

Central Tablelands Water

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Central Tablelands Water

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Central Tablelands Water

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

Central Tablelands Water is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

30 Church Street
Blayney NSW 2799

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

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

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

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

Central Tablelands Water

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Central Tablelands Water

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

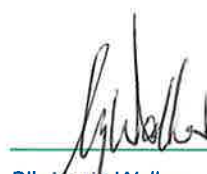
Signed in accordance with a resolution of Council made on 13 October 2021.



Cllr David Somervaille

Chairperson

13 October 2021



Cllr Kevin Walker

Deputy Chairperson

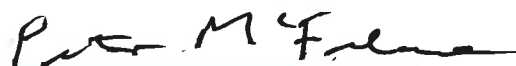
13 October 2021



Gavin Rhodes

General Manager

13 October 2021



Peter McFarlane

Responsible Accounting Officer

13 October 2021

Central Tablelands Water

Income Statement

for the year ended 30 June 2021

| Original unaudited budget 2021 | \$ '000 | Notes | Actual 2021 | Actual 2020 |
|---|--|-------|----------------|----------------|
| | Income from continuing operations | | | |
| 1,538 | Annual charges | B2-1 | 1,602 | 1,573 |
| 5,191 | User charges and fees | B2-2 | 3,968 | 5,015 |
| 43 | Other revenue | B2-3 | 57 | 49 |
| 133 | Grants and contributions provided for operating purposes | B2-4 | 40 | 45 |
| 5,183 | Grants and contributions provided for capital purposes | B2-4 | 1,756 | 856 |
| 66 | Interest and investment income | B2-5 | 59 | 120 |
| 21 | Other income | B2-6 | 22 | 22 |
| 52 | Net gains from the disposal of assets | B4-1 | – | 40 |
| 12,227 | Total income from continuing operations | | 7,504 | 7,720 |
| | Expenses from continuing operations | | | |
| 2,291 | Employee benefits and on-costs | B3-1 | 2,222 | 1,991 |
| 2,447 | Materials and services | B3-2 | 2,236 | 2,232 |
| 49 | Borrowing costs | B3-3 | 49 | 83 |
| 2,389 | Depreciation, amortisation and impairment for non-financial assets | B3-4 | 2,622 | 2,803 |
| 15 | Other expenses | B3-5 | 14 | 20 |
| – | Net losses from the disposal of assets | B4-1 | 187 | – |
| 7,191 | Total expenses from continuing operations | | 7,330 | 7,129 |
| 5,036 | Operating result from continuing operations | | 174 | 591 |
| 5,036 | Net operating result for the year attributable to Council | | 174 | 591 |
| (147) | Net operating result for the year before grants and contributions provided for capital purposes | | (1,582) | (265) |

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

Central Tablelands Water

Statement of Comprehensive Income

for the year ended 30 June 2021

| \$ '000 | Notes | 2021 | 2020 |
|--|-------|------------|------------|
| Net operating result for the year – from Income Statement | | 174 | 591 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | 631 | 710 |
| Total items which will not be reclassified subsequently to the operating result | | 631 | 710 |
| Total other comprehensive income for the year | | 631 | 710 |
| Total comprehensive income for the year attributable to Council | | 805 | 1,301 |

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

Central Tablelands Water

Statement of Financial Position

as at 30 June 2021

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|---------------|---------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 1,292 | 1,615 |
| Investments | C1-2 | 6,100 | 5,200 |
| Receivables | C1-4 | 743 | 830 |
| Inventories | C1-5 | 200 | 176 |
| Contract assets and contract cost assets | C1-6 | 160 | 93 |
| Other | | 9 | 2 |
| Total current assets | | 8,504 | 7,916 |
| Non-current assets | | | |
| Receivables | C1-4 | 4 | 19 |
| Infrastructure, property, plant and equipment | C1-7 | 82,851 | 83,017 |
| Intangible Assets | C1-8 | 72 | 63 |
| Total non-current assets | | 82,927 | 83,099 |
| Total assets | | 91,431 | 91,015 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C3-1 | 512 | 476 |
| Income received in advance | C3-1 | 26 | 11 |
| Contract liabilities | C3-2 | 75 | 73 |
| Borrowings | C3-3 | 413 | 532 |
| Employee benefit provisions | C3-4 | 936 | 852 |
| Total current liabilities | | 1,962 | 1,944 |
| Non-current liabilities | | | |
| Borrowings | C3-3 | – | 413 |
| Employee benefit provisions | C3-4 | 23 | 17 |
| Total non-current liabilities | | 23 | 430 |
| Total liabilities | | 1,985 | 2,374 |
| Net assets | | 89,446 | 88,641 |
| EQUITY | | | |
| Accumulated surplus | C4-1 | 46,904 | 46,730 |
| IPPE revaluation reserve | C4-1 | 42,542 | 41,911 |
| Council equity interest | | 89,446 | 88,641 |
| Total equity | | 89,446 | 88,641 |

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

Central Tablelands Water

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 at 1 July | | 46,730 | 41,911 | 88,641 | 46,139 | 41,201 | 87,340 |
| Net operating result for the year | | 174 | – | 174 | 591 | – | 591 |
| Restated net operating result for the period | | 174 | – | 174 | 591 | – | 591 |
| Other comprehensive income | | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | – | 631 | 631 | – | 710 | 710 |
| Other comprehensive income | | – | 631 | 631 | – | 710 | 710 |
| Total comprehensive income | | 174 | 631 | 805 | 591 | 710 | 1,301 |
| Closing balance at 30 June | | 46,904 | 42,542 | 89,446 | 46,730 | 41,911 | 88,641 |

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

Central Tablelands Water

Statement of Cash Flows

for the year ended 30 June 2021

| Original unaudited budget 2021 | \$ '000 | Notes | Actual 2021 | Actual 2020 |
|---|---|-------|----------------|----------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 1,538 | Rates and annual charges | | 1,652 | 1,577 |
| 5,191 | User charges and fees | | 4,172 | 4,790 |
| 66 | Investment and interest revenue received | | 71 | 129 |
| 5,316 | Grants and contributions | | 1,612 | 881 |
| – | Bonds, deposits and retention amounts received | | 10 | – |
| 64 | Other | | 477 | 832 |
| Payments: | | | | |
| (2,291) | Employee benefits and on-costs | | (2,130) | (1,957) |
| (1,495) | Materials and services | | (2,729) | (1,615) |
| (49) | Borrowing costs | | (49) | (83) |
| (967) | Other | | 9 | (1,330) |
| 7,373 | Net cash flows from operating activities | F1-1 | 3,095 | 3,224 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| – | Sale of investment securities | | 5,200 | 4,100 |
| 242 | Sale of infrastructure, property, plant and equipment | | 97 | 321 |
| 25 | Deferred debtors receipts | | 35 | 29 |
| Payments: | | | | |
| – | Deferred debtors and advances made | | – | (40) |
| (6,204) | Purchase of infrastructure, property, plant and equipment | | (2,105) | (2,351) |
| – | Purchase of intangible assets | | (13) | – |
| – | Purchase of investment securities | | (6,100) | (5,200) |
| (5,937) | Net cash flows from investing activities | | (2,886) | (3,141) |
| Cash flows from financing activities | | | | |
| Payments: | | | | |
| (531) | Repayment of borrowings | | (532) | (497) |
| (531) | Net cash flows from financing activities | | (532) | (497) |
| 905 | Net change in cash and cash equivalents | | (323) | (414) |
| 2,000 | Cash and cash equivalents at beginning of year | | 1,615 | 2,029 |
| 2,905 | Cash and cash equivalents at end of year | C1-1 | 1,292 | 1,615 |
| 5,000 | plus: Investments on hand at end of year | C1-2 | 6,100 | 5,200 |
| 7,905 | Total cash, cash equivalents and investments | | 7,392 | 6,815 |

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

Central Tablelands Water

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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 15 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.

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- ii. employee benefit provisions – refer Note C3-4.

Covid 19 Impacts

Whilst Covid 19 has continued to cause some disruption to council's business practices and minor inconvenience it has not resulted in significant additional cost.

Water charges collections have not been significantly impacted and other receivables have not been impacted.

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

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

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

Significant judgements in applying the Council's accounting policies

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

A1-1 Basis of preparation (continued)

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

New accounting standards adopted during the year

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

None of these standards have had any impact on Council's reported financial position.

B Financial Performance

B1 Functions or activities

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

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

| \$ '000 | Income | | Expenses | | Operating result | | Grants and contributions | | Carrying amount of assets | |
|---------------------------------------|--------------|--------------|--------------|--------------|------------------|------------|--------------------------|------------|---------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Functions or activities | | | | | | | | | | |
| Governance | – | – | 186 | 188 | (186) | (188) | – | – | – | – |
| Water supplies | 7,504 | 7,720 | 7,144 | 6,941 | 360 | 779 | 1,796 | 901 | 91,431 | 91,015 |
| Total functions and activities | 7,504 | 7,720 | 7,330 | 7,129 | 174 | 591 | 1,796 | 901 | 91,431 | 91,015 |

B1-2 Components of functions or activities

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

Governance

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.

Water supplies

Comprising the water supply systems servicing towns and villages within the Blayney, Cabonne, Weddin, Bland and Cowra Local Government Areas.

B2 Sources of income

B2-1 Annual charges

| \$ '000 | 2021 | 2020 |
|---|--------------|--------------|
| Annual charges | | |
| (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | |
| Residential | 1,101 | 1,077 |
| Commercial | 256 | 251 |
| Rural | 188 | 184 |
| Industrial | 33 | 34 |
| Other | 67 | 70 |
| Less: pensioner rebates (mandatory) | (96) | (96) |
| Annual charges levied | 1,549 | 1,520 |
| Pensioner subsidies received: | | |
| – Water | 53 | 53 |
| Total annual charges | 1,602 | 1,573 |
| TOTAL ANNUAL CHARGES | 1,602 | 1,573 |
| Timing of revenue recognition for rates and annual charges | | |
| Rates and annual charges recognised at a point in time (2) | 1,602 | 1,573 |
| Total rates and annual charges | 1,602 | 1,573 |

Accounting policy for annual charges

Annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in certain annual charges for eligible pensioners' place of residence in the local government council area. These rebates are funded 55% by the NSW Government and 45% by Council.

