

# Balranald Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Balranald Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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## Balranald Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2021

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#### Overview

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

70 Market Street  
Balranald NSW 2715

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.balranald.nsw.gov.au](http://www.balranald.nsw.gov.au).

## Balranald Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

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#### 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.



**Balranald Shire Council****Special Purpose Financial Statements**

for the year ended 30 June 2021

**Statement by Administrator 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 19 October 2021.

  
\_\_\_\_\_  
Michael Colreavy  
Administrator  
09 December 2021  
\_\_\_\_\_  
Glenn Wilcox  
General Manager  
09 December 2021  
\_\_\_\_\_  
Hodi Beauliv  
Director Corporate & Community Services  
09 December 2021

Balranald Shire Council | Income Statement | For the year ended 30 June 2021

**Balranald Shire Council****Income Statement**

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
<b>Income from continuing operations</b>				
4,274	Rates and annual charges	B2-1	4,129	3,875
2,231	User charges and fees	B2-2	1,980	2,297
380	Other revenue	B2-3	339	234
7,585	Grants and contributions provided for operating purposes	B2-4	8,791	8,080
9,384	Grants and contributions provided for capital purposes	B2-4	3,685	4,057
121	Interest and investment income	B2-5	74	153
-	Other income	B2-6	115	114
(53)	Net gains from the disposal of assets	B4-1	-	6
23,922	<b>Total income from continuing operations</b>		<b>19,113</b>	<b>18,816</b>
<b>Expenses from continuing operations</b>				
6,512	Employee benefits and on-costs	B3-1	5,777	5,020
1,928	Materials and services	B3-2	2,814	4,437
126	Borrowing costs	B3-3	125	143
5,208	Depreciation, amortisation and impairment for non-financial assets	B3-4	5,214	5,234
2,258	Other expenses	B3-5	518	310
-	Net share of interests in joint ventures and associates using the equity method	02	227	102
16,032	<b>Total expenses from continuing operations</b>		<b>14,675</b>	<b>15,246</b>
7,890	<b>Operating result from continuing operations</b>		<b>4,438</b>	<b>3,570</b>
7,890	<b>Net operating result for the year attributable to Council</b>		<b>4,438</b>	<b>3,570</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
(1,494)			753	(487)

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

Balranald Shire Council | Statement of Comprehensive Income | For the year ended 30 June 2021

**Balranald Shire Council****Statement of Comprehensive Income**

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
<b>Net operating result for the year – from Income Statement</b>		<b>4,438</b>	<b>3,570</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	175	(648)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>175</b>	<b>(648)</b>
<b>Total other comprehensive income for the year</b>		<b>175</b>	<b>(648)</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>4,613</b>	<b>2,922</b>

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

Balranald Shire Council | Statement of Financial Position | For the year ended 30 June 2021

**Balranald Shire Council****Statement of Financial Position**

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	7,292	6,534
Investments	C1-2	10,750	5,250
Receivables	C1-4	2,290	2,367
Inventories	C1-5	240	195
Other	C1-9	14	11
<b>Total current assets</b>		<b>20,586</b>	<b>14,357</b>
<b>Non-current assets</b>			
Receivables	C1-4	64	126
Infrastructure, property, plant and equipment	C1-7	146,933	145,247
Intangible Assets	C1-8	350	375
Investments accounted for using the equity method	D2-1	1,132	1,359
<b>Total non-current assets</b>		<b>148,479</b>	<b>147,107</b>
<b>Total assets</b>		<b>169,065</b>	<b>161,464</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	3,660	3,066
Contract liabilities	C3-2	3,067	375
Borrowings	C3-3	182	248
Employee benefit provisions	C3-4	804	743
<b>Total current liabilities</b>		<b>7,613</b>	<b>4,432</b>
<b>Non-current liabilities</b>			
Payables	C3-1	-	3
Borrowings	C3-3	1,854	2,045
Employee benefit provisions	C3-4	119	118
Provisions	C3-5	170	170
<b>Total non-current liabilities</b>		<b>2,143</b>	<b>2,336</b>
<b>Total liabilities</b>		<b>9,756</b>	<b>6,768</b>
<b>Net assets</b>		<b>159,309</b>	<b>154,696</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	58,879	54,441
IPPE revaluation reserve	C4-1	100,430	100,255
<b>Council equity interest</b>		<b>159,309</b>	<b>154,696</b>
<b>Total equity</b>		<b>159,309</b>	<b>154,696</b>

