unspent contributions at 30 June</b>	<b>7,053</b>	<b>6,782</b>	<b>-</b>	<b>-</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

#### Capital grants

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

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

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

#### Developer contributions

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

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

## B2-4 Grants and contributions (continued)

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

### Other grants and contributions

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

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

## B2-5 Interest and investment income

\$ '000	2021	2020
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	42	35
– Cash and investments	179	355
<b>Total interest and investment income (losses)</b>	<b>221</b>	<b>390</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	42	35
General Council cash and investments	179	345
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	–	10
<b>Total interest and investment income</b>	<b>221</b>	<b>390</b>

### Accounting policy

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

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

## B2-6 Other income

\$ '000	Notes	2021	2020
<b>Rental income</b>			
Mt. Richardson Radio Station		7	5
Alison Court Aged Units		113	122
Dungog Information Neighbourhood Service		4	4
Clarence Town Pre-School Rental		3	3
Clarence Town Community Centre		–	2
Paterson Golf/Tennis Clubs		2	2
Dungog Saleyards		7	7
Workshop		4	4
Leaseback fees - council vehicles		42	28
Other		15	–
<b>Total rental income</b>	C2-2	<b>197</b>	<b>177</b>
<b>Other</b>			
Rehabilitation provision decrement		151	–
<b>Total other</b>		<b>151</b>	<b>–</b>
<b>Total other income</b>		<b>348</b>	<b>177</b>

## B3 Costs of providing services

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

\$ '000	2021	2020
Salaries and wages	5,724	4,834
Employee leave entitlements (ELE)	693	544
Superannuation	651	574
Workers' compensation insurance	202	115
Fringe benefit tax (FBT)	74	58
Training costs (other than salaries and wages)	85	47
Other	13	72
<b>Total employee costs</b>	<b>7,442</b>	<b>6,244</b>
Less: capitalised costs	(1,238)	(965)
<b>Total employee costs expensed</b>	<b>6,204</b>	<b>5,279</b>

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

(\*) Items have been reclassified in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020/21

## B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		5,681	5,125
Contractor and consultancy costs		163	195
Audit Fees	F2-1	71	51
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	112	105
Advertising		21	53
Bank charges		12	10
Electricity and heating		103	93
Insurance		338	307
Postage		24	25
Printing and stationery		38	23
Street lighting		90	94
Subscriptions and publications		28	4
Telephone and communications		57	56
Valuation fees		41	40
Agency collection costs – Australia Post		22	19
Commissions		122	60
Newcastle regional library		13	18
Weight of loads co-operative		16	16
Other expenses		703	240
<b>Legal expenses:</b>			
– Legal expenses: planning and development		7	237
– Legal expenses: other		31	13
Expenses from leases of low value assets		10	16
Variable lease expense relating to usage		–	19
<b>Total materials and services</b>		<b>7,703</b>	<b>6,819</b>
Less: capitalised costs		–	(564)
<b>Total materials and services</b>		<b>7,703</b>	<b>6,255</b>

### Accounting policy

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

## B3-3 Borrowing costs

\$ '000	Notes	2021	2020
<b>(i) Interest bearing liability costs</b>			
Interest on loans		133	149
<b>Total interest bearing liability costs</b>		<b>133</b>	<b>149</b>
<b>Total interest bearing liability costs expensed</b>		<b>133</b>	<b>149</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	96	140
<b>Total other borrowing costs</b>		<b>96</b>	<b>140</b>
<b>Total borrowing costs expensed</b>		<b>229</b>	<b>289</b>

### Accounting policy

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

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

\$ '000	Notes	2021	2020
<b>Depreciation and amortisation</b>			
Plant and equipment		466	486
Office equipment		5	8
Furniture and fittings		1	1
<b>Infrastructure:</b>			
	C1-6		
– Buildings – specialised		548	547
– Other structures		74	74
– Roads		2,895	3,143
– Bridges		628	787
– Footpaths		34	31
– Stormwater drainage		448	439
– Swimming pools		64	110
– Other open space/recreational assets		317	317
<b>Other assets:</b>			
– Library books		41	38
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Asset reinstatement costs	C3-5,C1-6	83	139
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>5,604</b>	<b>6,120</b>

### Accounting policy

#### Depreciation and amortisation

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

#### Impairment of non-financial assets

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

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

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

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

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



**B3-5 Other expenses \***

\$ '000	Notes	2021	2020
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		27	11
<b>Total net share of interests in joint ventures and associates using the equity method</b>	D2-1,D2-2	<b>27</b>	<b>11</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– NSW fire brigade levy		20	25
– NSW rural fire service levy		635	407
– Waste levy		468	410
– Other contributions/levies		18	7
Donations, contributions and assistance to other organisations (Section 356)		2	3
<b>Total other expenses</b>		<b>1,170</b>	<b>863</b>

**Accounting policy**

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		534	(2)
Less: carrying amount of property assets sold/written off		(667)	(32)
<b>Gain (or loss) on disposal</b>		<b>(133)</b>	<b>(34)</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		108	109
Less: carrying amount of plant and equipment assets sold/written off		(153)	(223)
<b>Gain (or loss) on disposal</b>		<b>(45)</b>	<b>(114)</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(2,204)	(1,799)
<b>Gain (or loss) on disposal</b>		<b>(2,204)</b>	<b>(1,799)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-5		
Proceeds from disposal – real estate assets		1,033	–
Less: carrying amount of real estate assets sold/written off		(395)	–
<b>Gain (or loss) on disposal</b>		<b>638</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>(1,744)</b>	<b>(1,947)</b>

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

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

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	9,533	9,577	44	0% <b>F</b>
<b>User charges and fees</b>	1,003	2,280	1,277	127% <b>F</b>
Recovery of legal costs not budgeted. Higher than anticipated planning, development & inspection fees. Caravan Park fees higher than anticipated.				
<b>Other revenues</b>	891	976	85	10% <b>F</b>
<b>Operating grants and contributions</b>	4,627	4,931	304	7% <b>F</b>
Changed accounting treatment of grants.				
<b>Capital grants and contributions</b>	9,267	13,023	3,756	41% <b>F</b>
Receipt of unanticipated grants for roads and bridges projects.				
<b>Interest and investment revenue</b>	487	221	(266)	(55)% <b>U</b>
Effect of low interest rates on investments.				
<b>Net gains from disposal of assets</b>	546	-	(546)	(100)% <b>U</b>
Net loss on asset disposals due to asset renewals.				
<b>Other income</b>	177	348	171	97% <b>F</b>
Lease income higher than expected, income from reduction in rehabilitation provisions not budgeted.				

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	6,051	6,204	(153)	(3)%	<b>U</b>
<b>Materials and services</b>	7,398	7,703	(305)	(4)%	<b>U</b>
<b>Borrowing costs</b> Quarries discount unwinding lower than expected.	262	229	33	13%	<b>F</b>
<b>Depreciation, amortisation and impairment of non-financial assets</b>	6,144	5,604	540	9%	<b>F</b>
<b>Other expenses</b> NSW rural fire service levy higher than anticipated.	1,049	1,170	(121)	(12)%	<b>U</b>
<b>Net losses from disposal of assets</b> Item not budgeted.	-	1,744	(1,744)	∞	<b>U</b>
<b>STATEMENT OF CASH FLOWS</b>					
<b>Cash flows from operating activities</b> Capital grants significantly higher than budgeted. Recovery of legal costs not budgeted.	11,226	18,416	7,190	64%	<b>F</b>
<b>Cash flows from investing activities</b> More capital works projects undertaken than planned.	(15,733)	(18,920)	(3,187)	20%	<b>U</b>
<b>Cash flows from financing activities</b> Loan repayments overbudgeted.	(281)	(235)	46	(16)%	<b>F</b>

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	2,564	3,303
<b>Total cash and cash equivalents</b>	<b>2,564</b>	<b>3,303</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	2,564	3,303
<b>Balance as per the Statement of Cash Flows</b>	<b>2,564</b>	<b>3,303</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	16,500	500	12,500	–
NCD's, FRN's (with maturities > 3 months)	500	3,000	1,500	4,000
<b>Total</b>	<b>17,000</b>	<b>3,500</b>	<b>14,000</b>	<b>4,000</b>
<b>Total financial investments</b>	<b>17,000</b>	<b>3,500</b>	<b>14,000</b>	<b>4,000</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>19,564</b>	<b>3,500</b>	<b>17,303</b>	<b>4,000</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

## C1-2 Financial investments (continued)

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

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

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

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

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

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	<b>19,564</b>	<b>3,500</b>	17,303	4,000
<b>attributable to:</b>				
External restrictions	<b>6,307</b>	<b>3,500</b>	5,110	4,000
Internal restrictions	<b>13,257</b>	<b>-</b>	12,193	-

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

##### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	<b>2,016</b>	1,504
<b>External restrictions – included in liabilities</b>	<b>2,016</b>	<b>1,504</b>

##### External restrictions – other

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

Developer contributions – general	<b>6,906</b>	6,635
Bike path	<b>8</b>	8
Deposits and retentions	<b>158</b>	216
Kerb and gutter	<b>10</b>	10
Pavement	<b>54</b>	54
Rail services australia	<b>39</b>	39
RLCIP infrastructure funding	<b>1</b>	1
Domestic waste management	<b>615</b>	643
<b>External restrictions – other</b>	<b>7,791</b>	<b>7,606</b>
<b>Total external restrictions</b>	<b>9,807</b>	<b>9,110</b>