Pensioner subsidies are received from the NSW Government to provide a contribution 55% towards the pensioner rebates.

Control over assets acquired from annual charges is obtained when a quarterly water account is issued as it is an enforceable debt linked to the serviced property.

B2-2 User charges and fees

| \$ '000 | Timing | 2021 | 2020 |
|---|--------|--------------|--------------|
| Specific user charges | | | |
| (per s.502 - specific 'actual use' charges) | | | |
| Residential | 2 | 1,849 | 2,360 |
| Commercial | 2 | 458 | 668 |
| Rural | 2 | 690 | 972 |
| Industrial | 2 | 609 | 603 |
| Bulk supplies to Council | 2 | 77 | 70 |
| Other | 2 | 122 | 237 |
| Total specific user charges | | 3,805 | 4,910 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Private works – section 67 | 2 | 112 | 77 |
| Section 603 certificates | 2 | 35 | 24 |
| Total fees and charges – statutory/regulatory | | 147 | 101 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | | |
| Water connection fees | 2 | 1 | – |
| Special meter readings and reconnection fees | 2 | 15 | 4 |
| Total fees and charges – other | | 16 | 4 |
| Total user charges and fees | | 3,968 | 5,015 |
| Timing of revenue recognition for user charges and fees | | | |
| User charges and fees recognised at a point in time (2) | | 3,968 | 5,015 |
| Total user charges and fees | | 3,968 | 5,015 |

Accounting policy

User charges and fees are recognised as revenue when the service has been provided. Water user charges are recognised after the water has passed the point of supply (usually the water meter) and the actual usage has been determined by a meter reading.

However for the last reading of the 2020 financial year Central Tablelands Water estimated the charges based on an average for the 3 previous corresponding reading periods (June readings for 2017,2018,2019). This decision was taken due to safety and security concerns for the meter readers during the Covid 19 restriction period.

B2-3 Other revenue

| \$ '000 | Timing | 2021 | 2020 |
|---|--------|-----------|-----------|
| Legal fees recovery – rates and charges (extra charges) | 2 | 1 | 9 |
| Legal fees recovery – other | 2 | 6 | – |
| Diesel rebate | 2 | 1 | 2 |
| Employee contributions to motor vehicles | 2 | 29 | 26 |
| Insurance incentives and rebates | 2 | 8 | 9 |
| Workers compensation claim reimbursement | 2 | 9 | – |
| Other | 2 | 3 | 3 |
| Total other revenue | | 57 | 49 |

Timing of revenue recognition for other revenue

| | | |
|---|-----------|-----------|
| Other revenue recognised at a point in time (2) | 57 | 49 |
| Total other revenue | 57 | 49 |

Accounting policy for other revenue

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

Statutory fees are recognised as revenue when the service has been provided, the payment is received 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 |
|--|--------|-------------------|-------------------|-----------------|-----------------|
| Special purpose grants and non-developer contributions (tied) | | | | | |
| Water supplies | 1 | 40 | 45 | 1,358 | 426 |
| Previously contributions: | | | | | |
| Other councils – joint works/services | 2 | – | – | 68 | 87 |
| Developer charges – mains extensions | 2 | – | – | 26 | 72 |
| Total grants and non-developer contributions | | 40 | 45 | 1,452 | 585 |
| Comprising: | | | | | |
| – State funding | | 40 | 45 | 1,358 | 426 |
| – Other funding | | – | – | 94 | 159 |
| | | 40 | 45 | 1,452 | 585 |

Developer contributions

| \$ '000 | Notes | Timing | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|---|-------|--------|-------------------|-------------------|-----------------|-----------------|
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | | | |
| F5 | | | | | | |
| Cash contributions | | | | | | |
| S 64 – water supply contributions | | 2 | – | – | 304 | 271 |
| Total developer contributions – cash | | | – | – | 304 | 271 |
| Total developer contributions | | | – | – | 304 | 271 |
| Total contributions | | | – | – | 304 | 271 |
| Total grants and contributions | | | 40 | 45 | 1,756 | 856 |
| Timing of revenue recognition for grants and contributions | | | | | | |
| Grants and contributions recognised over time (1) | | | 40 | 45 | 1,358 | 426 |
| Grants and contributions recognised at a point in time (2) | | | – | – | 398 | 430 |
| Total grants and contributions | | | 40 | 45 | 1,756 | 856 |

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

| \$ '000 | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|---|-------------------|-------------------|-----------------|-----------------|
| Unspent grants and contributions | | | | |
| Unspent funds at 1 July | – | – | 73 | – |
| Add: Funds received and not recognised as revenue in the current year | – | – | 8 | 73 |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | – | – | (6) | – |
| Unspent funds at 30 June | – | – | 75 | 73 |
| Contributions | | | | |
| Unspent funds at 1 July | – | 1 | – | – |
| Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | – | – | – | – |
| Less: contributions recognised as revenue in previous years that have been spent during the reporting year | – | (1) | – | – |
| Unspent contributions at 30 June | – | – | – | – |

Unexpended portion of grant to investigate options for the raising of Lake Rowlands dam wall.

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include milestones within AASB 15 grants. 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.

B2-4 Grants and contributions (continued)

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

| \$ '000 | 2021 | 2020 |
|--|-----------|------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue user and annual charges | 11 | 17 |
| – Cash and investments | 48 | 103 |
| Total interest and investment income (losses) | 59 | 120 |
| Interest and investment income is attributable to: | | |
| Restricted investments/funds – external: | | |
| Water fund operations | 59 | 120 |
| Total interest and investment income | 59 | 120 |

Accounting policy

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

B2-6 Other income

| \$ '000 | Notes | 2021 | 2020 |
|---------------------------------|-------|-----------|-----------|
| Rental income | | | |
| Other lease income | | | |
| Land | | 22 | 22 |
| Total Other lease income | | 22 | 22 |
| Total rental income | C2-2 | 22 | 22 |
| Total other income | | 22 | 22 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| \$ '000 | 2021 | 2020 |
|--|--------------|--------------|
| Salaries and wages | 1,695 | 1,685 |
| Employee leave entitlements (ELE) | 292 | 207 |
| Superannuation – defined contribution plans | 160 | 156 |
| Superannuation – defined benefit plans | 26 | 28 |
| Workers' compensation insurance | 33 | 31 |
| Fringe benefit tax (FBT) | 29 | 36 |
| Payroll tax | 52 | 46 |
| Sick leave insurance | – | 9 |
| Employee assistance program | 2 | 1 |
| Total employee costs | 2,289 | 2,199 |
| Less: capitalised costs | (67) | (208) |
| Total employee costs expensed | 2,222 | 1,991 |
| Number of 'full-time equivalent' employees (FTE) at year end | 22 | 21 |

Accounting policy

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

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

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note D3-1 for more information.

B3-2 Materials and services

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|--------------|--------------|
| Raw materials and consumables | | 703 | 545 |
| Contractor and consultancy costs | | 591 | 603 |
| Audit Fees ¹ | E2-1 | 46 | 45 |
| Previously other expenses: | | | |
| Councillor and Chairperson's fees and associated expenses | E1-2 | 84 | 88 |
| Advertising | | 17 | 29 |
| Bank charges | | 31 | 28 |
| Electricity and heating | | 306 | 428 |
| Insurance | | 132 | 117 |
| Postage | | 24 | 25 |
| Printing and stationery | | 19 | 26 |
| Subscriptions and publications | | 49 | 41 |
| Telephone and communications | | 62 | 46 |
| Travel expenses | | 5 | 6 |
| Demand management (water wise programme) expenses | | 3 | 8 |
| Groundwater and unregulated access fees | | 59 | 33 |
| Training costs (other than salaries and wages) | | 33 | 30 |
| Other expenses | | 56 | 91 |
| Legal expenses: | | | |
| – Legal expenses: debt recovery | | – | 9 |
| – Legal expenses: other | | 13 | 28 |
| Expenses from leases of low value assets | | 3 | 6 |
| Total materials and services | | 2,236 | 2,232 |
| Total materials and services | | 2,236 | 2,232 |

Accounting policy

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

B3-3 Borrowing costs

| \$ '000 | 2021 | 2020 |
|--|-----------|-----------|
| (i) Interest bearing liability costs | | |
| Interest on loans | 49 | 83 |
| Total interest bearing liability costs | 49 | 83 |
| Total interest bearing liability costs expensed | 49 | 83 |
| Total borrowing costs expensed | 49 | 83 |

Accounting policy

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

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

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|--------------|--------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 172 | 175 |
| Office equipment | | 23 | 20 |
| Furniture and fittings | | 1 | 1 |
| Infrastructure: | C1-7 | | |
| – Buildings – non-specialised | | 73 | 73 |
| – Water supply network | | 2,335 | 2,516 |
| Intangible assets | C1-8 | 18 | 18 |
| Total gross depreciation and amortisation costs | | 2,622 | 2,803 |
| Total depreciation and amortisation costs | | 2,622 | 2,803 |
| Total depreciation, amortisation and impairment for non-financial assets | | 2,622 | 2,803 |

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 |
|--|-------|-----------|-----------|
| Impairment of receivables | | | |
| Other | | – | 7 |
| Total impairment of receivables | C1-4 | – | 7 |
| Other | | | |
| Donations, contributions and assistance to other organisations (Section 356) | | 14 | 13 |
| Total other expenses | | 14 | 20 |

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 |
|--|--------------|----------------|-------------|
| Gain (or loss) on disposal of plant and equipment | C1-7 | | |
| Proceeds from disposal – plant and equipment | | 97 | 321 |
| Less: carrying amount of plant and equipment assets sold/written off | | (66) | (269) |
| Gain (or loss) on disposal | | 31 | 52 |
| Gain (or loss) on disposal of infrastructure | C1-7 | | |
| Less: carrying amount of infrastructure assets sold/written off | | (218) | (12) |
| Gain (or loss) on disposal | | (218) | (12) |
| Gain (or loss) on disposal of investments | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – investments | | 5,200 | 4,100 |
| Less: carrying amount of investments sold/redeemed/matured | | (5,200) | (4,100) |
| Gain (or loss) on disposal | | – | – |
| Net gain (or loss) on disposal of assets | | (187) | 40 |