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

Balranald Shire Council | Statement of Changes in Equity | For the year ended 30 June 2021

## Balranald Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2021

	as at 30/06/21			as at 30/06/20		
	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July	54,441	100,255	154,696	51,531	100,903	152,434
Changes due to AASB 1058 and AASB 15 adoption	—	—	—	(660)	—	(660)
<b>Restated opening balance</b>	<b>54,441</b>	<b>100,255</b>	<b>154,696</b>	<b>50,871</b>	<b>100,903</b>	<b>151,774</b>
Net operating result for the year	4,438	—	4,438	3,570	—	3,570
<b>Net operating result for the period</b>	<b>4,438</b>	<b>—</b>	<b>4,438</b>	<b>3,570</b>	<b>—</b>	<b>3,570</b>
<b>Other comprehensive income</b>						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	—	175	175	—	(648)	(648)
<b>Other comprehensive income</b>	<b>—</b>	<b>175</b>	<b>175</b>	<b>—</b>	<b>(648)</b>	<b>(648)</b>
<b>Total comprehensive income</b>	<b>4,438</b>	<b>175</b>	<b>4,613</b>	<b>3,570</b>	<b>(648)</b>	<b>2,922</b>
<b>Closing balance at 30 June</b>	<b>58,879</b>	<b>100,430</b>	<b>159,309</b>	<b>54,441</b>	<b>100,255</b>	<b>154,696</b>

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

Balranald Shire Council | Statement of Cash Flows | For the year ended 30 June 2021

## Balranald Shire Council

## Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
4,060	Rates and annual charges		4,258	3,842
2,119	User charges and fees		1,981	2,374
121	Investment and interest revenue received		85	148
16,795	Grants and contributions		15,233	12,268
-	Bonds, deposits and retention amounts received		480	1,381
380	Other		1,164	1,349
<b>Payments:</b>				
(6,199)	Employee benefits and on-costs		(5,800)	(5,087)
(2,042)	Materials and services		(3,318)	(3,392)
(126)	Borrowing costs		(126)	(144)
-	Bonds, deposits and retention amounts refunded		(336)	-
(2,106)	Other		(720)	(2,299)
13,002	<b>Net cash flows from operating activities</b>	G1-1	<b>12,901</b>	<b>10,440</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
-	Sale of investment securities		9,000	7,000
47	Sale of infrastructure, property, plant and equipment		-	40
<b>Payments:</b>				
-	Purchase of investment securities		(14,500)	(7,750)
(14,983)	Purchase of infrastructure, property, plant and equipment		(6,386)	(8,277)
(14,936)	<b>Net cash flows from investing activities</b>		<b>(11,886)</b>	<b>(8,987)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,000	Proceeds from borrowings		-	-
<b>Payments:</b>				
(258)	Repayment of borrowings		(257)	(265)
742	<b>Net cash flows from financing activities</b>		<b>(257)</b>	<b>(265)</b>
(1,192)	<b>Net change in cash and cash equivalents</b>		<b>758</b>	<b>1,188</b>
9,015	Cash and cash equivalents at beginning of year		6,534	5,346
7,823	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>7,292</b>	<b>6,534</b>
-	plus: Investments on hand at end of year	C1-2	10,750	5,250
7,823	<b>Total cash, cash equivalents and investments</b>		<b>18,042</b>	<b>11,784</b>

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

## Balranald Shire Council

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## Balranald Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 19 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 consolidated financial statements are set out below.

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

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

Council is a not-for-profit entity.

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

#### Historical cost convention

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

#### Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4

continued on next page ...

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## A1-1 Basis of preparation (continued)

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

#### (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

### Monies and other assets received by Council

#### The Consolidated Fund

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

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

- General purpose operations
- Balranald water supply
- Euston water supply
- Balranald sewerage service
- Euston sewerage service

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Council has not recognised volunteer services in the income statement as they are neither material nor able to be reliably measured.

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

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

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

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

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

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

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

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

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

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

continued on next page ...

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## A1-1 Basis of preparation (continued)

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

This Standard amends a number of standards as follows:

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

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

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

Apart from the standards listed above there are no other released standards and interpretations (with future effective dates) that are expected to have a material impact on Council.

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

### New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

There has been no material impact on Council's financial statements resulting from the adoption of these new accounting standards.

Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

**B Financial Performance****B1 Functions or activities****B1-1 Functions or activities – income, expenses and assets**

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
<b>Functions or activities</b>										
Governance	288	133	387	851	(99)	(718)	–	113	403	118
Administration	272	1,340	4,961	1,713	(4,689)	(373)	–	27	14,994	14,391
Public order and safety	231	173	506	389	(275)	(216)	225	168	562	567
Health	9	13	62	107	(53)	(94)	–	–	105	115
Environment	416	488	342	650	74	(162)	27	92	4,883	7,505
Community services and education	1,542	1,186	1,368	1,331	174	(145)	1,296	824	1,957	1,864
Housing and community amenities	228	104	618	461	(390)	(357)	215	–	6,044	5,923
Water supplies	1,491	1,691	751	956	740	735	77	–	13,161	12,427
Sewerage services	643	707	369	407	274	300	–	–	10,602	9,290
Recreation and culture	291	1,244	1,021	1,175	(730)	69	605	2,374	10,861	11,666
Mining, manufacturing and construction	5	12	64	70	(59)	(58)	–	–	25	259
Transport and communication	6,090	4,293	3,265	5,907	2,825	(1,614)	5,692	4,176	104,427	96,240
Economic affairs	599	759	961	1,229	(362)	(470)	–	–	1,041	1,099
General Purpose Income	7,008	6,673	–	–	7,008	6,673	4,429	4,363	–	–
<b>Total functions and activities</b>	<b>19,113</b>	<b>18,816</b>	<b>14,675</b>	<b>15,246</b>	<b>4,438</b>	<b>3,570</b>	<b>12,476</b>	<b>12,137</b>	<b>169,065</b>	<b>161,464</b>

## B1-2 Components of functions or activities

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

### 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.

### Administration

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

### Public order and safety

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

### Health

Includes immunisation, food control, health centres etc.

### Environment

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

### Community services and education

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

### Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

### Water supplies

### Sewerage services

### Recreation and culture

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

### Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

### Transport and communication

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

### Economic affairs

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

### General Purpose Income

This includes financial assistance grant funding which has no specific function allocation and is expended in areas of council.

**B2 Sources of income****B2-1 Rates and annual charges**

	2021 \$ '000	2020 \$ '000
<b>Ordinary rates</b>		
Residential	342	372
Farmland	1,280	1,075
Business	936	766
Less: pensioner rebates (mandatory)	(19)	(19)
<b>Rates levied to ratepayers</b>	<b>2,539</b>	<b>2,194</b>
Pensioner rate subsidies received	10	10
<b>Total ordinary rates</b>	<b>2,549</b>	<b>2,204</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	306	301
Water supply services	676	714
Sewerage services	539	586
Waste management services (non-domestic)	58	69
Stormwater Charges	19	19
Less: pensioner rebates (mandatory)	(39)	(40)
<b>Annual charges levied</b>	<b>1,559</b>	<b>1,649</b>
Pensioner subsidies received:		
– Water	6	7
– Sewerage	6	6
– Domestic waste management	9	9
<b>Total annual charges</b>	<b>1,580</b>	<b>1,671</b>
<b>Total rates and annual charges</b>	<b>4,129</b>	<b>3,875</b>

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

**Accounting policy**

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

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

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



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**B2-2 User charges and fees**

	Timing	2021 \$ '000	2020 \$ '000
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Sewerage services	2	77	72
Sewerage services contract aboriginal mission	2	24	32
Water service contract aboriginal mission	2	49	64
Water supply services	2	644	735
<b>Total specific user charges</b>		<b>794</b>	<b>903</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Private works – section 67	2	58	191
Registration fees	2	1	–
Section 603 certificates	2	6	–
Town planning	2	56	52
Building services	2	30	17
<b>Total fees and charges – statutory/regulatory</b>		<b>151</b>	<b>260</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care	2	371	389
Caravan park	2	438	506
Cemeteries	2	29	24
Refuse and effluent disposal		2	–
Transport for NSW works (state roads not controlled by Council)	2	160	149
Tourism	2	–	14
Waste disposal tipping fees	2	3	7
Water connection fees	2	7	2
Other	2	25	43
<b>Total fees and charges – other</b>		<b>1,035</b>	<b>1,134</b>
<b>Total user charges and fees</b>		<b>1,980</b>	<b>2,297</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		1,980	2,297
<b>Total user charges and fees</b>		<b>1,980</b>	<b>2,297</b>