##### Internal restrictions

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

Plant and vehicle replacement	<b>3,705</b>	3,911
Employees leave entitlement	<b>1,316</b>	1,210
Buildings and grounds	<b>434</b>	386
Discontinued funds transfer	<b>700</b>	750
Insurance equalisation	<b>215</b>	295
Other waste management	<b>753</b>	559
RB unexpended	<b>1,020</b>	1,148
Settlement for the aged	<b>292</b>	228
Shire properties	<b>426</b>	343
Special projects	<b>4,396</b>	3,363
<b>Total internal restrictions</b>	<b>13,257</b>	<b>12,193</b>
<b>Total restrictions</b>	<b>23,064</b>	<b>21,303</b>

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

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	652	-	647	-
Interest and extra charges	71	-	(66)	-
User charges and fees	14	-	14	-
Private works	108	-	13	-
Accrued revenues				
– Interest on investments	51	-	49	-
– Other income accruals	-	-	228	-
Deferred debtors	-	30	-	36
Government grants and subsidies	815	-	1,078	-
Net GST receivable	451	-	188	-
Kerb and guttering	6	-	7	-
Rates legal costs recovery	17	-	22	-
RMS (formerly RTA)	274	-	246	-
Contributions	12	-	387	-
Other debtors	86	-	47	-
<b>Total</b>	<b>2,557</b>	<b>30</b>	<b>2,860</b>	<b>36</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(91)	-	(36)	-
Other debtors	(59)	-	(21)	-
<b>Total provision for impairment – receivables</b>	<b>(150)</b>	<b>-</b>	<b>(57)</b>	<b>-</b>
<b>Total net receivables</b>	<b>2,407</b>	<b>30</b>	<b>2,803</b>	<b>36</b>

\$ '000	2021	2020
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	57	48
+ new provisions recognised during the year	93	9
<b>Balance at the end of the year</b>	<b>150</b>	<b>57</b>



## C1-4 Receivables (continued)

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### Accounting policy

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

### Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

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

## C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	–	–	204	–
Stores and materials	441	–	402	–
<b>Total inventories at cost</b>	<b>441</b>	<b>–</b>	<b>606</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>				
Real estate for resale	–	26	–	26
<b>Total inventories at net realisable value (NRV)</b>	<b>–</b>	<b>26</b>	<b>–</b>	<b>26</b>
<b>Total inventories</b>	<b>441</b>	<b>26</b>	<b>606</b>	<b>26</b>

### (i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(a) Details for real estate development</b>					
Residential		–	26	204	26
<b>Total real estate for resale</b>		<b>–</b>	<b>26</b>	<b>204</b>	<b>26</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		–	26	204	26
<b>Total costs</b>		<b>–</b>	<b>26</b>	<b>204</b>	<b>26</b>
<b>Total real estate for resale</b>		<b>–</b>	<b>26</b>	<b>204</b>	<b>26</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		204	26	166	27
– Purchases and other costs		191	–	38	(1)
– WDV of sales (expense)	B4-1	(395)	–	–	–
<b>Total real estate for resale</b>		<b>–</b>	<b>26</b>	<b>204</b>	<b>26</b>

## C1-5 Inventories (continued)

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### 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	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	7,067	–	7,067	3,760	2,019	–	–	(7,067)	–	–	5,779	–	5,779
Plant and equipment	9,998	(6,338)	3,660	691	266	116	(466)	–	–	–	10,602	(6,565)	4,037
Office equipment	655	(628)	27	–	–	–	(5)	–	–	–	655	(633)	22
Furniture and fittings	287	(253)	34	–	–	–	(1)	–	–	–	287	(254)	33
<b>Land:</b>													
– Operational land	8,376	–	8,376	5	–	500	–	–	–	–	7,881	–	7,881
– Community land	5,992	–	5,992	–	358	–	–	–	–	(2,160)	4,190	–	4,190
<b>Infrastructure:</b>													
– Buildings – specialised	32,811	(25,221)	7,590	29	944	204	(548)	–	–	–	33,405	(25,594)	7,811
– Other structures	1,806	(880)	926	–	18	–	(74)	–	–	–	1,824	(954)	870
– Roads	189,932	(76,421)	113,511	6,073	–	1,802	(2,895)	2,327	–	–	196,462	(79,247)	117,215
– Bridges	65,428	(27,336)	38,092	1,774	–	402	(628)	2,888	–	–	69,637	(27,914)	41,723
– Footpaths	1,337	(283)	1,054	–	–	–	(34)	–	–	–	1,337	(317)	1,020
– Bulk earthworks (non-depreciable)	168,737	–	168,737	1,122	–	–	–	807	–	–	170,666	–	170,666
– Stormwater drainage	36,789	(10,108)	26,681	412	–	–	(448)	551	–	(177)	37,752	(10,729)	27,023
– Swimming pools	2,541	(2,319)	222	–	13	–	(64)	–	–	–	2,554	(2,383)	171
– Other open space/recreational assets	6,055	(4,309)	1,746	475	30	–	(317)	494	–	–	7,014	(4,586)	2,428
<b>Other assets:</b>													
– Library books	865	(725)	140	–	29	–	(41)	–	–	–	894	(766)	128
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>													
– Tip & quarry assets	2,385	(1,163)	1,222	–	–	–	(83)	–	4,093	–	5,591	(359)	5,232
<b>Total infrastructure, property, plant and equipment</b>	<b>541,061</b>	<b>(155,984)</b>	<b>385,077</b>	<b>14,341</b>	<b>3,677</b>	<b>3,024</b>	<b>(5,604)</b>	<b>–</b>	<b>4,093</b>	<b>(2,337)</b>	<b>556,530</b>	<b>(160,301)</b>	<b>396,229</b>

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	874	–	874	6,849	218	–	–	(874)	–	–	7,067	–	7,067
Plant and equipment	9,659	(6,108)	3,551	819	–	223	(486)	–	–	–	9,998	(6,338)	3,660
Office equipment	630	(621)	9	–	25	–	(8)	–	–	–	655	(628)	27
Furniture and fittings	254	(252)	2	–	33	–	(1)	–	–	–	287	(253)	34
<b>Land:</b>													
– Operational land	8,338	–	8,338	3	–	–	–	–	–	35	8,376	–	8,376
– Community land	5,595	–	5,595	–	385	–	–	–	–	12	5,992	–	5,992
<b>Infrastructure:</b>													
– Buildings – specialised	32,557	(25,000)	7,557	64	570	54	(547)	–	–	–	32,811	(25,221)	7,590
– Other structures	1,674	(845)	829	71	101	1	(74)	–	–	2	1,806	(880)	926
– Roads	189,654	(73,278)	116,376	1,295	–	1,607	(3,143)	464	–	126	189,932	(76,421)	113,511
– Bridges	65,303	(26,549)	38,754	78	–	191	(787)	238	–	–	65,428	(27,336)	38,092
– Footpaths	1,319	(252)	1,067	18	–	–	(31)	–	–	–	1,337	(283)	1,054
– Bulk earthworks (non-depreciable)	167,649	–	167,649	1,009	–	–	–	79	–	–	168,737	–	168,737
– Stormwater drainage	35,492	(11,334)	24,158	613	–	–	(439)	20	40	2,289	36,789	(10,108)	26,681
– Swimming pools	2,541	(2,209)	332	–	–	–	(110)	–	–	–	2,541	(2,319)	222
– Other open space/recreational assets	6,067	(4,221)	1,846	177	–	33	(317)	73	–	–	6,055	(4,309)	1,746
<b>Other assets:</b>													
– Library books	828	(688)	140	–	37	–	(38)	–	–	–	865	(725)	140
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>													
– Tip assets	2,381	(1,024)	1,357	–	–	–	(139)	–	–	4	2,385	(1,163)	1,222
<b>Total infrastructure, property, plant and equipment</b>	<b>530,815</b>	<b>(152,381)</b>	<b>378,434</b>	<b>10,996</b>	<b>1,369</b>	<b>2,109</b>	<b>(6,120)</b>	<b>–</b>	<b>40</b>	<b>2,468</b>	<b>541,061</b>	<b>(155,984)</b>	<b>385,077</b>

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

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

### Accounting policy

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

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

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

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

#### Useful lives of IPPE

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Stormwater assets</b>			
Drains	80 to 100		
Culverts	50 to 80		
Flood control structures	80 to 100		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	80
Sealed roads: other	30 to 60	Unsealed roads	20
Unsealed roads	20	Other open space/recreational assets	50
Bridge: concrete	80	Other infrastructure	25
Bridge: timber	50		
Road pavements	80		
Kerb, gutter and footpaths	40		

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

#### Revaluation model

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

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

#### Land under roads

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

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

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

### Crown reserves

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

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

### Rural Fire Service assets

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

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

## Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	237	46	191	159	16	143
Buildings	152	35	117	152	32	120
Other structures	159	93	66	159	83	76
Other assets	2	2	–	2	2	–
<b>Total domestic waste management</b>	<b>550</b>	<b>176</b>	<b>374</b>	<b>472</b>	<b>133</b>	<b>339</b>
<b>Other restricted assets</b>						
– Stormwater drainage	37,752	10,729	27,023	36,789	10,108	26,681
<b>Total other restrictions</b>	<b>37,752</b>	<b>10,729</b>	<b>27,023</b>	<b>36,789</b>	<b>10,108</b>	<b>26,681</b>
<b>Total restricted infrastructure, property, plant and equipment</b>	<b>38,302</b>	<b>10,905</b>	<b>27,397</b>	<b>37,261</b>	<b>10,241</b>	<b>27,020</b>