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 30/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

| \$ '000 | 2021 Budget | 2021 Actual | 2021 ----- Variance ----- | |
|---|----------------|----------------|------------------------------|-----------------|
| REVENUES | | | | |
| User charges and fees | 5,191 | 3,968 | (1,223) | (24)% U |
| Water usage charges were down considerably from budget due a wet year. | | | | |
| Other revenues | 43 | 57 | 14 | 33% F |
| Council received income of \$6,000 reimbursement of legal fees and \$9,000 reimbursement of workers compensation claim. | | | | |
| Operating grants and contributions | 133 | 40 | (93) | (70)% U |
| Council had budgeted for bore investigations and Caragabal feasibility study however the projects have not been completed at this stage. | | | | |
| Capital grants and contributions | 5,183 | 1,756 | (3,427) | (66)% U |
| A number of grant funded capital projects were delayed in commencement therefore the grant income was less than original budget. | | | | |
| Interest and investment revenue | 66 | 59 | (7) | (11)% U |
| Interest income was less than original budget due to the continuing fall in interest rates. | | | | |
| Net gains from disposal of assets | 52 | – | (52) | (100)% U |
| The changeover of vehicles did not realise the budgeted profit on disposal and losses on disposal of infrastructure assets negated any surplus. | | | | |

EXPENSES

| | | | | |
|---|--------------|--------------|--------------|----------------|
| Depreciation, amortisation and impairment of non-financial assets | 2,389 | 2,622 | (233) | (10)% U |
| Depreciation expense was higher than budget due to the writeoff of the balance of the value of trunk main K when it was replaced. | | | | |
| Net losses from disposal of assets | – | 187 | (187) | ∞ U |
| The loss on disposal relates to the replacement of infrastructure assets which had not been fully depreciated. | | | | |

STATEMENT OF CASH FLOWS

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Cash flows from operating activities | 7,373 | 3,095 | (4,278) | (58)% U |
| Capital grants were less than budget due to delay in commencement of projects. | | | | |
| Cash flows from investing activities | (5,937) | (2,886) | 3,051 | (51)% F |
| Capital expenditure was less than budget due to delays in commencement of capital projects. | | | | |

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

| \$ '000 | 2021 | 2020 |
|--|--------------|--------------|
| Cash and cash equivalents | | |
| Cash on hand and at bank | 1,292 | 1,615 |
| Total cash and cash equivalents | 1,292 | 1,615 |

Reconciliation of cash and cash equivalents

| | | |
|---|--------------|--------------|
| Total cash and cash equivalents per Statement of Financial Position | 1,292 | 1,615 |
| Balance as per the Statement of Cash Flows | 1,292 | 1,615 |

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.

C1-2 Financial investments

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Debt securities at amortised cost | | | | |
| Long term deposits | 6,100 | – | 5,200 | – |
| Total | 6,100 | – | 5,200 | – |
| Total financial investments | 6,100 | – | 5,200 | – |
| Total cash assets, cash equivalents and investments | 7,392 | – | 6,815 | – |

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.

Financial assets are not reclassified subsequent to their initial recognition. All Council's existing investments are measured at amortised cost.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

C1-2 Financial investments (continued)

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

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

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

C1-3 Restricted cash, cash equivalents and investments

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Total cash, cash equivalents and investments | 7,392 | – | 6,815 | – |
| attributable to: | | | | |
| External restrictions | 75 | – | 73 | – |
| Internal restrictions | 6,817 | – | 6,243 | – |
| Unrestricted | 500 | – | 499 | – |
| | 7,392 | – | 6,815 | – |

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

Details of restrictions

External restrictions – included in liabilities

| | | |
|------------------------------------|-----------|-----------|
| Specific purpose unexpended grants | 66 | 73 |
| Other contributions | 9 | – |
| Total external restrictions | 75 | 73 |

Internal restrictions

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

| | | |
|------------------------------------|--------------|--------------|
| Plant and vehicle replacement | 491 | 357 |
| Infrastructure replacement | 5,300 | 4,922 |
| Employees leave entitlement | 478 | 436 |
| Development reserve | 488 | 488 |
| Consultancy | 60 | 40 |
| Total internal restrictions | 6,817 | 6,243 |
| Total restrictions | 6,892 | 6,316 |

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

C1-4 Receivables

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Purpose | | | | |
| User charges and fees | 457 | – | 635 | – |
| Contributions to works | 74 | – | 11 | – |
| Accrued revenues | | | | |
| – Interest on investments | 13 | – | 25 | – |
| – Other income accruals | 1 | – | – | – |
| Amounts due from other councils | 22 | – | 72 | – |
| Deferred debtors | 5 | 4 | 25 | 19 |
| Government grants and subsidies | 159 | – | 40 | – |
| Net GST receivable | 2 | – | 22 | – |
| Other debtors | 18 | – | 8 | – |
| Total | 751 | 4 | 838 | 19 |
| Less: provision of impairment | | | | |
| User charges and fees | (8) | – | (8) | – |
| Total provision for impairment – receivables | (8) | – | (8) | – |
| Total net receivables | 743 | 4 | 830 | 19 |

| \$ '000 | 2021 | 2020 |
|--|----------|----------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year | 8 | 8 |
| Balance at the end of the year | 8 | 8 |

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 water debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

C1-4 Receivables (continued)

Covid 19

Council's water and user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income have been slightly impacted in 2020/21 due to the State Government legislating that outstanding water charges will have no interest applied from 1 July, 2020 to 31 December 2020. The impact has been negligible.

C1-5 Inventories

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|----------------------------------|-----------------|---------------------|-----------------|---------------------|
| (i) Inventories at cost | | | | |
| Stores and materials | 200 | — | 176 | — |
| Total inventories at cost | 200 | — | 176 | — |
| Total inventories | 200 | — | 176 | — |

(i) Other disclosures

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at cost. 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. Freight costs incurred in getting stores into their current location is expensed.

C1-6 Contract assets and Contract cost assets

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|------------|-----------|
| Contract assets | C1-6 | 160 | 93 |
| Total contract assets and contract cost assets | | 160 | 93 |

Contract assets

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Grants Operating | 85 | — | 45 | — |
| Grants Capital | 75 | — | 48 | — |
| Total contract assets | 160 | — | 93 | — |

Significant changes in contract assets

Council has grant approvals for several new projects however no income has yet been received.

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2020 | | | Asset movements during the reporting period | | | | | | | At 30 June 2021 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Other movements (transfer to Intangible assets) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | |
| Capital work in progress | 6,774 | – | 6,774 | 30 | 1,347 | – | – | (6,242) | (14) | – | 1,895 | – | 1,895 |
| Plant and equipment | 1,370 | (712) | 658 | – | 108 | (66) | (172) | – | – | – | 1,349 | (821) | 528 |
| Office equipment | 134 | (94) | 40 | – | 23 | – | (23) | – | – | – | 156 | (116) | 40 |
| Furniture and fittings | 39 | (34) | 5 | – | – | – | (1) | – | – | – | 39 | (35) | 4 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 2,306 | – | 2,306 | – | 49 | – | – | 11 | – | – | 2,366 | – | 2,366 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings | 2,853 | (1,072) | 1,781 | – | – | – | (73) | – | – | – | 2,853 | (1,145) | 1,708 |
| – Water supply network | 148,025 | (76,572) | 71,453 | 440 | 108 | (218) | (2,335) | 6,231 | – | 631 | 146,583 | (70,273) | 76,310 |
| Total infrastructure, property, plant and equipment | 161,501 | (78,484) | 83,017 | 470 | 1,635 | (284) | (2,604) | – | (14) | 631 | 155,241 | (72,390) | 82,851 |

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

| By aggregated asset class | At 1 July 2019 | | | Asset movements during the reporting period | | | | | | | At 30 June 2020 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|--|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Revaluation increments to equity (ARR) | | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | |
| Capital work in progress | 5,382 | – | 5,382 | 966 | 571 | – | – | (145) | – | | 6,774 | – | 6,774 |
| Plant and equipment | 1,346 | (728) | 618 | – | 484 | (269) | (175) | – | – | | 1,370 | (712) | 658 |
| Office equipment | 119 | (74) | 45 | – | 15 | – | (20) | – | – | | 134 | (94) | 40 |
| Furniture and fittings | 39 | (33) | 6 | – | – | – | (1) | – | – | | 39 | (34) | 5 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 2,306 | – | 2,306 | – | – | – | – | – | – | | 2,306 | – | 2,306 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings – non-specialised | 2,835 | (998) | 1,837 | – | 17 | – | (73) | – | – | | 2,853 | (1,072) | 1,781 |
| – Water supply network | 146,355 | (73,527) | 72,828 | 130 | 168 | (12) | (2,516) | 145 | 710 | | 148,025 | (76,572) | 71,453 |
| Total infrastructure, property, plant and equipment | 158,382 | (75,360) | 83,022 | 1,096 | 1,255 | (281) | (2,785) | – | 710 | | 161,501 | (78,484) | 83,017 |

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

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

| Plant and equipment | Years |
|---------------------------|----------|
| Office equipment | 5 to 10 |
| Office furniture | 10 to 20 |
| Computer equipment | 3 |
| Vehicles | 5 to 8 |
| Other plant and equipment | 5 to 15 |

Water assets

| | |
|---------------------------|-----------|
| Dams and reservoirs | 80 to 100 |
| Bores | 20 to 40 |
| Reticulation pipes: PVC | 70 to 80 |
| Reticulation pipes: other | 25 to 75 |
| Pumps and telemetry | 15 to 20 |

Buildings

| | |
|--------------------|-----------|
| Buildings: masonry | 50 to 100 |
| Buildings: other | 20 to 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 current fair value.