**Accounting policy**

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

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

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

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

**B2-3 Other revenue**

	Timing	2021 \$ '000	2020 \$ '000
Commissions and agency fees	2	79	91
Diesel rebate	1	39	20
Insurance claims recoveries	1	—	3
Motor vehicle contributions	2	32	4
Raw water standpipe sales	2	32	30
Rebates	2	34	27
Sales – miscellaneous	2	4	1
Tourist information centre sales	2	75	36
Other	2	44	22
<b>Total other revenue</b>		<b>339</b>	<b>234</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time (1)	40	23
Other revenue recognised at a point in time (2)	299	188
<b>Total other revenue</b>	<b>339</b>	<b>211</b>

**Accounting policy for other revenue**

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

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

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



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**B2-4 Grants and contributions**

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	1	2,138	2,118	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance	1	2,291	2,245	–	–
<b>Amount recognised as income during current year</b>		<b>4,429</b>	<b>4,363</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
<b>Pensioners' rates subsidies:</b>					
Water supplies	2	–	–	77	–
Aged care	2	943	818	261	–
Bushfire and emergency services	1	225	149	–	19
Community care	2	–	–	–	4
Environmental programs	2	–	66	–	–
Library – per capita	1	48	64	–	–
Library – special projects	2	–	–	13	–
Noxious weeds	1	27	26	–	–
Recreation and culture	2	–	9	545	2,374
Crown Land Management	2	–	–	88	110
Youth week	1	2	2	–	–
Street lighting	1	40	–	–	–
Transport (roads to recovery)	1	1,249	1,249	–	–
Transport (other roads and bridges funding)	2	600	–	2,021	1,550
Other specific grants	1	38	27	24	–
<b>Previously contributions:</b>					
Community services	1	25	–	–	–
Transport for NSW contributions (regional roads, block grant)	1	1,165	1,296	656	–
Other contributions	1	–	11	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>4,362</b>	<b>3,717</b>	<b>3,685</b>	<b>4,057</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>4,362</b>	<b>3,717</b>	<b>3,685</b>	<b>4,057</b>
<b>Total grants and non-developer contributions</b>		<b>8,791</b>	<b>8,080</b>	<b>3,685</b>	<b>4,057</b>
<b>Comprising:</b>					
– Commonwealth funding		6,632	6,430	1,914	114
– State funding		2,107	343	1,683	3,830
– Other funding		52	1,307	88	113
		<b>8,791</b>	<b>8,080</b>	<b>3,685</b>	<b>4,057</b>

continued on next page ...

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## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	255	220	375	1,142
<b>Add:</b> Funds received and not recognised as revenue in the current year	8,215	97	6,954	375
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(8,113)	(62)	(3,697)	(1,142)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	–	–	(373)	–
<b>Unspent funds at 30 June</b>	<b>357</b>	<b>255</b>	<b>3,259</b>	<b>375</b>

### Accounting policy

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

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

The performance obligations vary according to the agreement but include achievement of specified levels of service, delivery of specific goods or services, or the completion of agreed asset development. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### Other grants and contributions

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

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

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**B2-5 Interest and investment income**

	2021 \$ '000	2020 \$ '000
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	12	19
– Cash and investments	62	134
<b>Total interest and investment income (losses)</b>	<b>74</b>	<b>153</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	5	7
General Council cash and investments	50	99
<b>Restricted investments/funds – external:</b>		
Water fund operations	13	32
Sewerage fund operations	6	15
<b>Total interest and investment income</b>	<b>74</b>	<b>153</b>

**Accounting policy**

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

**B2-6 Other income**

	Notes	2021 \$ '000	2020 \$ '000
<b>Rental income</b>			
<b>Other lease income</b>			
Commercial related		45	36
Health and day care related		1	13
Staff housing		69	56
Other		–	9
<b>Total Other lease income</b>		<b>115</b>	<b>114</b>
<b>Total rental income</b>	C2-2	<b>115</b>	<b>114</b>
<b>Total other income</b>		<b>115</b>	<b>114</b>

**B3 Costs of providing services****B3-1 Employee benefits and on-costs**

	2021 \$ '000	2020 \$ '000
Salaries and wages	4,742	4,361
Employee leave entitlements (ELE)	364	399
Superannuation – defined contribution plans	401	378
Superannuation – defined benefit plans	65	58
Workers' compensation insurance	113	123
Fringe benefit tax (FBT)	48	47
Protective clothing	69	15
Medicals	8	10
Recruitment	34	7
Other	2	5
<b>Total employee costs</b>	<b>5,846</b>	<b>5,403</b>
Less: capitalised costs	(69)	(383)
<b>Total employee costs expensed</b>	<b>5,777</b>	<b>5,020</b>
Number of 'full-time equivalent' employees (FTE) at year end	48	48
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	60	60