## C2 Leasing activities

### C2-1 Council as a lessee

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

#### Terms and conditions of leases

##### Office and IT equipment

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

#### (a) Income Statement

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

\$ '000	2021	2020
Variable lease payments based on usage not included in the measurement of lease liabilities	–	19
Expenses relating to low-value leases	<u>10</u>	<u>16</u>
	<b>10</b>	<b>35</b>

#### (b) Statement of Cash Flows

Total cash outflow for leases	<u>23</u>	<u>35</u>
	<b>23</b>	<b>35</b>

#### Accounting policy

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

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

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

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

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

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

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

##### Exceptions to lease accounting

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



## C2-2 Council as a lessor

### Operating leases

\$ '000	2021	2020
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#### (i) Assets held as property, plant and equipment

Council provides operating leases over Council buildings or properties for the purpose of various community activities, emergency services, commercial use and aged housing. The table below relates to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)	197	177
<b>Total income relating to operating leases for Council assets</b>	<b>197</b>	<b>177</b>

#### Amount of IPPE leased out by Council under operating leases

Plant & Equipment	418	418
Land	1,215	1,192
Buildings	1,016	1,092
Other Structures	51	14
Swimming Pools	290	369
<b>Total amount of IPPE leased out by Council under operating leases</b>	<b>2,990</b>	<b>3,085</b>

#### (ii) Maturity analysis of contractual lease income

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

< 1 year	193	152
1–2 years	198	154
2–3 years	202	156
3–4 years	207	157
4–5 years	212	159
> 5 years	217	161
<b>Total undiscounted lease payments to be received</b>	<b>1,229</b>	<b>939</b>

### Accounting policy

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

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

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

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

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	2,716	–	1,676	–
Accrued expenses:				
– Borrowings	4	–	7	–
– Other expenditure accruals	470	–	–	–
Advances	–	–	–	(1)
Security bonds, deposits and retentions	158	–	216	–
Other	–	65	62	65
Prepaid rates	151	–	132	–
<b>Total payables</b>	<b>3,499</b>	<b>65</b>	<b>2,093</b>	<b>64</b>
<b>Total payables</b>	<b>3,499</b>	<b>65</b>	<b>2,093</b>	<b>64</b>

#### Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Total payables relating to unrestricted assets</b>	<b>3,499</b>	<b>65</b>	<b>2,093</b>	<b>64</b>
<b>Total payables</b>	<b>3,499</b>	<b>65</b>	<b>2,093</b>	<b>64</b>

#### Accounting policy

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

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

### C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,803	–	1,354	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	212	–	151	–
<b>Total grants received in advance</b>		<b>2,015</b>	<b>–</b>	<b>1,505</b>	<b>–</b>
<b>User fees and charges received in advance:</b>					
Other		27	–	20	–
<b>Total user fees and charges received in advance</b>		<b>27</b>	<b>–</b>	<b>20</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>2,042</b>	<b>–</b>	<b>1,525</b>	<b>–</b>

#### Notes

continued on next page ...

## C3-2 Contract Liabilities (continued)

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

### Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Externally restricted assets</b>				
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,016	-	1,504	-
<b>Contract liabilities relating to externally restricted assets</b>	2,016	-	1,504	-
<b>Total contract liabilities relating to restricted assets</b>	2,016	-	1,504	-
<b>Total contract liabilities relating to unrestricted assets</b>	26	-	21	-
<b>Total contract liabilities</b>	2,042	-	1,525	-

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

\$ '000	2021	2020
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	770	109
Operating grants (received prior to performance obligation being satisfied)	141	176
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	911	285

### Significant changes in contract liabilities

The increase in contract liabilities reflects the receipt of significant grant funding for infrastructure projects relating to roads, bridges, recreation and building assets.

### Accounting policy

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

## C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured <sup>1</sup>	235	4,113	235	4,346
Government advances	-	-	2	-
<b>Total borrowings</b>	235	4,113	237	4,346

(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.

### C3-3 Borrowings (continued)

#### Borrowings relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Total borrowings relating to unrestricted assets</b>	<b>235</b>	<b>4,113</b>	<b>237</b>	<b>4,346</b>
<b>Total borrowings</b>	<b>235</b>	<b>4,113</b>	<b>237</b>	<b>4,346</b>

#### Current borrowings not anticipated to be settled within the next twelve months

The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.

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

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	4,581	(233)	–	–	–	–	4,348
Government advances	2	(2)	–	–	–	–	–
<b>Total liabilities from financing activities</b>	<b>4,583</b>	<b>(235)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,348</b>

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	4,792	(211)	–	–	–	–	4,581
Government advances	2	–	–	–	–	–	2
<b>Total liabilities from financing activities</b>	<b>4,794</b>	<b>(211)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,583</b>

#### (b) Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
Credit cards/purchase cards	<b>85</b>	85
<b>Total financing arrangements</b>	<b>85</b>	85
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	<b>73</b>	78
<b>Total undrawn financing arrangements</b>	<b>73</b>	78

#### Additional financing arrangements information

##### Breaches and defaults

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

##### 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.

### C3-3 Borrowings (continued)

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

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

## C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	835	–	679	–
Sick leave	–	–	–	7
Long service leave	1,455	94	1,335	94
<b>Total employee benefit provisions</b>	<b>2,290</b>	<b>94</b>	<b>2,014</b>	<b>101</b>

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,232	1,971
	<b>2,232</b>	<b>1,971</b>

\$ '000	ELE provisions			
	Annual leave	Sick leave	Long service leave	Total
<b>2021</b>				
At beginning of year	679	7	1,429	2,115
Other	156	(7)	120	269
Total ELE provisions at end of year	<b>835</b>	<b>–</b>	<b>1,549</b>	<b>2,384</b>
<b>2020</b>				
At beginning of year	611	6	1,458	2,075
Other	68	1	(29)	40
Total ELE provisions at end of year	<b>679</b>	<b>7</b>	<b>1,429</b>	<b>2,115</b>

### Accounting policy

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

### Short-term obligations

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

### Other long-term employee benefit obligations

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

### On-costs

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

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

### C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
<b>Other provisions</b>				
Other	3	-	3	-
<b>Sub-total – other provisions</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>-</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	-	7,068	-	3,012
<b>Sub-total – asset remediation/restoration</b>	<b>-</b>	<b>7,068</b>	<b>-</b>	<b>3,012</b>
<b>Total provisions</b>	<b>3</b>	<b>7,068</b>	<b>3</b>	<b>3,012</b>
<b>Provisions relating to restricted assets</b>				
<b>Total provisions relating to restricted assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total provisions relating to unrestricted assets</b>	<b>3</b>	<b>7,068</b>	<b>3</b>	<b>3,012</b>
<b>Total provisions</b>	<b>3</b>	<b>7,068</b>	<b>3</b>	<b>3,012</b>

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

## C3-5 Provisions (continued)

\$ '000	Other provisions		Net carrying amount
	Asset remediation	Provision for impairment - aged units	
<b>2021</b>			
At beginning of year	3,012	–	3,012
Unwinding of discount	96	–	96
Amounts used (payments)	18	–	18
Remeasurement effects	3,942	–	3,942
Total other provisions at end of year	7,068	–	7,068
<b>2020</b>			
At beginning of year	2,897	113	3,010
Other	115	(113)	2
Total other provisions at end of year	3,012	–	3,012

### Nature and purpose of provisions

#### Asset remediation

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

#### Accounting policy

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

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

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

#### Asset remediation – tips and quarries

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

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

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



## C4 Reserves

### C4-1 Nature and purpose of reserves

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

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

## D Council structure

### D1 Results by fund

#### D1-1 Income Statement by fund

<b>\$ '000</b>	<b>General <sup>1</sup> 2021</b>
<b>Income from continuing operations</b>	
Rates and annual charges	9,577
User charges and fees	2,280
Interest and investment revenue	221
Other revenues	976
Grants and contributions provided for operating purposes	4,931
Grants and contributions provided for capital purposes	13,023
Other income	348
<b>Total income from continuing operations</b>	<b>31,356</b>
<b>Expenses from continuing operations</b>	
Employee benefits and on-costs	6,204
Materials and services	7,703
Borrowing costs	229
Depreciation, amortisation and impairment of non-financial assets	5,604
Other expenses	1,170
Net losses from the disposal of assets	1,744
<b>Total expenses from continuing operations</b>	<b>22,654</b>
<b>Operating result from continuing operations</b>	<b>8,702</b>
<b>Net operating result for the year</b>	<b>8,702</b>
<b>Net operating result attributable to each council fund</b>	<b>8,702</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(4,321)</b>

(1) General fund refers to all of Council's activities. Council does not have water, sewer or any other activities.

## D2 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
<b>Council's share of net assets</b>		
<b>Net share of interests in joint ventures and associates using the equity method – assets</b>		
Joint ventures	106	133
<b>Total net share of interests in joint ventures and associates using the equity method – assets</b>	<b>106</b>	<b>133</b>
Total Council's share of net assets	106	133

### D2-1 Interests in joint arrangements

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

\$ '000	Nature of relationship	Interest in ownership			
		2021	2020	2021	2020
Arrow Collaborative Services Limited	Joint venture	2.9%	2.9%	106	133
<b>Total carrying amounts – material joint ventures</b>				<b>106</b>	<b>133</b>

#### Arrow Collaborative Services Limited

Arrow Collaborative Services Limited is jointly owned by 11 local councils in the Hunter region. It provides specialised services to the local government sector.