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

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

C1-8 Intangible assets

Intangible assets are as follows:

| \$ '000 | 2021 | 2020 |
|---|-----------|-----------|
| Software | | |
| Opening values at 1 July | | |
| Gross book value | 90 | 90 |
| Accumulated amortisation | (27) | (9) |
| Net book value – opening balance | 63 | 81 |
| Movements for the year | | |
| Purchases | 27 | – |
| Amortisation charges | (18) | (18) |
| Closing values at 30 June | | |
| Gross book value | 117 | 90 |
| Accumulated amortisation | (45) | (27) |
| Total software – net book value | 72 | 63 |
| Total intangible assets – net book value | 72 | 63 |

Accounting policy

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs relating to minor software purchases or modifications to existing software are expensed as incurred and are not capitalised,

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

C2 Leasing activities

C2-1 Council as a lessee

Council has a lease for a photocopier. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

The lease for office equipment is for a low value asset. The lease is 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 |
|---------------------------------------|----------|----------|
| Expenses relating to low-value leases | 3 | 6 |
| | 3 | 6 |

(b) Statement of Cash Flows

| | | |
|-------------------------------|----------|----------|
| Total cash outflow for leases | 3 | 6 |
| | 3 | 6 |

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.

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

Council leases out a number of properties for grazing purposes and communication towers. These leases been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position.

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

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

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council land for the purpose of grazing. The table below relates to operating leases on assets disclosed in C1-7. Council also has right of access agreements with the NBN and NSW Telco Authority to allow for the installation and maintenance of communications equipment on council infrastructure such as reserviors. The agreements give no other rights over the assets and therefore the value of these assets has not been included in the IPP&E table below.

| | | |
|--|-----------|-----------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 22 | 22 |
| Total income relating to operating leases for Council assets | 22 | 22 |

Amount of IPPE leased out by Council under operating leases

| | | |
|--|------------|------------|
| Land | 453 | 453 |
| Total amount of IPPE leased out by Council under operating leases | 453 | 453 |

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

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

| | | |
|---|------------|-----------|
| < 1 year | 13 | 21 |
| 1–2 years | 13 | 11 |
| 2–3 years | 13 | 11 |
| 3–4 years | 13 | 2 |
| 4–5 years | 13 | 2 |
| > 5 years | 122 | 14 |
| Total undiscounted lease payments to be received | 187 | 61 |

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Payables | | | | |
| Goods and services | 185 | – | 245 | – |
| Accrued expenses: | | | | |
| – Salaries and wages | 63 | – | 57 | – |
| – Other expenditure accruals | 123 | – | 93 | – |
| Security bonds, deposits and retentions | 10 | – | – | – |
| Prepaid user charges | 131 | – | 81 | – |
| Total payables | 512 | – | 476 | – |
| Income received in advance | | | | |
| Payments received in advance | 26 | – | 11 | – |
| Total income received in advance | 26 | – | 11 | – |
| Total payables | 538 | – | 487 | – |

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.

The financial liabilities of the Council comprise trade payables, bank and other loans.

Payables

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

C3-2 Contract Liabilities

| \$ '000 | Notes | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---|-------|-----------------|---------------------|-----------------|---------------------|
| Grants and contributions received in advance: | | | | | |
| Unexpended capital grants (to construct Council controlled assets) | (i) | 66 | — | 73 | — |
| Unexpended capital contributions (to construct Council controlled assets) | (i) | 9 | — | — | — |
| Total grants received in advance | | 75 | — | 73 | — |
| Total contract liabilities | | 75 | — | 73 | — |

Notes

(i) Council has received funding to investigate options for the upgrading and expansion of Lake Rowlands.. The funds received are under an enforceable contract which require Council to complete a comprehensive study with the view to expanding the lake which will be under Council's control on completion. The revenue is recognised as Council completes the study 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.

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

| \$ '000 | 2021 | 2020 |
|--|----------|----------|
| Grants and contributions received in advance: | | |
| Capital grants (to construct Council controlled assets) | 6 | — |
| Total revenue recognised that was included in the contract liability balance at the beginning of the period | 6 | — |

Accounting policy

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

C3-3 Borrowings

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Loans – secured ¹ | 413 | – | 532 | 413 |
| Total borrowings | 413 | – | 532 | 413 |

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

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 | 945 | (532) | – | – | – | – | 413 |
| Total liabilities from financing activities | 945 | (532) | – | – | – | – | 413 |

| \$ '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 | 1,442 | (497) | – | – | – | – | 945 |
| Total liabilities from financing activities | 1,442 | (497) | – | – | – | – | 945 |

(b) Financing arrangements

| \$ '000 | 2021 | 2020 |
|---|-----------|-----------|
| Total facilities | | |
| Credit cards/purchase cards | 45 | 45 |
| Total financing arrangements | 45 | 45 |
| Undrawn facilities | | |
| – Credit cards/purchase cards | 45 | 45 |
| Total undrawn financing arrangements | 45 | 45 |

Accounting policy

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

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

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

C3-4 Employee benefit provisions

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Annual leave | 324 | – | 288 | – |
| Long service leave | 612 | 23 | 564 | 17 |
| Total employee benefit provisions | 936 | 23 | 852 | 17 |

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 | 726 | 692 |
| | 726 | 692 |

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by Council's corporate department under policies approved by the Council.

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

(a) Market risk – interest rate and price risk

| \$ '000 | 2021 | 2020 |
|--|------|------|
| The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date. | | |
| Impact of a 1% movement in interest rates | | |
| – Equity / Income Statement | 61 | 52 |

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing debt recovery procedures. Council also encourages consumers to pay their water charges by the due date to avoid late payment charges.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are approved deposit institutions regulated by the Australian Prudential Regulatory Authority.

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

Council makes suitable provision for doubtful receivables as required.

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

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

Credit risk profile

Receivables – rates and annual charges

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

| \$ '000 | Not yet overdue | < 1 year overdue | 1 - 2 years overdue | 2 - 5 years overdue | > 5 years overdue | Total |
|-----------------------|--------------------|---------------------|------------------------|------------------------|----------------------|-------|
| 2021 | | | | | | |
| Gross carrying amount | 386 | 71 | – | – | – | 457 |
| 2020 | | | | | | |
| Gross carrying amount | 537 | 98 | – | – | – | 635 |

Receivables - non-rates and annual charges and contract assets

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

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

| \$ '000 | Not yet overdue | 0 - 30 days overdue | 31 - 60 days overdue | 61 - 90 days overdue | > 91 days overdue | Total |
|------------------------|--------------------|------------------------|-------------------------|-------------------------|----------------------|-------|
| 2021 | | | | | | |
| Gross carrying amount | 149 | – | – | 24 | 125 | 298 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 6.40% | 2.68% |
| ECL provision | – | – | – | – | 8 | 8 |
| 2020 | | | | | | |
| Gross carrying amount | 199 | 11 | – | – | 12 | 222 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 66.00% | 3.57% |
| ECL provision | – | – | – | – | 8 | 8 |

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

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – 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 maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

| \$ '000 | Weighted average interest rate | Subject to no maturity | ≤ 1 Year | payable in: 1 - 5 Years | > 5 Years | Total cash outflows | Actual carrying values |
|------------------------------------|---|------------------------------|------------|-------------------------------|-----------|------------------------|------------------------------|
| 2021 | | | | | | | |
| Trade/other payables | 0.00% | 10 | 371 | – | – | 381 | 381 |
| Loans and advances | 6.60% | – | 427 | – | – | 427 | 413 |
| Total financial liabilities | | 10 | 798 | – | – | 808 | 794 |
| 2020 | | | | | | | |
| Trade/other payables | 0.00% | – | 395 | – | – | 395 | 395 |
| Loans and advances | 6.60% | – | 581 | 427 | – | 1,008 | 945 |
| Total financial liabilities | | – | 976 | 427 | – | 1,403 | 1,340 |

D2 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

| | | Fair value measurement hierarchy | | | | | |
|---|-------|---------------------------------------|------|---|--------|--------|--------|
| \$ '000 | Notes | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Recurring fair value measurements | | | | | | | |
| Infrastructure, property, plant and equipment | C1-7 | | | | | | |
| Plant & Equipment | | – | – | 528 | 658 | 528 | 658 |
| Office Equipment | | – | – | 40 | 40 | 40 | 40 |
| Furniture & Fittings | | – | – | 4 | 5 | 4 | 5 |
| Operational Land | | – | – | 2,366 | 2,306 | 2,366 | 2,306 |
| Buildings | | 312 | 328 | 1,396 | 1,453 | 1,708 | 1,781 |
| Water Supply Network | | – | – | 76,310 | 71,453 | 76,310 | 71,453 |
| Capital Works in Progress | | – | – | 1,895 | 6,774 | 1,895 | 6,774 |
| Total infrastructure, property, plant and equipment | | 312 | 328 | 82,539 | 82,689 | 82,851 | 83,017 |

D2 Fair value measurement (continued)

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

Loader, vehicles, trucks, computers, desks, chairs, cupboards, etc. - (Level 3)

Valuation Technique - Cost approach

These assets are valued at cost but are disclosed at fair value in Note C1-7. The carrying amount of these assets are assumed to approximate fair value due to the nature of the items and their short useful lives.

Operational Land - (Level 3)

Valuation Technique - Market approach

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Australis Asset Advisory Group by Elise Wallace Certified Practising Valuer AAPI #66461.

Buildings – (Level 2 and 3)

Council Office, Council Depots and Council Filtration Plant Buildings

Council's Buildings were last valued on 30 June 2018 by Australis Asset Advisory Group by Elise Wallace Certified Practising Valuer AAPI#66461. Fair value was determined using the Cost approach (using depreciated current replacement cost). This method determines the cost to market participant to acquire or construct a similar building of comparable service potential adjusted for depreciation or obsolescence.

The market approach was applied to two buildings where sufficient sales evidence existed to permit recent sales history to permit a market value to be determined.