**Accounting policy**

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

**B3-2 Materials and services**

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		939	2,240
Contractor and consultancy costs		77	481
– Caravan park management		126	195
– Waste		194	125
Audit Fees	F2-1	61	55
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	156	91
Advertising		46	46
Bank charges		15	14
Cleaning		10	5
Computer software charges		2	6
Electricity and heating		210	256
Insurance		343	326
Office expenses (including computer expenses)		105	97
Postage		12	13
Printing and stationery		16	22
Street lighting		47	74
Subscriptions and publications		23	22
Telephone and communications		40	41
Tourism expenses (excluding employee costs)		114	66
Valuation fees		68	11
Travel expenses		41	6
Memberships		–	41
Training costs (other than salaries and wages)		49	83
Other expenses		70	35
<b>Legal expenses:</b>			
– Legal expenses: other		6	66
<b>Lease expenses:</b>			
Expenses from leases of low value assets		10	9
Other		34	11
<b>Total materials and services</b>		<b>2,814</b>	<b>4,437</b>
<b>Total materials and services</b>		<b>2,814</b>	<b>4,437</b>

**Accounting policy**

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

**B3-3 Borrowing costs**

	2021 \$ '000	2020 \$ '000
<b>(i) Interest bearing liability costs</b>		
Interest on loans	125	143
<b>Total interest bearing liability costs</b>	<b>125</b>	<b>143</b>
<b>Total interest bearing liability costs expensed</b>	<b>125</b>	<b>143</b>
<b>Total borrowing costs expensed</b>	<b>125</b>	<b>143</b>

**Accounting policy**

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

Bairnsdale Shire Council | Notes to the Financial Statements 30 June 2021

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

	Notes	2021 \$ '000	2020 \$ '000
<b>Depreciation and amortisation</b>			
Furniture and fittings		21	14
Office equipment		26	27
Plant and equipment		379	379
<b>Infrastructure:</b>	C1-7		
– Buildings – non-specialised		556	550
– Buildings – specialised		8	8
– Footpaths		32	32
– Kerb and gutter		63	63
– Other structures		285	208
– Roads and bridges		3,265	3,357
– Sewerage network		157	175
– Stormwater drainage		56	59
– Swimming pools		34	23
– Water supply network		263	271
<b>Other assets:</b>			
– Other		44	43
Intangible assets	C1-8	25	25
<b>Total gross depreciation and amortisation costs</b>		<b>5,214</b>	<b>5,234</b>
<b>Total depreciation and amortisation costs</b>		<b>5,214</b>	<b>5,234</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>5,214</b>	<b>5,234</b>

**Accounting policy****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE assets and Note C1-8 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

**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.

Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

**B3-5 Other expenses**

	Notes	2021 \$ '000	2020 \$ '000
<b>Impairment of receivables</b>			
User charges and fees		13	–
Other		60	1
<b>Total impairment of receivables</b>	C1-4	<b>73</b>	<b>1</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		420	280
Donations, contributions and assistance to other organisations (Section 356)		25	29
<b>Total other</b>		<b>445</b>	<b>309</b>
<b>Total other expenses</b>		<b>518</b>	<b>310</b>

**Accounting policy**

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

Impairment expenses are recognised when identified.

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

	Notes	2021 \$ '000	2020 \$ '000
<b>Gain (or loss) on disposal of plant and equipment</b>	C1-7		
Proceeds from disposal – plant and equipment		–	40
Less: carrying amount of plant and equipment assets sold/written off		–	(34)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>6</b>
<b>Gain (or loss) on disposal of investments</b>	C1-2		
Proceeds from disposal/redemptions/maturities – investments		9,000	7,000
Less: carrying amount of investments sold/redeemed/matured		(9,000)	(7,000)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>–</b>	<b>6</b>