#### Material joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements:

#### Details

	Principal activity	Measurement method
Arrow Collaborative Services Limited	To improve quality and efficiency of local government services in the Hunter region.	Accrual

#### Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Arrow Collaborative Services Limited	2.9%	2.9%	7.7%	7.7%

#### Summarised financial information for joint ventures

\$ '000	Arrow Collaborative Services Limited	
	2021	2020
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,340	5,101
Other current assets	1,757	1,446

## D2-1 Interests in joint arrangements (continued)

\$ '000	Arrow Collaborative Services Limited	
	2021	2020
<b>Non-current assets</b>	<b>727</b>	310
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	<b>726</b>	570
Other current liabilities	<b>2,395</b>	1,669
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>26</b>	11
<b>Net assets</b>	<b>3,677</b>	4,607
<b>Statement of comprehensive income</b>		
Income	<b>6,374</b>	5,632
Depreciation and amortisation	<b>(137)</b>	(105)
Interest expense	<b>(1)</b>	(1)
Other expenses	<b>(7,166)</b>	(5,903)
<b>Profit/(loss) from continuing operations</b>	<b>(930)</b>	(377)
<b>Profit/(loss) for the period</b>	<b>(930)</b>	(377)
<b>Total comprehensive income</b>	<b>(930)</b>	(377)
<b>Share of income – Council (%)</b>	<b>2.9%</b>	2.9%
<b>Profit/(loss) – Council (\$)</b>	<b>(27)</b>	(22)
<b>Total comprehensive income – Council (\$)</b>	<b>(27)</b>	(22)

## D2-1 Interests in joint arrangements (continued)

\$ '000	Arrow Collaborative Services Limited	
	2021	2020
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	4,607	4,984
Profit/(loss) for the period	(930)	(377)
<b>Closing net assets</b>	<b>3,677</b>	<b>4,607</b>
<b>Council's share of net assets (%)</b>	<b>2.9%</b>	2.9%
<b>Council's share of net assets (\$)</b>	<b>106</b>	134

### Accounting policy

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If Council's share of losses of an associate equals or exceeds its interest in the associate, Council discontinues recognising its share of further losses.

Council's share in the associate's gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associate's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

## E Risks and accounting uncertainties

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

#### Risk management

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.

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.

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

\$ '000	2021	2020
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	231	214
Impact of a 10% movement in price of investments		
– Equity / Income Statement	350	–

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

### (b) Credit risk

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

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

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

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

The level of outstanding receivables is reviewed monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	151	235	137	59	70	652
2020						
Gross carrying amount	106	320	77	42	36	581

#### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2021</b>						
Gross carrying amount	1,596	157	11	91	80	1,935
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	74.00%	3.06%
<b>ECL provision</b>	–	–	–	–	<b>59</b>	<b>59</b>
2020						
Gross carrying amount	2,262	9	4	18	21	2,314
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	100.00%	0.91%
<b>ECL provision</b>	–	–	–	–	<b>21</b>	<b>21</b>

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

### (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2021</b>							
Trade/other payables	0.00%	158	3,132	–	–	3,290	3,413
Loans and advances	3.14%	–	241	1,341	2,766	4,348	4,348
<b>Total financial liabilities</b>		<b>158</b>	<b>3,373</b>	<b>1,341</b>	<b>2,766</b>	<b>7,638</b>	<b>7,761</b>
<b>2020</b>							
Trade/other payables	0.00%	216	1,673	–	–	1,889	2,025
Loans and advances	3.26%	787	371	1,849	3,569	6,576	4,583
<b>Total financial liabilities</b>		<b>1,003</b>	<b>2,044</b>	<b>1,849</b>	<b>3,569</b>	<b>8,465</b>	<b>6,608</b>



## E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>									
<b>Infrastructure, property, plant and equipment</b> <span style="float: right;">C1-6</span>									
Operational land	30/06/2018	30/06/2018	7,881	8,376	–	–	7,881	8,376	
Community land	30/06/2021	30/06/2018	–	–	4,190	5,992	4,190	5,992	
Buildings	30/06/2018	30/06/2018	–	–	7,811	7,590	7,811	7,590	
Other structures	30/06/2018	30/06/2018	–	–	3,469	2,894	3,469	2,894	
Roads	30/06/2019	30/06/2019	–	–	117,215	113,511	117,215	113,511	
Bridges	30/06/2019	30/06/2019	–	–	41,723	38,092	41,723	38,092	
Footpaths			–	–	1,020	1,054	1,020	1,054	
Bulk earthworks	30/06/2019	30/06/2019	–	–	170,666	168,737	170,666	168,737	
Stormwater drainage	30/06/2020	30/06/2020	–	–	27,023	26,681	27,023	26,681	
Other assets	30/06/2020	30/06/2020	–	–	161	174	161	174	
Restoration assets	30/06/2021	30/06/2012	–	–	5,232	1,222	5,232	1,222	
Plant and Equipment	30/06/2020	30/06/2020	–	–	4,059	3,687	4,059	3,687	
<b>Total infrastructure, property, plant and equipment</b>			<b>7,881</b>	<b>8,376</b>	<b>382,569</b>	<b>369,634</b>	<b>390,450</b>	<b>378,010</b>	

### Non-recurring fair value measurements

## E2-1 Fair value measurement (continued)

### Valuation techniques

#### Current Replacement Costs (CRC)

Current Replacement Cost is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits.

#### Residual Value (RV)

The Residual Value of an asset is the estimated amount that would be obtained today from disposal of the asset after deducting the estimated costs of disposal.

#### Condition Assessment

Condition assessment of the various assets has been undertaken IPWEA guidelines and Council requirements using the skills of consultants, experienced engineering and operational staff. All assets, with the exception of unsealed roads, have been rated using a 1 to 5 rating system where a rating of 1 represents "as new" condition and a rating of 5 represents "very poor" condition requiring renewal of the asset. Unsealed Roads have been rated utilising a 1 to 3 rating system where a rating of 1 represents "as new" condition and a rating of 3 represents "very poor" condition requiring renewal of the asset.

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

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

### Infrastructure, property, plant and equipment (IPPE)

#### Plant & equipment, office equipment and furniture & fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The purchase cost of these assets is taken as their fair value. There has been no change in the valuation process during the period.

#### Operational land

The valuation of Council's operational land was undertaken as at 30 June 2018 by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL,P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609).

The land value has been assessed by direct comparison on a rate per square metre, and has been valued in accordance with the Dungog Shire Council Draft LEP 2013. The valuations were based on the Draft LEP 2013 as the "market place" would also have due regard to the proposed zoning. Sale prices of comparable land parcels were considered where appropriate. The most significant unobservable input into the valuation of operational land is the price per square metre. These assets have been classified as using Level 3 valuation inputs due to the professional judgement required and used by the Valuer to determine the price per square metre. There have been no changes in the valuation process during the period.

#### Community Land

Land values based on the 2019 valuation made by the Valuer-General were used to value Council's Community Land, where the Valuer-General did not provide a land value, an average unit rate based on similar properties was used taking into regard the highest or best use for the land. As these rates are not considered to be observable market evidence they have been classified as Level 3 valuation inputs. There has been no change in the valuation process during the period.

#### Buildings

Council's buildings were valued using the summation (cost) approach by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL, P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609) as at 30 June 2018.

Having regard to the specialised nature of the majority of the improvements, Council's buildings were valued by the Summation Approach, whereby the depreciated replacement cost of the improvements is added to the land value.

The replacement cost of each building was estimated taking into account different components within the building, their use and useful lives. The unit rate could be supported by market evidence making it a Level 2 input, however, inputs such as estimates of residual use, and patterns of consumption required significant professional judgement and impact significantly on the final determination of fair value. As such, these assets have been valued using Level 3 unobservable inputs. There have been no changes in the valuation process during the period.

#### Roads

## E2-1 Fair value measurement (continued)

Roads have been classified into Regional, Rural Local Sealed, Rural Local Unsealed, Urban Local Sealed and Urban Local Unsealed Roads categories for condition rating and valuation purposes.

### Sealed Roads - All

Data collection - data collection for sealed roads was undertaken by external consultants utilising video and in-vehicle roughness count technologies. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - road assets have been componentised in accordance with required guidelines. Sealed roads have been broken down into three (3) components being earthworks (non-depreciable), pavement and seal. The pavement and seal have been separated due to different life expectations for these two components. Costs are based upon existing road dimensions.

Condition - condition assessment was undertaken by external consultants utilising video and in-vehicle roughness count technologies. The roads have been segmented and the pavement condition information detailed for each segment. Condition indicators were collected as follows:-

- Regional Roads:-
  - o Roughness - NAASRA standards used
  - o Pavement defects - by area
  - o Surface defects - by area
  - o Cracking - all cracking types recorded by area
- Local Sealed Roads (Rural and Urban):-
  - o Pavement defects - by area
  - o Surface defects - by area
  - o Cracking - all cracking types recorded by area

From the above condition indicators, a 1 to 5 rating system was utilised to identify the condition of the asset.

Percentage life remaining - the rating of the road was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

Rating	Factor applied	Percentage Depreciated	% Life Remaining
1	0	0 %	100 %
2	4	16 %	84 %
3	9	36 %	64 %
4	16	64 %	36 %
5	25	100 %	0 %

Useful life - traffic volumes and geographical location play little part in the life of a road asset as it is assumed that the asset was designed for the traffic loadings to be carried. Useful lives have therefore been determined based upon experience, observed lives of assets and industry standards as follows:

- Earthworks - no useful life has been applied as earthworks do not depreciate over time.
- Pavement - the useful life of a sealed pavement was adopted as 60 years based upon the following:
  - 0 year - Year of construction
  - 15 years - Reseal
  - 30 years - Rehabilitation
  - 45 years - Reseal
  - 60 years - Full reconstruction
- Seal - The useful life of the seal was based on 20 years as per industry standard;

Current Replacement Cost (CRC) - the CRC has been determined as follows:

- Earthworks - CRC is based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today's dollars;
  - Pavement - CRC has been based upon the cost to rehabilitate these roads utilising the average of three (3) recent projects undertaken by Council;
  - Seal - CRC has been based upon current contracted sealing costs through Dungog Shire Council's involvement with the regional procurement tenders.
- Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of sealed roads, it was determined that the following residual values apply:
- Earthworks - have an indefinite life/residual value and will therefore not be depreciated;

## E2-1 Fair value measurement (continued)

- Pavements - whilst pavements may have some residual value in terms of the possibility of the in-situ material being re-used in the rehabilitation of the pavement. It has, however, been determined that existing pavements would need to be treated (stabilised) or replaced at the end of their useful lives and the cost of such would more or less negate the value of that pavement component. Therefore, the residual value has been determined to have no material value in the calculation of depreciation;
- Seals - These have no financial implications on the application of the next seal. Therefore there is no residual value.