Water Supply Network

Trunk Mains, Reticulation Mains, Filtration Plants, Reservoirs, Pump Stations, Bores, Dams, Telemetry - (Level 3)

The Water Supply Network was last valued on 30 June 2017 utilising both "in house" staff and external consultants. A former employee with extensive experience and qualifications prepared the valuations of the Bores, Trunk Mains, Reticulation Mains, Telemetry and Pump Stations. The valuation methodology used for Reservoirs, Pump Stations Bores and Trunk Mains is based on use of the reference rates sourced from the NSW Office of Water Reference Rate Manual (RRM) in June 2014 and then applying the capital cost factor for 2019.

Dams and Treatment Plants were valued by Australia Asset Advisory Group whom have extensive experience and qualifications in the valuation of assets of this type. The valuation was completed in accord with fair valuation principles. These principles lead to valuations being made on the basis of depreciated replacement costs using standard unit rates. The valuation considered the nature and condition of the assets based upon physical inspection and asset data such as asset life.

D2 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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.

| \$ '000 | Fair value (30/6/21) 2021 | Valuation technique/s | Unobservable inputs |
|--|---------------------------------|-----------------------|---|
| Infrastructure, property, plant and equipment | | | |
| Plant & Equipment | 528 | Refer Note D2-1 above | Increase/decrease in cost of unit or useful life |
| Office Equipment | 40 | Refer Note D2-1 above | Increase/decrease in cost of unit or useful life |
| Furniture & Fittings | 4 | Refer Note D2-1 above | Increase/decrease in cost of unit or useful life |
| Operational Land | 2,366 | Refer Note D2-1 above | Increase/decrease in land value, land area |
| Buildings | 1,396 | Refer Note D2-1 above | Market value |
| Water Supply Network | 76,310 | Refer Note D2-1 above | Increase/decrease in cost of unit or useful life, asset condition |
| Capital Works in Progress | 1,895 | Refer Note D2-1 above | Increase/decrease in cost of unit |

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

| \$ '000 | IPP&E | |
|--|----------------|---------|
| | 2021 | 2020 |
| Opening balance | 82,689 | 82,687 |
| Total gains or losses for the period | | |
| Recognised in other comprehensive income – revaluation surplus | 631 | 710 |
| Other movements | | |
| Transfers from/(to) another asset class | (14) | – |
| Purchases (GBV) | 2,105 | 2,340 |
| Disposals (WDV) | (284) | (281) |
| Depreciation and impairment | (2,588) | (2,767) |
| Closing balance | 82,539 | 82,689 |

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

There have been no transfers between level 2 and level 3 hierarchy.

Highest and best use

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

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

(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 or the year ended 30 June 2021 (increasing to 7.5% in line with the increase in Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

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

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

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 \$ 23,721.60. The last valuation of the Scheme was performed by Fund Actuary, Richard Boyfield, FIAA, as at 30 June 2020.

D3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$12,700. Council's expected contribution to the plan for the next annual reporting period is \$24,096.24.

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

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

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

The share of this surplus that is broadly attributed to Council is estimated to be in the order of .03%.

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 30/6/21 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.

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.

D3-1 Contingencies (continued)

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

E People and relationships

E1 Related party disclosures

E1 Key management personnel (KMP)

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

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

| \$ '000 | 2021 | 2020 |
|--------------------------|------------|------------|
| Compensation: | | |
| Short-term benefits | 519 | 495 |
| Post-employment benefits | 50 | 47 |
| Other long-term benefits | 14 | 14 |
| Total | 583 | 556 |

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. water supply services to KMP) will not be disclosed. There were no non arm's length related party transactions between KMP and Council during the year ended 30 June, 2021.

E1-2 Councillor and Chair fees and associated expenses

| \$ '000 | 2021 | 2020 |
|--|-----------|-----------|
| The aggregate amount of Councillor and Chair fees and associated expenses included in materials and services expenses in the Income Statement are: | | |
| Member expenses – chairperson's fee | 17 | 17 |
| Member expenses – member fees | 61 | 61 |
| Member expenses (incl. chairperson) – other (excluding fees above) | 6 | 10 |
| Total | 84 | 88 |

E2 Other relationships

E2-1 Audit fees

| \$ '000 | 2021 | 2020 |
|--|-----------|-----------|
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms | | |
| Auditors of the Council - NSW Auditor-General: | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements | 32 | 32 |
| Remuneration for audit and other assurance services | 32 | 32 |
| Total Auditor-General remuneration | 32 | 32 |
| Non NSW Auditor-General audit firms | | |
| (i) Audit and other assurance services | | |
| Other audit and assurance services – Internal Audit | 14 | 13 |
| Remuneration for audit and other assurance services | 14 | 13 |
| Total remuneration of non NSW Auditor-General audit firms | 14 | 13 |
| Total audit fees | 46 | 45 |

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

| \$ '000 | 2021 | 2020 |
|---|--------------|-------|
| Net operating result from Income Statement | 174 | 591 |
| Adjust for non-cash items: | | |
| Depreciation and amortisation | 2,622 | 2,803 |
| Net losses/(gains) on disposal of assets | 187 | (40) |
| Non-cash Insurance Claim Recovery | – | – |
| +/- Movement in operating assets and liabilities and other cash items: | | |
| Decrease/(increase) in receivables | 67 | 100 |
| Decrease/(increase) in inventories | (24) | 3 |
| Decrease/(increase) in other current assets | (7) | 4 |
| Decrease/(increase) in contract assets | (67) | (93) |
| Increase/(decrease) in payables | (60) | (266) |
| Increase/(decrease) in other accrued expenses payable | 36 | 6 |
| Increase/(decrease) in other liabilities | 75 | 5 |
| Increase/(decrease) in contract liabilities | 2 | 73 |
| Increase/(decrease) in provision for employee benefits | 90 | 38 |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | 3,095 | 3,224 |

F2-1 Commitments

Capital commitments (exclusive of GST)

| \$ '000 | 2021 | 2020 |
|--|--------------|------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Water Infrastructure | 2,620 | – |
| Total commitments | 2,620 | – |
| These expenditures are payable as follows: | | |
| Within the next year | 2,620 | – |
| Total payable | 2,620 | – |
| Sources for funding of capital commitments: | | |
| Future grants and contributions | 2,159 | – |
| Internally restricted reserves | 461 | – |
| Total sources of funding | 2,620 | – |

Details of capital commitments

Council has capital commitments for the project management and construction of a new 12 megalitre reservoir at Carcoar water filtration plant, sand filter renewal at Carcoar water filtration plant and project management of a new emergency pumping station at Woodstock.

F3-1 Events occurring after the reporting date

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

F4 Statement of developer contributions as at 30 June 2021

F4-1 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 | | | | | |
| S64 contributions | — | 304 | — | — | (304) | — | — | — |
| Total contributions | — | 304 | — | — | (304) | — | — | — |

Under Section 64 of the Local Government Act 1993 , Council has obligations to provide water infrastructure in accordance with its Development Servicing Plan.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2021 | Indicator 2021 | Prior periods 20202019 | | Benchmark |
|---|-----------------|-------------------|---------------------------|-----------|-----------|
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses | (1,395) | -24.27% | -4.47% | 1.28% | > 0.00% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | 5,748 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | 5,708 | 76.07% | 88.27% | 36.56% | > 60.00% |
| Total continuing operating revenue ⁽¹⁾ | 7,504 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions ⁽²⁾ | 8,429 | 7.26x | 6.65x | 5.25x | > 1.5x |
| Current liabilities less specific purpose liabilities ^(3, 4) | 1,161 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | 1,276 | 2.20x | 4.45x | 5.11x | > 2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 581 | | | | |
| 5. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 7,392 | 16.32 mths | 14.9 mths | 15.5 mths | > 3 mths |
| Monthly payments from cash flow of operating and financing activities | 453 | | | | |
| WATER AVAILABILITY & USER CHARGES RATIO | | | | | |
| Council has operated under a "user pays" system since January 1994 and has not raised rates since that time. Since Council does not have any rates within it's income base, the ratios shown below have more relevance: | | | | | |
| 6. Annual water charges coverage ratio | | | | | |
| Annual water charges | 5,407 | 94.07% | 94.45% | 90.50% | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | 5,748 | | | | |
| 7. Annual water charges, interest and extra charges outstanding percentage | | | | | |
| Annual water and extra charges outstanding | 457 | 7.57% | 9.22% | 5.98% | |
| Annual water and extra charges collectible | 6,035 | | | | |

Notes

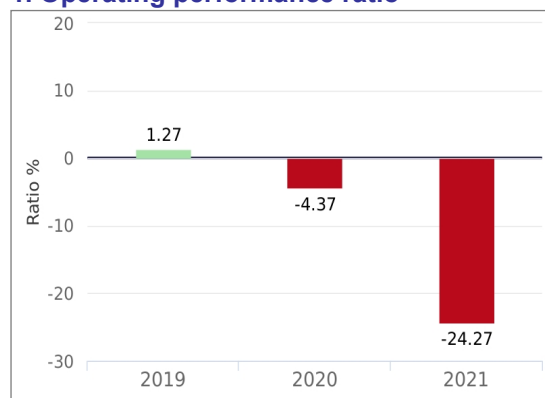
⁽¹⁾ Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

⁽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

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (24.27)%

The operating performance ratio has been significantly impacted by the reduction in water usage charges due to the wet year being experienced. This is not unusual as water sales will fluctuate with seasonal conditions.

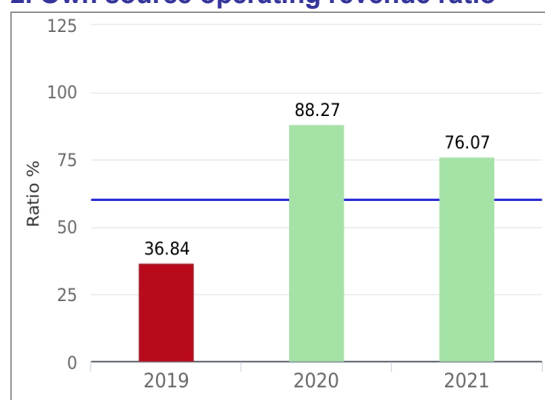
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 76.07%

Own source operating revenue ratio is down due to a reduction in water usage charges and an increase in capital grants made available for new and upgraded infrastructure as part of the water security program.