**Accounting policy**

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



## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 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 -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>4,274</b>	<b>4,129</b>	<b>(145)</b>	<b>(3)% U</b>
Rates and Charges disclosed in the financials are net of internal eliminations, the original budget amount includes gross charges on Council owned properties.				
<b>User charges and fees</b>	<b>2,231</b>	<b>1,980</b>	<b>(251)</b>	<b>(11)% U</b>
User Charges disclosed in the financials are net of internal eliminations, the original budget amount includes gross charges on Council owned properties.				
<b>Other revenues</b>	<b>380</b>	<b>339</b>	<b>(41)</b>	<b>(11)% U</b>
Income for the year did not reach budget amount.				
<b>Operating grants and contributions</b>	<b>7,585</b>	<b>8,791</b>	<b>1,206</b>	<b>16% F</b>
Council received additional operational funding for transport and other services during the year.				
<b>Capital grants and contributions</b>	<b>9,384</b>	<b>3,685</b>	<b>(5,699)</b>	<b>(61)% U</b>
The amount of capital grants taken to income was reduced due to staging of works into the next financial year.				
<b>Interest and investment revenue</b>	<b>121</b>	<b>74</b>	<b>(47)</b>	<b>(39)% U</b>
The reduction in interest revenue reflects the 6 month interest holiday mandated by the State Government due to COVID-19 impacts.				
<b>Net gains from disposal of assets</b>	<b>(53)</b>	<b>-</b>	<b>53</b>	<b>(100)% F</b>
<b>Other income</b>	<b>-</b>	<b>115</b>	<b>115</b>	<b>= F</b>
Variance due to change in structure of financial reports after revision of the NSW Code of Accounting Practice implemented for 2021 reporting year.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>6,512</b>	<b>5,777</b>	<b>735</b>	<b>11% F</b>
Employee costs reduced due to transition of staff and recruitment lag for replacement staff.				
<b>Materials and services</b>	<b>1,928</b>	<b>2,814</b>	<b>(886)</b>	<b>(46)% U</b>
Increased expenditure on materials due to increased operating grants.				
<b>Borrowing costs</b>	<b>126</b>	<b>125</b>	<b>1</b>	<b>1% F</b>
<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>5,208</b>	<b>5,214</b>	<b>(6)</b>	<b>0% U</b>

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Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>Other expenses</b>	<b>2,258</b>	<b>518</b>	<b>1,740</b>	<b>77% F</b>
Original budget amounts reallocated in quarterly budget reviews to alternate categories.				
<b>Joint ventures and associates – net losses</b>	<b>–</b>	<b>227</b>	<b>(227)</b>	<b>= U</b>
Far West Joint Organisation operating result not incorporated in Council's budget.				

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>13,002</b>	<b>12,901</b>	<b>(101)</b>	<b>(1)% U</b>
<b>Cash flows from investing activities</b>	<b>(14,936)</b>	<b>(11,886)</b>	<b>3,050</b>	<b>(20)% F</b>
Council benefited from the receipt of additional grant funds during the year which increased available investment opportunities.				
<b>Cash flows from financing activities</b>	<b>742</b>	<b>(257)</b>	<b>(999)</b>	<b>(135)% U</b>
New loan funds provided in Council's original budget were not taken up during the year.				

**C Financial position****C1 Assets we manage****C1-1 Cash and cash equivalents**

	2021 \$ '000	2020 \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	4,414	3,911
Cash-equivalent assets		
– Deposits at call	1,878	1,873
– Short-term deposits	1,000	750
<b>Total cash and cash equivalents</b>	<b>7,292</b>	<b>6,534</b>

**Reconciliation of cash and cash equivalents**

Total cash and cash equivalents per Statement of Financial Position	7,292	6,534
<b>Balance as per the Statement of Cash Flows</b>	<b>7,292</b>	<b>6,534</b>

**Accounting policy**

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

**C1-2 Financial investments**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Debt securities at amortised cost</b>				
Long term deposits	10,750	–	5,250	–
<b>Total</b>	<b>10,750</b>	<b>–</b>	<b>5,250</b>	<b>–</b>
<b>Total financial investments</b>	<b>10,750</b>	<b>–</b>	<b>5,250</b>	<b>–</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>18,042</b>	<b>–</b>	<b>11,784</b>	<b>–</b>

**Accounting policy**

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

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## C1-2 Financial investments (continued)

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### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. 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.