Depreciation - all sealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Unsealed Roads - All

Data collection - data collection for sealed roads was undertaken by external consultants utilising video and in-vehicle roughness count technologies. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - the road asset has been componentised in accordance with required guidelines. As there is no “surface” on unsealed roads, the unsealed road asset has been broken down into two (2) components being earthworks (non-depreciable) and pavement. Costs are based upon existing road dimensions.

Condition - The roads have been segmented and assessment undertaken by experienced Council engineering and operational staff. As the surface condition of unsealed roads is highly changeable due to weather and climatic conditions, the condition was then based upon the depth of gravel on individual sections. From these indicators, a 1 to 3 rating system was utilised to identify the condition of the asset.

Percentage life remaining - as the rating of the road was based upon depth of gravel and it is expected that this depth will deteriorate consistently over time, the percentage of life remaining was based upon a straight line depreciation model. This process may be reviewed for future revaluations.

Useful life - Useful lives have been determined based upon experience, observed lives of assets and industry standards as follows:

- Earthworks - no useful life has been applied as earthworks do not depreciate over time.
  - Pavement - the useful life of the unsealed pavement was adopted as 20 years based upon experience and observed lives of assets.
- Current Replacement Cost (CRC) - the CRC has been determined as follows:
- Earthworks - CRC has been based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today’s dollars;
  - Pavement - CRC has been based upon the minimum gravel depths as determined by Council standards as set out in Council’s “Road Strategy”, normal Council practice and current costings for the construction of the pavement in today’s dollars.

Residual values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of unsealed roads, it was determined that the following residual values apply:

- Earthworks - have an indefinite life/residual value and will therefore not be depreciated;
- Pavements - in the case of unsealed road pavements, full depreciation or end of useful life is determined when there is no residual gravel on the pavement. By definition, there is no material available to be re-used therefore there is no residual value for the determination of depreciation.

Depreciation - all unsealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Bridges

## E2-1 Fair value measurement (continued)

In accordance with the definitions used by the Grants Commission, a structure with an opening of greater than 6m in deck length is assessed as a bridge. Bridges have been broken down into timber structures (full or part timber construction) and non-timber structures (primarily concrete or concrete/steel structures) for condition rating and valuation purposes.

### Timber Bridges

Data collection - data collection for timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - timber bridge assets have been componentised into two (2) components being substructure and superstructure. The substructure and superstructure have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall bridge condition.

Percentage life remaining - the rating of the timber bridge was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %
5	100 %	0 %

Useful life - useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a timber bridge has been adopted as 50 years.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets and industry standards.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of timber bridges, there would be no residual components that would have any value in the replacement of the asset with a concrete structure. Therefore there is no residual value applied.

Depreciation - all timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Non-Timber Bridges

Data collection - data collection for non-timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - non-timber bridge assets have not been componentised any further than it being a single asset.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage life remaining - as non-timber bridges deteriorate at a different rate to timber bridges, the following exponential decay curve was utilised to calculate the percentage of life remaining:

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %

## E2-1 Fair value measurement (continued)

5	100 %	0 %
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Useful life - useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a non-timber bridge has been adopted as 80 years.

Current Replacement Cost (CRC) - the CRC has been determined based upon the Rawlinson's Australian Construction Handbook, recent bridge tenders received by Council and industry standards.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of non-timber bridges, there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all non-timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Rural stormwater drainage & causeways

Drainage structures on the rural road network have been broken down into culvert structures and causeways.

#### Culvert Structures

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions. There is a limitation in the data due to only 23% of unsealed rural roads, 48% of sealed rural roads and 96% of regional roads stormwater network being inspected and the data from this applied across the entire rural stormwater network.

Componentisation - the culvert asset has been componentised into two (2) components being the culvert pipe or box section and the headwall component. These have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each structure. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall culvert structure condition.

Percentage life remaining - the rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %
5	100 %	0 %

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all concrete culvert structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

#### Causeways

Data collection - data collection for causeways was undertaken via physical measurement by Council staff to determine dimensions.

continued on next page ...

## E2-1 Fair value measurement (continued)

Componentisation - the causeway asset has been componentised into two (2) components being the culvert pipe or box section (if existing) and the causeway component. These have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage life remaining - the rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

Rating	Percentage Depreciated	% Life Remaining
1	0 %	100 %
2	16 %	84 %
3	36 %	64 %
4	64 %	36 %
5	100 %	0 %

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete causeway structures, there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all causeway structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Urban stormwater drainage

Council's urban drainage assets were revalued for the financial year ended 30 June 2020 by Council's Engineering Department.

Data collection - data collection was undertaken via works as executed construction plans and checked via field observation by Council staff to determine dimensions and age.

Componentisation - the asset has been componentised into individual components within the asset class.

Condition - condition assessment was undertaken by age due to the high accuracy of construction plans, which are spot-checked via field observation by Council Engineering staff. Condition information was then derived for each structure. A 1 to 5 rating system was subsequently utilised to determine the condition of drainage structure.

Percentage life remaining - the rating of the asset was then utilised to determine the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets, industry standards and modelling per Dr. Peter Coombes.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and NSW Reference Rate Manual 2014 with CPI adjustment.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all drainage structures have been assessed as to their condition based on age and field checks. The remaining life of the asset has then been determined based on that condition assessment. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Footpath, kerb & gutter and guardrail

## E2-1 Fair value measurement (continued)

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Ancillary items on the road network have been broken down into footpaths, kerb & gutter and guardrail assets.

### Footpaths and Kerb & Gutter

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - footpaths, bike paths and kerb & gutter have been segmented to different locations and identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each asset. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the asset was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Whilst there may be a residual earthworks value, this would be negated by the cost to remove the existing fully depreciated asset. Therefore there is no residual value applied.

Depreciation - all of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Guardrail

Data Collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - guardrail sections have been identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the guardrail was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of guardrail, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - all guardrail assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Park assets (non-building) & other structures

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - asset have been identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the asset was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.



## E2-1 Fair value measurement (continued)

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Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - all of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### **Landfill and quarry assets**

See note 11 for background and breakdown of these assets.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation of roadside quarries, battering of high walls, safety fencing and other associated restoration works.

There is extensive professional judgement which impacts 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 design, specification and dimensions of these assets.

Inputs include discount rates, cost escalation, cost timing and regulation changes.

## E2-1 Fair value measurement (continued)

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

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Building specialised	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Other structures	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Roads	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Bridges	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Bulk earthworks	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Footpaths	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Stormwater drainage	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Other assets	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Plant and equipment	Cost approach	<ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul>
Restoration assets	Cost approach	Environmental legislation, timing of expected cash outflows, asset condition

## E2-1 Fair value measurement (continued)

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

\$ '000	Community Land		Building specialised		Other structures		Roads	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>5,992</b>	5,595	<b>7,590</b>	7,444	<b>2,894</b>	3,009	<b>113,512</b>	116,358
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	358	385	973	634	536	349	6,073	1,295
Disposals (WDV)	–	–	(204)	(54)	–	(34)	(1,802)	(1,607)
Depreciation and impairment	–	–	(548)	(434)	(455)	(503)	(2,895)	(3,125)
Revaluation	(2,160)	12	–	–	–	–	–	126
Transfer from WIP	–	–	–	–	494	73	2,327	464
<b>Closing balance</b>	<b>4,190</b>	5,992	<b>7,811</b>	7,590	<b>3,469</b>	2,894	<b>117,215</b>	113,511

\$ '000	Bridges		Bulk earthworks		Footpaths		Stormwater drainage	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>38,091</b>	38,753	<b>168,737</b>	167,649	<b>1,054</b>	1,064	<b>26,685</b>	24,158
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	1,774	78	1,122	1,009	–	18	412	613
Disposals (WDV)	(402)	(191)	–	–	–	–	–	–
Depreciation and impairment	(628)	(786)	–	–	(34)	(28)	(448)	(439)
Revaluation	–	–	–	–	–	–	(177)	2,329
Transfer from WIP	2,888	238	807	79	–	–	551	20
<b>Closing balance</b>	<b>41,723</b>	38,092	<b>170,666</b>	168,737	<b>1,020</b>	1,054	<b>27,023</b>	26,681

\$ '000	Other assets		Plant and equipment		Restoration assets		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>174</b>	140	<b>3,689</b>	3,563	<b>1,222</b>	1,357	<b>369,640</b>	<b>369,090</b>
Purchases (GBV)	29	70	957	844	–	–	12,234	5,295
Disposals (WDV)	–	–	(116)	(226)	–	–	(2,524)	(2,112)
Depreciation and impairment	(42)	(36)	(471)	(494)	(83)	(139)	(5,604)	(5,984)
Revaluation	–	–	–	–	4,093	4	1,756	2,471
Transfer from WIP	–	–	–	–	–	–	7,067	874
<b>Closing balance</b>	<b>161</b>	174	<b>4,059</b>	3,687	<b>5,232</b>	1,222	<b>382,569</b>	<b>369,634</b>

### 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 Councils' 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 \$ 94,980.59. The last valuation of the Scheme was performed by Richard Boyfield FIAA on 30 June 2020 and covers the period ended 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$76,700. Council's expected contribution to the plan for the next annual reporting period is \$79,838.16.