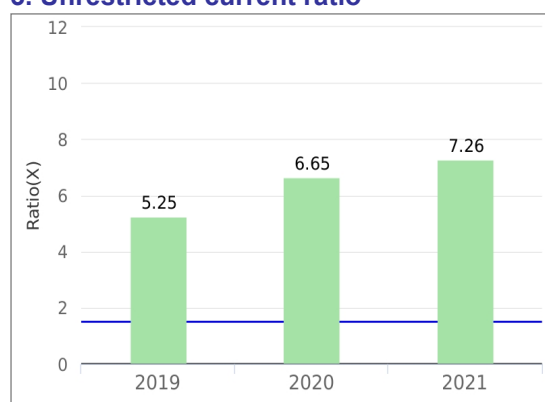
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 7.26x

This ratio indicates that Council has a strong liquidity position and is able to pay its debts as and when they fall due.

Benchmark: — > 1.50x

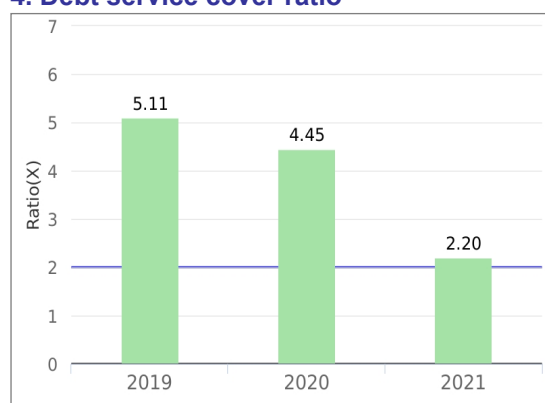
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.20x

Council is in a strong position to service its existing and any future debt. This ratio has reduced in 20/21 due to a lower operating result compared to 19/20. The principal reason being reduced water sales.

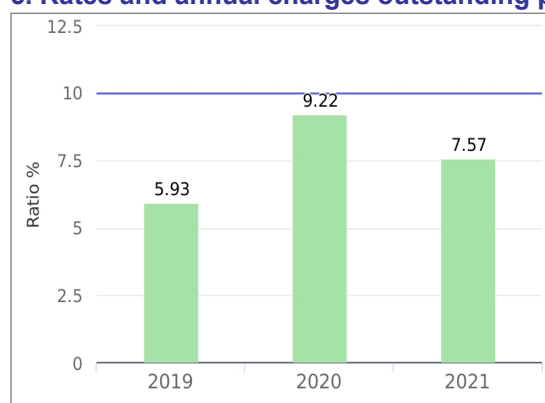
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 7.57%

Annual and user charges outstanding have reduced from 19/20 and are well within the benchmark.

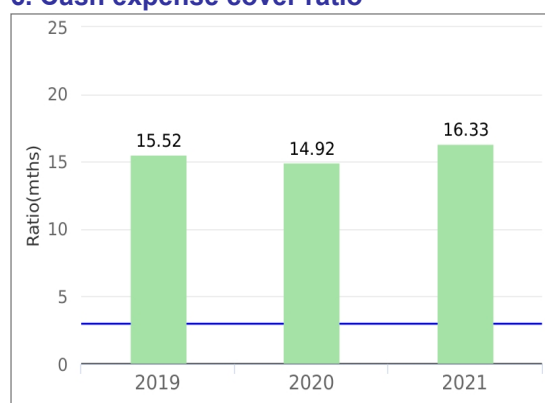
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 16.33 mths

This ratio indicates that Council Council's liquidity position is strong and can sustain its operations if short term revenue flows are disrupted.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Financial review

Key financial figures of Council over the past 5 years

| \$ '000 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------|---------|---------|---------|---------|
| Inflows: | | | | | |
| Rates and annual charges revenue | 1,602 | 1,573 | 1,523 | 1,490 | 1,216 |
| User charges revenue | 3,968 | 5,015 | 4,929 | 4,861 | 3,941 |
| Interest and investment revenue (losses) | 59 | 120 | 195 | 182 | 206 |
| Grants income – operating and capital | 1,492 | 630 | 11,565 | – | 56 |
| Total income from continuing operations | 7,504 | 7,720 | 18,861 | 7,028 | 5,903 |
| Sale proceeds from IPPE | 97 | 321 | 154 | 243 | 232 |
| Outflows: | | | | | |
| Employee benefits and on-cost expenses | 2,222 | 1,991 | 2,026 | 1,933 | 1,766 |
| Borrowing costs | 49 | 83 | 114 | 144 | 198 |
| Materials and contracts expenses | 2,236 | 2,232 | 1,046 | 971 | 769 |
| Total expenses from continuing operations | 7,330 | 7,129 | 6,894 | 5,958 | 5,371 |
| Total cash purchases of IPPE | 2,105 | 2,351 | 3,576 | 3,391 | 826 |
| Total loan repayments (incl. finance leases) | 532 | 497 | 466 | 437 | 383 |
| Operating surplus/(deficit) (excl. capital income) | (1,582) | (265) | 82 | 824 | 245 |
| Financial position figures | | | | | |
| Current assets | 8,504 | 7,916 | 7,245 | 7,580 | 8,611 |
| Current liabilities | 1,962 | 1,944 | 2,053 | 1,452 | 1,565 |
| Net current assets | 6,542 | 5,972 | 5,192 | 6,128 | 7,046 |
| Available working capital (Unrestricted net current assets) | 1,844 | 1,858 | 1,785 | 950 | 956 |
| Cash and investments – unrestricted | 500 | 499 | 500 | 501 | 500 |
| Cash and investments – internal restrictions | 6,817 | 6,243 | 5,628 | 6,316 | 7,373 |
| Cash and investments – total | 7,392 | 6,815 | 6,129 | 6,817 | 7,873 |
| Total borrowings outstanding (loans, advances and finance leases) | 413 | 945 | 1,442 | 1,908 | 2,754 |
| Total value of IPPE (excl. land and earthworks) | 152,875 | 159,195 | 156,076 | 138,636 | 125,199 |
| Total accumulated depreciation | 72,390 | 78,484 | 75,360 | 71,398 | 71,251 |
| Indicative remaining useful life (as a % of GBV) | 53% | 51% | 52% | 48% | 43% |

Source: published audited financial statements of Council (current year and prior year)

G1-3 Council information and contact details

Principal place of business:

30 Church Street
BLAYNEY NSW 2799

Contact details

Contact Details
Mailing Address
PO Box 61
BLAYNEY NSW 2799

Opening hours:

9.00am - 4.30pm
Monday to Friday

Telephone: 02 6391 7200

Internet: www.ctw.nsw.gov.au

Email: water@ctw.nsw.gov.au

Officers**General Manager**

Gavin Rhodes

Responsible Accounting Officer

Peter McFarlane

Public Officer

Peter McFarlane

Auditors

Audit Office of NSW
Level 19
Tower 2 Darling Park
201 Sussex Street
NSW 2000

Elected members**CHAIRPERSON**

Cllr David Somervaille

DEPUTY CHAIRPERSON

Cllr Kevin Walker

Councillors

Cllr John Newstead
Cllr Anthony Durkin
Cllr Paul Best
Cllr Craig Bembrick

Other information

ABN: 43 721 523 632



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central Tablelands County Council

To the Councillors of the Central Tablelands County Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on Note G Additional council disclosures
- 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.



Karen Taylor
Delegate of the Auditor-General for New South Wales

15 October 2021
SYDNEY



Councillor David Somervaille
Chairman
Central Tablelands County Council
PO Box 61
BLAYNEY NSW 2799

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D2120886/1817

15 October 2021

Dear Chairman

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Central Tablelands County Council**

I have audited the general purpose financial statements (GPFS) of the Central Tablelands County 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 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

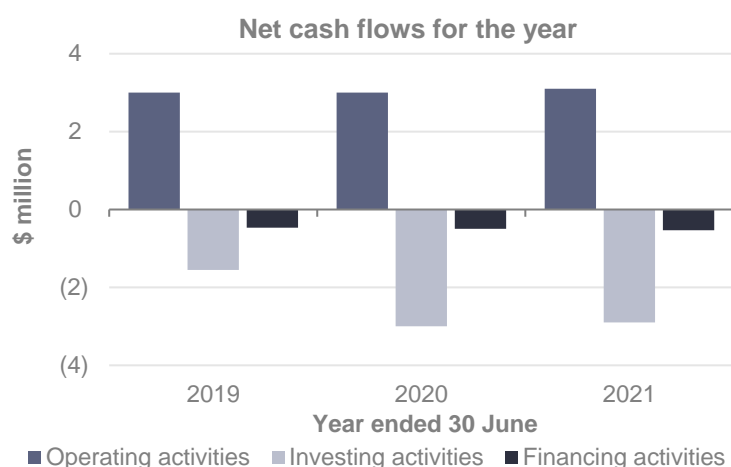
| | 2021 \$m | 2020* \$m | Variance % |
|--|-------------|--------------|---------------|
| Annual charges revenue | 1.60 | 1.57 | ↑ 1.91 |
| User charges revenue | 3.97 | 5.01 | ↓ 20.7 |
| Grants and contributions revenue | 1.79 | 0.90 | ↑ 98.89 |
| Operating result from continuing operations | 0.17 | 0.59 | ↓ 71.2 |
| Net operating result before capital grants and contributions | (1.58) | (0.27) | ↓ 485.2 |

The Council's operating result from continuing operations (\$0.17 million including depreciation and amortisation expense of \$2.62 million) was \$0.42 million lower than the 2019–20 result. This was mainly due to reduction in user charges and fees due to the prevailing wet conditions during the year impacting water sales.

The net operating result before capital grants and contributions (\$1.58 million deficit) was \$1.31 million lower than the 2019–20 result (\$0.27 million deficit).

STATEMENT OF CASH FLOWS

There has been minimal change in the overall cashflows of Council between the current and prior years.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2021 | 2020 | Commentary |
|---|-------------|-------------|---|
| | \$m | \$m | |
| Total cash, cash equivalents and investments | 7.39 | 6.81 | Externally restricted balances included unexpended grants. |
| Restricted cash and investments: | | | Balances are internally restricted due to Council policy or decisions for forward plans including work programs |
| • External restrictions | 0.07 | 0.07 | |
| • Internal restrictions | 6.82 | 6.24 | |

Debt

At 30 June 2021, Council had external borrowings of \$0.41 million (2020: \$0.95 million). The loans are secured against Council's general income.