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

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

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

The share of any funding surplus/ deficit that is broadly attributed to Council is estimated to be in the order of 0.17% 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)

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### (iv) Strategic Services Australia Limited (previously Hunter Councils Limited)

Council is a joint guarantor for a loan of \$2.86 million which was drawn down on July 1, 2003 by Hunter Councils Limited. The total loan approved was for \$3.4 million of which Council's exposure will be \$97,920.

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

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

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

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

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

#### (ii) Infringement notices/fines

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

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

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

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

## F People and relationships

### F1 Related party disclosures

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

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

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

\$ '000	2021	2020
<b>Compensation:</b>		
Short-term benefits	971	1,173
Post-employment benefits	115	132
<b>Total</b>	<b>1,086</b>	<b>1,305</b>

#### 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	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
<b>2021</b>					
Concrete products <sup>1</sup>	136	-		-	-
<b>2020</b>					
Concrete products <sup>1</sup>	330	-		-	-

(1) Council purchased concrete and associated products during the year from two companies that had close family members of Dungog Shire Council's KMP as key owners. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement processes.

## F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	15	15
Councillors' fees	90	87
Other Councillors' expenses (including Mayor)	7	3
<b>Total</b>	<b>112</b>	<b>105</b>



## F2 Other relationships

### F2-1 Audit fees

\$ '000	2021	2020
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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

71	51
<b>71</b>	<b>51</b>
<b>71</b>	<b>51</b>
<b>71</b>	<b>51</b>

#### **Remuneration for audit and other assurance services**

#### **Total Auditor-General remuneration**

Total audit fees

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>8,702</b>	3,937
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	5,604	6,120
Net losses/(gains) on disposal of assets	1,744	1,947
Non-cash other income	(151)	–
Adoption of AASB 15/1058	–	(840)
Unwinding of discount rates on reinstatement provisions	96	–
Share of net (profits)/losses of associates/joint ventures using the equity method	27	11
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	303	(1,467)
Increase/(decrease) in provision for impairment of receivables	93	9
Decrease/(increase) in inventories	(39)	19
Decrease/(increase) in other current assets	(60)	10
Increase/(decrease) in payables	1,040	(564)
Increase/(decrease) in accrued interest payable	(3)	7
Increase/(decrease) in other accrued expenses payable	470	(137)
Increase/(decrease) in other liabilities	(100)	101
Increase/(decrease) in contract liabilities	517	1,525
Increase/(decrease) in provision for employee benefits	269	40
Increase/(decrease) in other provisions	(96)	118
<b>Net cash flows from operating activities</b>	<b>18,416</b>	<b>10,836</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2021	2020
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

#### Property, plant and equipment

Other	2,157	1,943
<b>Total commitments</b>	<b>2,157</b>	<b>1,943</b>

#### These expenditures are payable as follows:

Within the next year	2,157	1,943
<b>Total payable</b>	<b>2,157</b>	<b>1,943</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	80	164
Future grants and contributions	2,077	1,779
<b>Total sources of funding</b>	<b>2,157</b>	<b>1,943</b>

#### Details of capital commitments

Council has contracts in place for the construction of 3 x concrete bridges, which are to replace existing timber bridges. The contracts for these projects were signed in 2019, with construction to be completed in the 2022 financial year. Council has also committed to the construction of new lighting systems at two community sporting & recreation facilities, both of which are expected to be completed in 2022.

### G3-1 Events occurring after the reporting date

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

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

### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	386	-	-	-	-	-	386	-
Traffic facilities	7	-	-	-	-	-	7	-
Open space	5,533	7	-	-	(24)	-	5,516	-
Community facilities	137	-	-	-	-	-	137	-
Other	479	237	-	-	-	-	716	-
Bushfire	52	-	-	-	-	-	52	-
<b>S7.11 contributions – under a plan</b>	<b>6,594</b>	<b>244</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>-</b>	<b>6,814</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>6,594</b>	<b>244</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>-</b>	<b>6,814</b>	<b>-</b>
S7.11 not under plans	41	51	-	-	-	-	92	-
<b>Total contributions</b>	<b>6,635</b>	<b>295</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>-</b>	<b>6,906</b>	<b>-</b>

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

## G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN NUMBER 2</b>								
Roads	11	-	-	-	-	-	11	-
Traffic facilities	7	-	-	-	-	-	7	-
Open space	18	-	-	-	-	-	18	-
Community facilities	32	-	-	-	-	-	32	-
Bushfire	22	-	-	-	-	-	22	-
<b>Total</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 3</b>								
Roads	375	-	-	-	-	-	375	-
Open space	31	-	-	-	-	-	31	-
Community facilities	105	-	-	-	-	-	105	-
Bushfire	30	-	-	-	-	-	30	-
Other	2	-	-	-	-	-	2	-
<b>Total</b>	<b>543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>543</b>	<b>-</b>

## G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN NUMBER 4</b>								
Other	196	-	-	-	-	-	196	-
Sports fields	1,720	-	-	-	(9)	-	1,711	-
Parklands	84	-	-	-	(1)	-	83	-
Swimming pools	447	-	-	-	(2)	-	445	-
Indoor sports	465	-	-	-	(2)	-	463	-
Local community centre	164	-	-	-	(1)	-	163	-
District community centre	112	-	-	-	-	-	112	-
Youth venue	86	-	-	-	-	-	86	-
Arts and crafts centre	24	-	-	-	-	-	24	-
Aged facilities	80	-	-	-	-	-	80	-
Library	249	-	-	-	(1)	-	248	-
Pre school	304	-	-	-	(1)	-	303	-
Rural sub-arterial roads	287	-	-	-	(2)	-	285	-
Rural local roads	405	-	-	-	(1)	-	404	-
Traffic management	35	-	-	-	(1)	-	34	-
Bikeways facilities	93	-	-	-	(1)	-	92	-
Fire service	481	-	-	-	(2)	-	479	-
Section 94 administration	243	7	-	-	-	-	250	-
Unsealed roads and bridges	9	-	-	-	-	-	9	-
<b>Total</b>	<b>5,484</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>-</b>	<b>5,467</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 5</b>								
Roads	374	186	-	-	-	-	560	-
Open space	96	47	-	-	-	-	143	-
Other	7	4	-	-	-	-	11	-
<b>Total</b>	<b>477</b>	<b>237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>714</b>	<b>-</b>

## G4-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>S7.11 CONTRIBUTIONS – NOT UNDER A PLAN</b>								
Roads	32	51	–	–	–	–	83	–
Open space	9	–	–	–	–	–	9	–
<b>Total</b>	<b>41</b>	<b>51</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>92</b>	<b>–</b>



## G5 Statement of performance measures

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

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020      2019		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(2,550)</b>	<b>(13.91)%</b>	(13.55)%	(19.60)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>18,333</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>13,402</b>	<b>42.74%</b>	47.93%	47.82%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>31,356</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>16,202</b>	<b>4.24x</b>	6.52x	4.83x	> 1.50x
Current liabilities less specific purpose liabilities	<b>3,821</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>3,283</b>	<b>7.08x</b>	8.33x	11.46x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>464</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>632</b>	<b>6.22%</b>	6.19%	5.86%	< 10.00%
Rates and annual charges collectable	<b>10,164</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>19,564</b>	<b>17.45</b>	14.29	18.08	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>1,121</b>	<b>mths</b>	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

## H Additional Council disclosures (unaudited)

### H1-1 Council information and contact details

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**Principal place of business:**

198 Dowling Street  
Dungog NSW 2420

**Contact details**

**Mailing Address:**

PO Box 95  
Dungog NSW 2420

**Telephone:** 02 4995 7777

**Facsimile:** 02 4995 7750

**Opening hours:**

8:45am - 4:30pm  
Monday to Friday

**Internet:** [www.dungog.nsw.gov.au](http://www.dungog.nsw.gov.au)

**Email:** [shirecouncil@dungog.nsw.gov.au](mailto:shirecouncil@dungog.nsw.gov.au)

**Officers**

**General Manager**

Gareth Curtis

**Responsible Accounting Officer**

Shaun Chandler

**Auditors**

Auditor General NSW

**Elected members**

**Mayor**

John Connors

**Other information**

**ABN:** 62 610 350 256

## Dungog Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2021

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

To the Councillors of the Dungog Shire Council

## Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

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



Furqan Yousuf  
Delegate of the Auditor-General for New South Wales

29 October 2021  
SYDNEY



Cr John Connors  
Mayor  
Dungog Shire Council  
PO Box 95  
Dungog NSW 2420

Contact: Furqan Yousuf  
Phone no: 02 9275 7470  
Our ref: D2123625/1720

29 October 2021

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Dungog 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.

### **Lack of segregation of duties over the processing of manual journals**

Manual journals can be prepared and posted to the system by the same employee without an independent review.

## INCOME STATEMENT

### Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	9.6	8.3	↑ 15.7
Grants and contributions revenue	18.0	12.9	↑ 39.5
Operating result from continuing operations	8.7	3.9	↑ 123
Net operating result before capital grants and contributions	(4.3)	(4.2)	↓ 2.4

The Council's operating result from continuing operations (surplus of \$8.7 million including depreciation and amortisation expense of \$5.6 million) was \$4.8 million higher than the 2019–20 result. This was mainly due to \$4.9 million higher capital grants and contributions.

The net operating result before capital grants and contributions (deficit of \$4.3 million) was \$0.1 million lower than the 2019–20 result.

Rates and annual charges revenue (\$9.6 million) increased by \$1.3 million (15.7 per cent) in 2020–21 due to Council's approved special rate variation of 15 per cent.

Grants and contributions revenue (\$18.0 million) increased by \$5.1 million (39.5 per cent) in 2020–21 due to \$5.1 million of special purpose grants and non-developer contributions received during the year

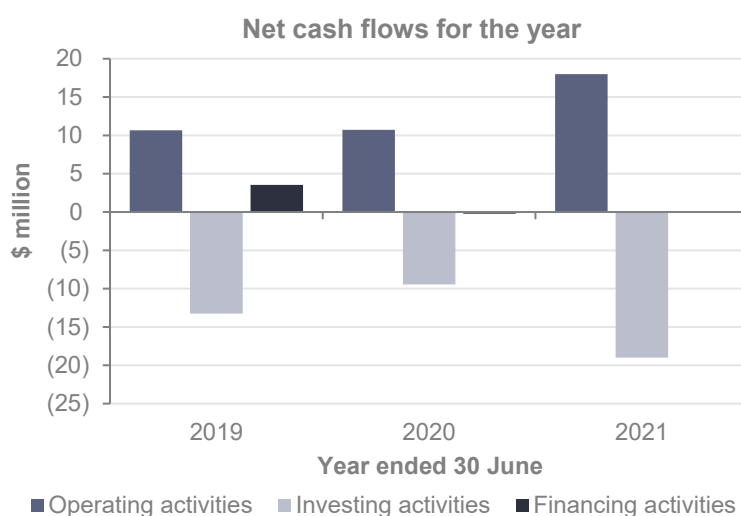
## STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The increase in cash provided from operating activities is mainly due to increase in grants and contributions received during the year.

The increase in cash used in investing activities is mainly due to increase in purchases of property, plant and equipment.

The Council's cash and cash equivalents at 30 June 2021 was \$2.6 million (2020: \$3.3 million). The net cash flow for the year was a decrease of \$0.7 million.





## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	23.1	21.2	Cash and investments increased by \$1.8 million. Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in Council's externally restricted cash and investments is mainly due to increase in developer contributions.
Restricted cash and investments:			
External restrictions	9.3	9.1	
Internal restrictions	13.4	11.9	Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capitals projects. The increase in internally restricted cash and investments is mainly due increase in available cash for special projects.

### Debt

The Council has \$4.3 million of borrowings at 30 June 2021 (2019: \$4.6 million).

The Council has an accumulated drawdown facility limit of \$0.085 million as at 30 June 2021 (2020: \$0.085 million). As at 30 June 2021, \$0.073 million of the total facility remains unutilised.

## PERFORMANCE

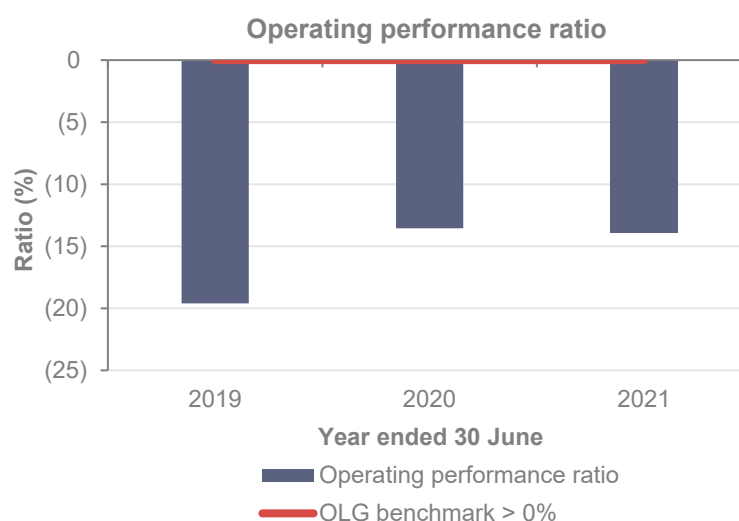
### Performance measures

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.

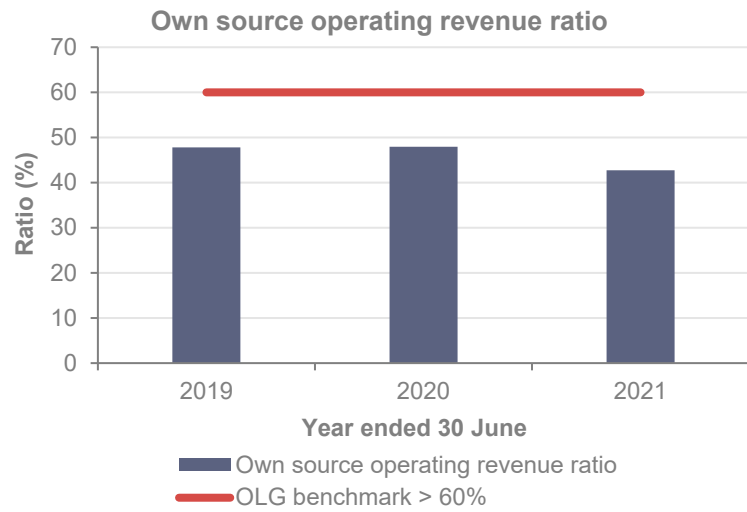
The Council did not meet the OLG benchmark for the current reporting period.



### 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.

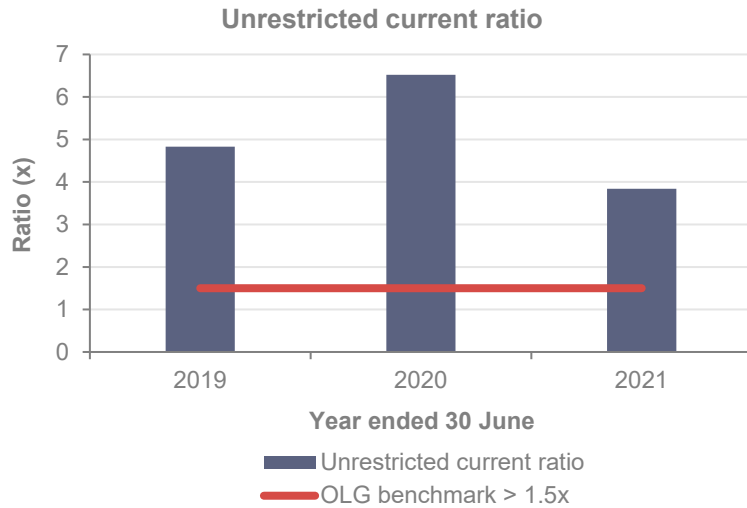
The Council did not meet the OLG benchmark for the current reporting period.



### 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.

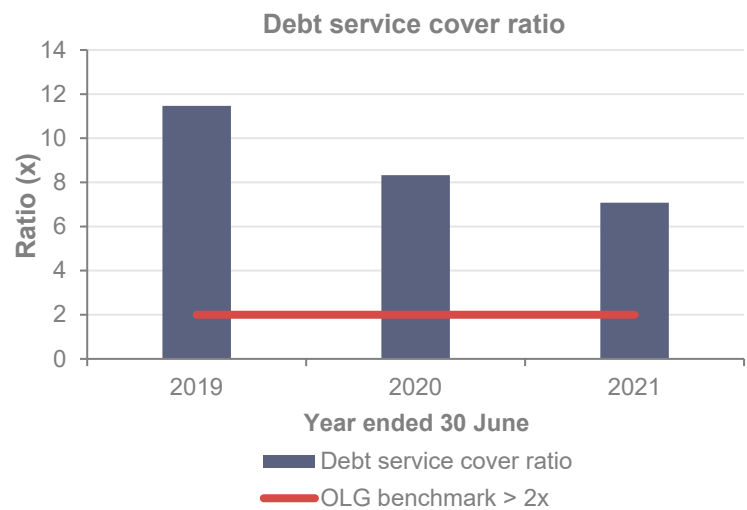
The Council met the OLG benchmark for the current reporting period.



### 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.

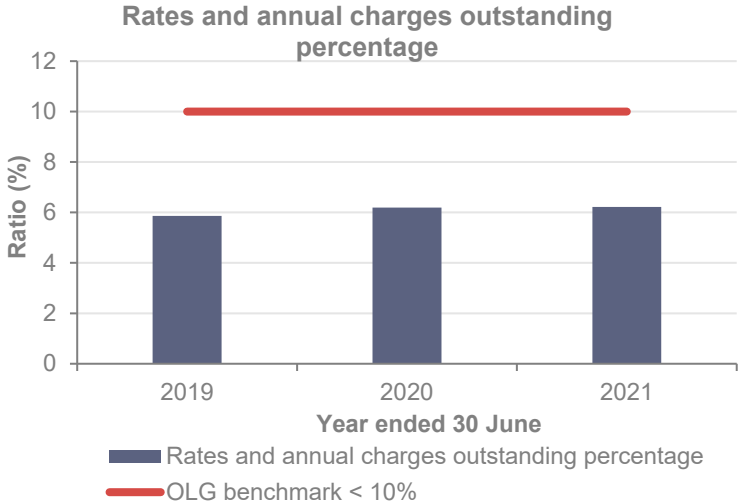
The Council met the OLG benchmark for the current reporting period.