PERFORMANCE

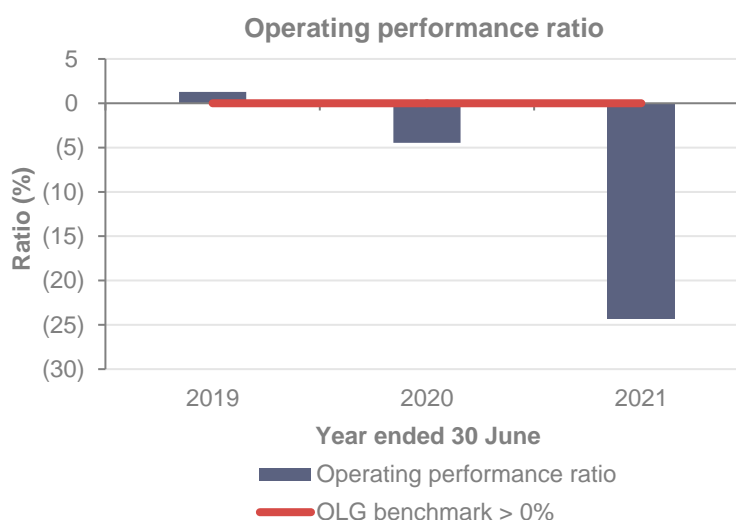
Performance measures

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

Council is below the benchmark for the current year. Due to Council's relatively small size from an operational perspective, small dollar movements can result in large percentage movements. The impact of the reduced water sales for the 2020–21 year has been key in the movement in this indicator.

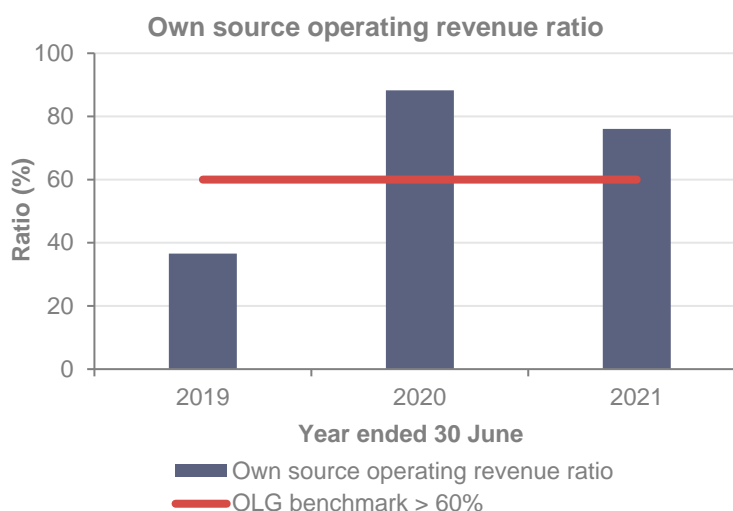
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council has remained above the benchmark. However, the reduction in water sales which is Council's primary own source operating has impacted this ratio.

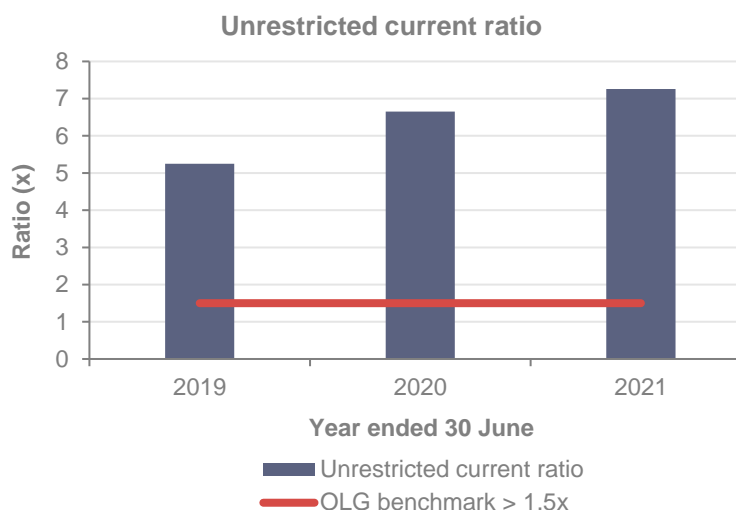
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark.

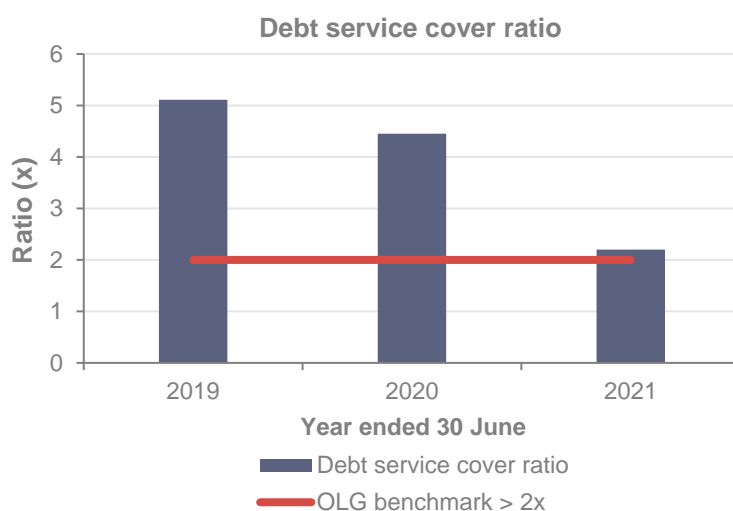
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council continues to exceed the benchmark.

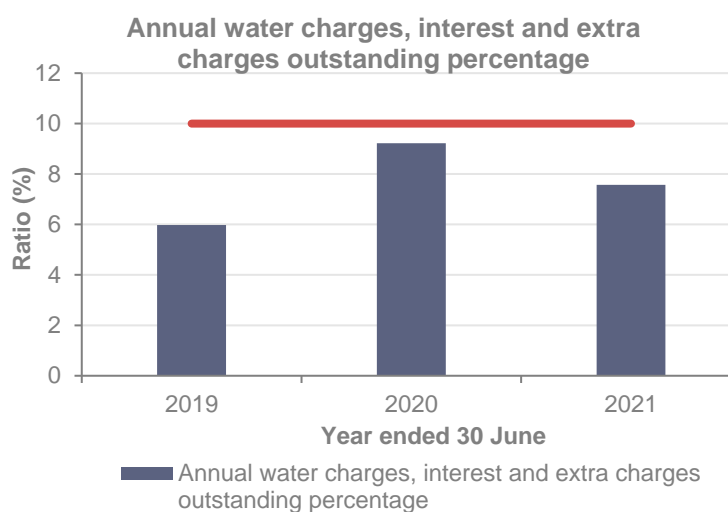
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Annual water charges, interest and extra charges outstanding percentage

Council remains within the benchmark for rural councils over the past three years.

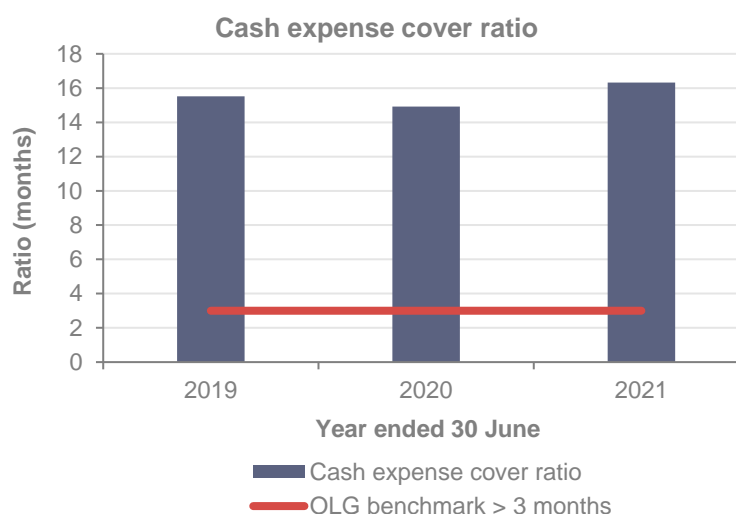
This indicator assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council has comfortably exceeded the benchmark and has done so for several years.

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.



Infrastructure, property, plant and equipment renewals

Council has renewed \$0.47 million of assets in the 2020–21 year compared to \$1.10 million in the 2019–20 year.

OTHER MATTERS

Impact of new accounting standards

The Council assessed the impact of adopting AASB 1059 Service Concession Arrangements and determined that it did not have any arrangements in place that fell within the scope of the new Standard.