**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.

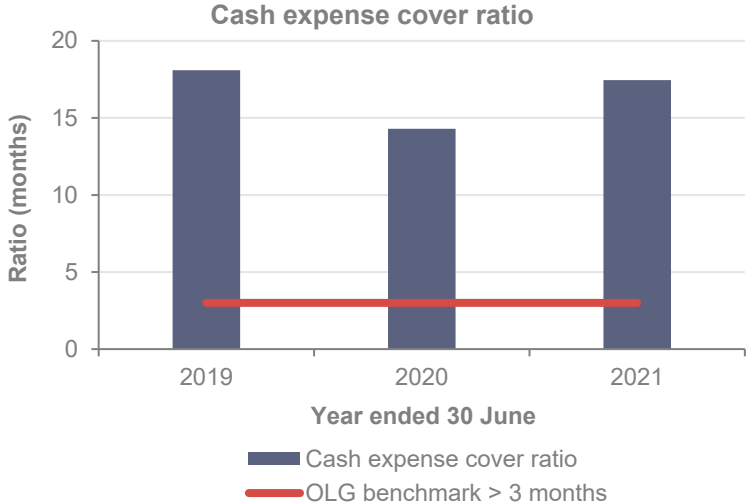
The Council met the OLG benchmark for the current reporting period.



**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 met the OLG benchmark for the current reporting period.



**Infrastructure, property, plant and equipment renewals**

Council reported asset renewals of \$10.6 million in 2020-21 (\$4.1 million in 2019-20). Increased works were required as a result of significant flood damage. Significant renewals included:

- road asset renewals of \$6.1 million (\$1.3 million in 2019-20)
- bridge asset renewals of \$1.8 million (\$0.08 million in 2019-20).

## 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.



Furqan Yousuf  
Delegate of the Auditor-General for New South Wales

cc: Mr Gareth Curtis, General Manager

# Dungog Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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# Dungog Shire Council

## Special Schedules

for the year ended 30 June 2021

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## Dungog Shire Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	6,546	7,598
Plus or minus adjustments <sup>2</sup>	b	60	40
<b>Notional general income</b>	c = a + b	<b>6,606</b>	<b>7,638</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	15.00%	10.00%
Plus special variation amount	h = d x (c + g)	991	764
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>7,597</b>	<b>8,402</b>
Plus (or minus) last year's carry forward total	l	1	-
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>-</b>
<b>Total permissible income</b>	o = k + n	<b>7,598</b>	<b>8,402</b>
Less notional general income yield	p	7,598	8,403
<b>Catch-up or (excess) result</b>	q = o - p	<b>-</b>	<b>(1)</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>-</b>	<b>(1)</b>

#### Notes

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

## Dungog Shire Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance <sup>a</sup> \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
<b>Buildings</b>	Buildings	1,635	8,830	490	247	7,811	32,707	7.0%	3.0%	63.0%	22.0%	5.0%
	<b>Sub-total</b>	<b>1,635</b>	<b>8,830</b>	<b>490</b>	<b>247</b>	<b>7,811</b>	<b>32,707</b>	<b>7.0%</b>	<b>3.0%</b>	<b>63.0%</b>	<b>22.0%</b>	<b>5.0%</b>
<b>Other structures</b>	Other structures	423	847	158	13	870	10,583	13.0%	21.0%	37.0%	21.0%	8.0%
	<b>Sub-total</b>	<b>423</b>	<b>847</b>	<b>158</b>	<b>13</b>	<b>870</b>	<b>10,583</b>	<b>13.0%</b>	<b>21.0%</b>	<b>37.0%</b>	<b>21.0%</b>	<b>8.0%</b>
<b>Roads</b>	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	30,156	40,330	1,795	1,359	109,642	179,461	38.0%	27.0%	10.0%	8.0%	17.0%
	Unsealed roads	180	3,060	696	590	7,573	13,933	0.0%	8.0%	87.0%	5.0%	0.0%
	Bridges	3,427	9,597	343	252	41,723	68,549	21.0%	14.0%	52.0%	9.0%	4.0%
	Footpaths	68	202	10	32	1,020	1,348	0.0%	85.0%	10.0%	5.0%	0.0%
	Bulk earthworks	–	–	–	–	170,666	170,244	100.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>33,831</b>	<b>53,189</b>	<b>2,844</b>	<b>2,233</b>	<b>330,624</b>	<b>433,535</b>	<b>58.3%</b>	<b>13.9%</b>	<b>15.2%</b>	<b>4.9%</b>	<b>7.7%</b>
<b>Stormwater drainage</b>	Stormwater drainage	737	2,210	100	–	27,023	36,829	34.0%	15.0%	12.0%	33.0%	6.0%
	<b>Sub-total</b>	<b>737</b>	<b>2,210</b>	<b>100</b>	<b>–</b>	<b>27,023</b>	<b>36,829</b>	<b>34.0%</b>	<b>15.0%</b>	<b>12.0%</b>	<b>33.0%</b>	<b>6.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	238	714	48	22	171	2,380	0.0%	40.0%	0.0%	60.0%	0.0%
	Other	650	3,899	325	383	2,428	6,499	0.0%	40.0%	20.0%	40.0%	0.0%
	<b>Sub-total</b>	<b>888</b>	<b>4,613</b>	<b>373</b>	<b>405</b>	<b>2,599</b>	<b>8,879</b>	<b>0.0%</b>	<b>40.0%</b>	<b>14.6%</b>	<b>45.4%</b>	<b>0.0%</b>
<b>Total – all assets</b>		<b>37,514</b>	<b>69,689</b>	<b>3,965</b>	<b>2,898</b>	<b>368,927</b>	<b>522,533</b>	<b>51.5%</b>	<b>13.9%</b>	<b>18.4%</b>	<b>9.0%</b>	<b>7.3%</b>

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

## Infrastructure asset condition assessment 'key'

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



## Dungog Shire Council

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

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5 **Very poor**

Urgent renewal/upgrading required

## Dungog Shire Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>13,067</b>	<b>260.92%</b>	61.03%	171.33%	>= 100.00%
Depreciation, amortisation and impairment	<b>5,008</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>37,514</b>	<b>10.01%</b>	7.63%	6.35%	< 2.00%
Net carrying amount of infrastructure assets	<b>374,706</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>2,898</b>	<b>73.09%</b>	75.60%	71.19%	> 100.00%
Required asset maintenance	<b>3,965</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>69,689</b>	<b>13.34%</b>	14.42%	16.84%	
Gross replacement cost	<b>522,533</b>				

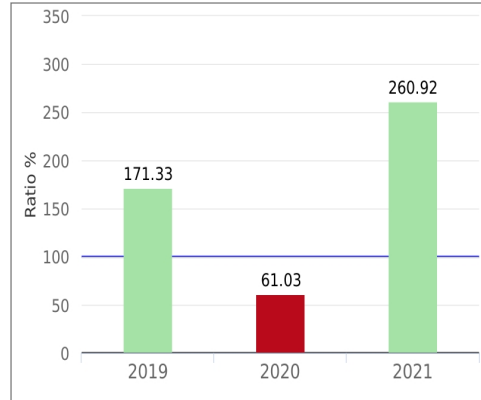
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Dungog Shire Council

## Report on infrastructure assets as at 30 June 2021

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

Commentary on result	
20/21 ratio	260.92%

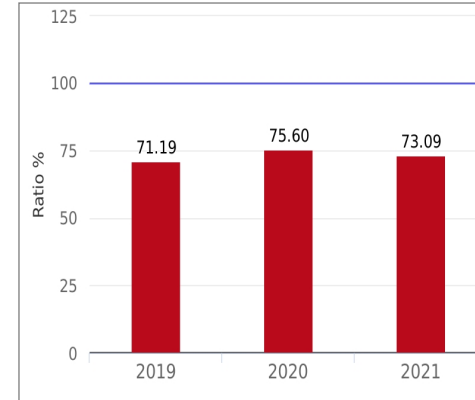
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Asset maintenance ratio



**Asset maintenance ratio**

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

Commentary on result	
20/21 ratio	73.09%

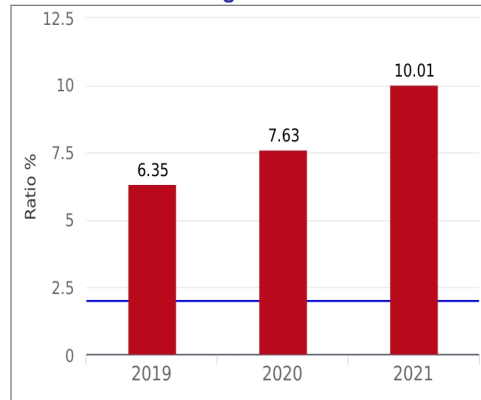
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

Commentary on result	
20/21 ratio	10.01%

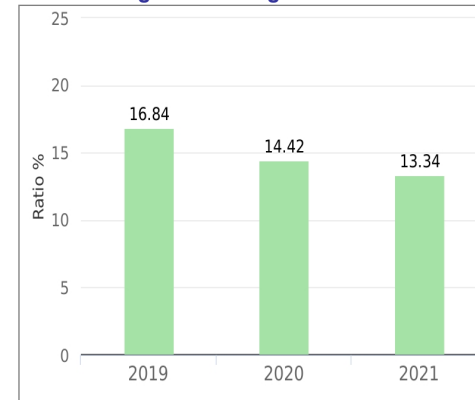
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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

Commentary on result	
20/21 ratio	13.34%



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule – Permissible income for general rates**  
**Dungog Shire Council**

To the Councillors of Dungog Shire Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

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

My objectives are to:

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

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

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

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

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



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2021  
SYDNEY