Legislative compliance

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

The Council's:

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



Karen Taylor
Delegate of the Auditor-General for New South Wales

Central Tablelands Water

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Central Tablelands Water

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Central Tablelands Water

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 13 October 2021



Cllr David Somervaille

Chairperson

13 October 2021



Cllr Kevin Walker

Deputy Chairperson

13 October 2021



Gavin Rhodes

General Manager

13 October 2021



Peter McFarlane

Responsible Accounting Officer

13 October 2021

Central Tablelands Water

Income Statement of water supply business activity

for the year ended 30 June 2021

| \$ '000 | 2021 | 2020 |
|--|----------------|---------------|
| Income from continuing operations | | |
| Access charges | 1,602 | 1,573 |
| User charges | 3,968 | 5,015 |
| Interest | 59 | 120 |
| Grants and contributions provided for non-capital purposes | 40 | 45 |
| Profit from the sale of assets | – | 40 |
| Other income | 57 | 49 |
| Rental income | 22 | 22 |
| Total income from continuing operations | 5,748 | 6,864 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 2,222 | 1,991 |
| Borrowing costs | 49 | 83 |
| Materials and services | 2,236 | 2,232 |
| Depreciation, amortisation and impairment | 2,622 | 2,803 |
| Loss on sale of assets | 187 | – |
| Other expenses | 14 | 20 |
| Total expenses from continuing operations | 7,330 | 7,129 |
| Surplus (deficit) from continuing operations before capital amounts | (1,582) | (265) |
| Grants and contributions provided for capital purposes | 1,756 | 856 |
| Surplus (deficit) from continuing operations after capital amounts | 174 | 591 |
| Surplus (deficit) from all operations before tax | 174 | 591 |
| Surplus (deficit) after tax | 174 | 591 |
| Plus accumulated surplus | 46,730 | 46,139 |
| Plus adjustments for amounts unpaid: | | |
| Closing accumulated surplus | 46,904 | 46,730 |
| Return on capital % | (1.9)% | (0.2)% |
| Subsidy from Council | 2,767 | 913 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 174 | 591 |
| Less: capital grants and contributions (excluding developer contributions) | (1,756) | (856) |
| Surplus for dividend calculation purposes | – | – |
| Potential dividend calculated from surplus | – | – |

Central Tablelands Water

Statement of Financial Position of water supply business activity

as at 30 June 2021

| \$ '000 | 2021 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 1,292 | 1,615 |
| Investments | 6,100 | 5,200 |
| Receivables | 743 | 830 |
| Inventories | 200 | 176 |
| Contract assets and contract cost assets | 160 | 93 |
| Other | 9 | 2 |
| Total current assets | 8,504 | 7,916 |
| Non-current assets | | |
| Receivables | 4 | 19 |
| Infrastructure, property, plant and equipment | 82,851 | 83,017 |
| Intangible assets | 72 | 63 |
| Total non-current assets | 82,927 | 83,099 |
| Total assets | 91,431 | 91,015 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 512 | 476 |
| Income received in advance | 26 | 11 |
| Contract liabilities | 75 | 73 |
| Borrowings | 413 | 532 |
| Employee benefit provisions | 936 | 852 |
| Total current liabilities | 1,962 | 1,944 |
| Non-current liabilities | | |
| Borrowings | – | 413 |
| Employee benefit provisions | 23 | 17 |
| Total non-current liabilities | 23 | 430 |
| Total liabilities | 1,985 | 2,374 |
| Net assets | 89,446 | 88,641 |
| EQUITY | | |
| Accumulated surplus | 46,904 | 46,730 |
| Revaluation reserves | 42,542 | 41,911 |
| Total equity | 89,446 | 88,641 |

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

Central Tablelands Water Supplies

Comprising the whole of the operations and net assets of the water supply systems servicing towns and villages within the Local Government Areas of Blayney, Cabonne, Cowra, Bland and Weddin.

Category 2

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

Council has no Category 2 Business Activities.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

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

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

Note – Significant Accounting Policies (continued)

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

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

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

Note – Significant Accounting Policies (continued)

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.

Central Tablelands Water does not pay dividends as funding is required for the large capital works program as outlined in its 30 Year Strategic Business Plan,



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Central Tablelands County Council

To the Councillors of the Central Tablelands County Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Karen Taylor

Delegate of the Auditor-General for New South Wales

15 October 2021

SYDNEY

Central Tablelands Water

SPECIAL SCHEDULES
for the year ended 30 June 2021

*"An independent Regional Water Authority providing a
quality water supply - Reliably and Sustainably"*



Central Tablelands Water

Special Schedules

for the year ended 30 June 2021

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Central Tablelands Water

Report on infrastructure assets as at 30 June 2021

| Asset Class | Asset Category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2020/21 Required maintenance ^a | 2020/21 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-----------------------------|--------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | 1 | 2 | 3 | 4 | 5 |
| Buildings | Buildings | 226 | 150 | 177 | 157 | 1,708 | 2,853 | 58.0% | 31.0% | 0.0% | 10.0% | 1.0% |
| | Sub-total | 226 | 150 | 177 | 157 | 1,708 | 2,853 | 58.0% | 31.0% | 0.0% | 10.0% | 1.0% |
| Water supply network | Filtration Plants | 1,952 | 1,215 | 608 | 599 | 9,109 | 15,813 | 51.0% | 33.0% | 1.0% | 7.0% | 8.0% |
| | Reticulation Mains | 3,967 | 906 | 398 | 489 | 16,872 | 29,455 | 51.0% | 31.0% | 12.0% | 6.0% | 0.0% |
| | Trunk Mains | 7,307 | — | 180 | 250 | 30,097 | 59,211 | 40.0% | 44.0% | 16.0% | 0.0% | 0.0% |
| | Bores | 41 | — | 35 | 40 | 112 | 334 | 43.0% | 41.0% | 16.0% | 0.0% | 0.0% |
| | Reservoirs | 2,001 | 508 | 77 | 112 | 5,424 | 13,956 | 5.0% | 76.0% | 12.0% | 7.0% | 0.0% |
| | Dams | 11,655 | 156 | 110 | 97 | 10,245 | 19,968 | 19.0% | 4.0% | 76.0% | 0.0% | 1.0% |
| | Pump Stations | 321 | 94 | 304 | 288 | 4,168 | 7,250 | 59.0% | 35.0% | 3.0% | 2.0% | 1.0% |
| | Telemetry | 141 | 5 | 67 | 75 | 186 | 493 | 17.0% | 45.0% | 36.0% | 2.0% | 0.0% |
| | Other | — | — | 6 | 5 | 97 | 103 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 27,385 | 2,884 | 1,785 | 1,955 | 76,310 | 146,583 | 38.1% | 37.3% | 20.8% | 2.7% | 1.0% |
| Total – all assets | | 27,611 | 3,034 | 1,962 | 2,112 | 78,018 | 149,436 | 38.5% | 37.2% | 20.4% | 2.9% | 1.0% |

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

Infrastructure asset condition assessment 'key'

| | | |
|---|----------------------------|---------------------------------------|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Satisfactory | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal/upgrading required |

Central Tablelands Water

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2021 | Indicator 2021 | Indicators 2020 2019 | | Benchmark |
|--|-----------------|-------------------|------------------------------|---------|------------|
| Buildings and infrastructure renewals ratio | | | | | |
| Asset renewals ¹ | 470 | 19.52% | 42.33% | 192.40% | >= 100.00% |
| Depreciation, amortisation and impairment | 2,408 | | | | |
| Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 27,611 | 34.55% | 28.56% | 30.44% | < 2.00% |
| Net carrying amount of infrastructure assets | 79,913 | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 2,112 | 107.65% | 99.39% | 99.40% | > 100.00% |
| Required asset maintenance | 1,962 | | | | |
| Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 3,034 | 2.03% | 1.46% | 1.42% | |
| Gross replacement cost | 149,436 | | | | |

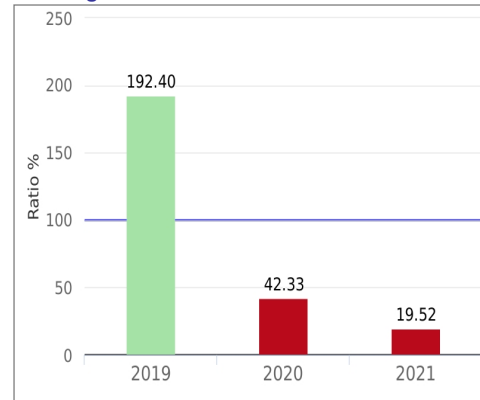
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Central Tablelands Water

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 19.52%

This ratio can fluctuate significantly from year to year. During 2019 major renewal works were completed on the trunk main between Gooloogong and Grenfell (Trunk Main K). If the ratio was calculated on a rolling average basis over the past 4 years, the result would be a much more favourable ratio. A single year is too short a time frame to develop a meaningful result using this ratio.

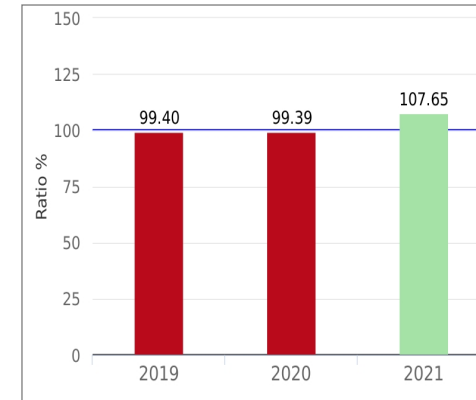
Benchmark: — $\geq 100.00\%$

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 107.65%

This ratio indicates that Council is spending sufficient on asset maintenance.

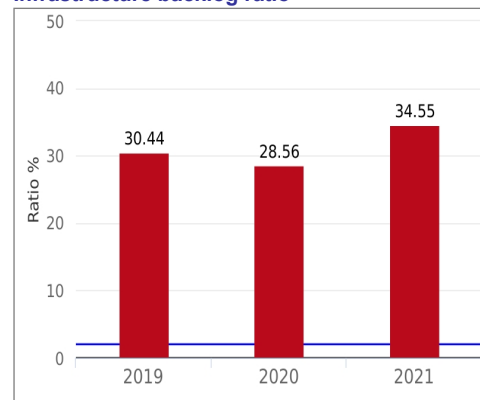
Benchmark: — $> 100.00\%$

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 34.55%

This ratio is consistent with past years. The ratio increased in 2021 due to the reduction of the gross carrying amount of water supply network assets due to the write off of major trunk main that was replaced. (Trunk Main K). Council has a major renewal program for water infrastructure assets in its capital works program.

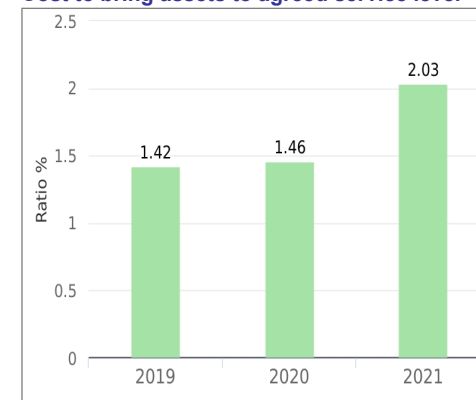
Benchmark: — $< 2.00\%$

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 2.03%