Bairnsdale Shire Council | Notes to the Financial Statements 30 June 2021

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	18,042	–	11,784	–
attributable to:				
External restrictions	7,458	–	3,885	–
Internal restrictions	6,287	–	6,446	–
Unrestricted	4,297	–	1,453	–
	18,042	–	11,784	–

	2021 \$ '000	2020 \$ '000
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**Details of restrictions****External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund	3,061	375
Specific purpose unexpended grants – water fund	6	–
<b>External restrictions – included in liabilities</b>	<b>3,067</b>	<b>375</b>

**External restrictions – other**

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

Specific purpose unexpended grants (recognised as revenue) – general fund	549	255
Water fund	2,198	1,917
Sewer fund	1,028	919
Domestic waste management	616	419
<b>External restrictions – other</b>	<b>4,391</b>	<b>3,510</b>

**Total external restrictions**

	<b>7,458</b>	<b>3,885</b>
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**Internal restrictions**

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

Plant and vehicle replacement	366	463
Infrastructure replacement	214	214
Employees leave entitlement	269	269
Deposits, retentions and bonds	130	128
Caravan park reserve	139	133
Euston cemetery	15	15
Gravel pits rehabilitation	234	234
Hostel bonds	1,743	1,557
Hostel Other	33	–
Self Care Unit Bonds	140	140
Health reserve	6	6
Lake Benanee capital improvements	1	1
Other assets replacement	286	286
Town clock	3	3
Financial Assistance Funds	2,291	2,245
Future Development Fund	415	750
Berrett Park Revitalisation	2	2
<b>Total internal restrictions</b>	<b>6,287</b>	<b>6,446</b>

**Total restrictions**

	<b>13,745</b>	<b>10,331</b>
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

**C1-4 Receivables**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Purpose</b>				
Rates and annual charges	166	39	190	86
Interest and extra charges	16	6	19	2
User charges and fees	377	19	354	38
Accrued revenues				
– Interest on investments	19	–	24	–
– Other income accruals	64	–	27	–
Government grants and subsidies	1,652	–	1,592	–
Net GST receivable	91	–	183	–
Other debtors	2	–	4	–
<b>Total</b>	<b>2,387</b>	<b>64</b>	<b>2,393</b>	<b>126</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(59)	–	(21)	–
Other debtors	(38)	–	(5)	–
<b>Total provision for impairment – receivables</b>	<b>(97)</b>	<b>–</b>	<b>(26)</b>	<b>–</b>
<b>Total net receivables</b>	<b>2,290</b>	<b>64</b>	<b>2,367</b>	<b>126</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	52	–	39	27
– Other	260	19	154	37
<b>Sewerage services</b>				
– Rates and availability charges	40	–	29	18
– Other	26	–	10	–
<b>Total external restrictions</b>	<b>378</b>	<b>19</b>	<b>232</b>	<b>82</b>
<b>Unrestricted receivables</b>	<b>1,912</b>	<b>45</b>	<b>2,135</b>	<b>44</b>
<b>Total net receivables</b>	<b>2,290</b>	<b>64</b>	<b>2,367</b>	<b>126</b>

**Movement in provision for impairment of receivables**

	2021 \$ '000	2020 \$ '000
Balance at the beginning of the year (calculated in accordance with AASB 139)	26	26
Add: new provisions recognised during the year	71	–
<b>Balance at the end of the year</b>	<b>97</b>	<b>26</b>

**Accounting policy**

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

**Impairment**

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

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

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## C1-4 Receivables (continued)

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 6 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

Bairanald Shire Council | Notes to the Financial Statements 30 June 2021

**C1-5 Inventories**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Inventories at cost</b>				
Stores and materials	216	–	171	–
Trading stock	24	–	24	–
<b>Total inventories at cost</b>	<b>240</b>	<b>–</b>	<b>195</b>	<b>–</b>
<b>Total inventories</b>	<b>240</b>	<b>–</b>	<b>195</b>	<b>–</b>

**Accounting policy****Raw materials and stores, work in progress and finished goods**

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



## C1-6 Non-current assets classified as held for sale

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Council did not classify any non-current assets and disposal group assets.

Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

## 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 \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	356	–	356	1,030	2,425	–	(105)	–	3,706	–	3,706
Plant and equipment	5,897	(3,564)	2,333	102	6	(379)	–	–	6,005	(3,943)	2,062
Office equipment	503	(394)	109	3	24	(26)	–	–	530	(420)	110
Furniture and fittings	330	(199)	131	–	–	(21)	–	–	330	(220)	110
<b>Land:</b>											
– Operational land	3,514	–	3,514	–	–	–	–	–	3,514	–	3,514
– Community land	2,214	–	2,214	–	–	–	–	–	2,214	–	2,214
Land improvements – non-depreciable	798	–	798	–	–	–	–	–	798	–	798
Land improvements – depreciable	311	(168)	143	–	–	–	–	–	311	(168)	143
<b>Infrastructure:</b>											
– Roads and bridges	125,287	(49,872)	75,415	1,093	606	(3,265)	5	–	126,991	(53,138)	73,853
– Other structures	23,293	(12,991)	10,302	16	270	(285)	–	–	23,579	(13,276)	10,303
– Swimming pools	1,982	(630)	1,352	–	–	(34)	–	–	1,982	(664)	1,318
– Sewerage network	13,404	(4,456)	8,948	303	–	(157)	–	84	13,833	(4,655)	9,178
– Water supply network	16,821	(6,995)	9,826	117	77	(263)	100	91	17,272	(7,325)	9,947
– Buildings – specialised	938	(318)	620	–	–	(8)	–	–	938	(326)	612
– Stormwater drainage	4,747	(1,166)	3,581	–	–	(56)	–	–	4,747	(1,222)	3,525
– Kerb and gutter	5,073	(1,378)	3,695	–	–	(63)	–	–	5,073	(1,441)	3,632
– Footpaths	1,752	(819)	933	–	134	(32)	–	–	1,886	(851)	1,035
– Buildings – non-specialised	34,240	(13,875)	20,365	119	372	(556)	–	–	34,731	(14,431)	20,300
<b>Other assets:</b>											
– Library books	183	(163)	20	–	5	–	–	–	188	(163)	25
– Other	796	(204)	592	–	–	(44)	–	–	796	(248)	548
<b>Total infrastructure, property, plant and equipment</b>	<b>242,439</b>	<b>(97,192)</b>	<b>145,247</b>	<b>2,783</b>	<b>3,919</b>	<b>(5,189)</b>	<b>–</b>	<b>175</b>	<b>249,424</b>	<b>(102,491)</b>	<b>146,933</b>

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

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Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals <sup>(1)</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	184	–	184	11	332	–	–	(171)	–	–	356	–	356
Plant and equipment	5,440	(3,193)	2,247	213	286	(34)	(379)	–	–	–	5,897	(3,564)	2,333
Office equipment	465	(367)	98	35	3	–	(27)	–	–	–	503	(394)	109
Furniture and fittings	284	(185)	99	19	27	–	(14)	–	–	–	330	(199)	131
Land:													
– Operational land	3,410	–	3,410	–	–	–	–	–	104	–	3,514	–	3,514
– Community land	4,056	–	4,056	–	–	–	–	–	(105)	(1,737)	2,214	–	2,214
Land improvements – non-depreciable	680	–	680	118	–	–	–	–	–	–	798	–	798
Land improvements – depreciable	280	(168)	112	31	–	–	–	–	–	–	311	(168)	143
Infrastructure:													
– Buildings – non-specialised	33,977	(12,772)	21,205	281	–	–	(550)	2	(573)	–	34,240	(13,875)	20,365
– Buildings – specialised	894	(309)	585	–	19	–	(8)	25	–	–	938	(318)	620
– Other structures	15,579	(8,820)	6,759	2,070	60	–	(208)	140	764	717	23,293	(12,991)	10,302
– Roads	122,290	(46,502)	75,788	2,648	440	–	(3,357)	–	(104)	–	125,287	(49,872)	75,415
– Footpaths	1,751	(788)	963	–	–	–	(32)	–	–	–	1,752	(819)	933
– Stormwater drainage	4,759	(1,109)	3,650	–	–	–	(59)	–	(10)	–	4,747	(1,166)	3,581
– Water supply network	16,209	(6,662)	9,547	458	–	–	(271)	1	–	91	16,821	(6,995)	9,826
– Sewerage network	12,960	(4,240)	8,720	369	–	–	(175)	–	(49)	83	13,404	(4,456)	8,948
– Swimming pools	1,755	(585)	1,170	224	–	–	(23)	3	(27)	5	1,982	(630)	1,352
– Kerb and gutter	5,073	(1,316)	3,757	–	–	–	(63)	–	–	–	5,073	(1,378)	3,695
Other assets:													
– Library books	179	(163)	16	4	–	–	–	–	–	–	183	(163)	20
– Other	652	(210)	442	–	–	–	(43)	–	–	993	796	(204)	592
<b>Total infrastructure, property, plant and equipment</b>	<b>230,877</b>	<b>(87,387)</b>	<b>143,490</b>	<b>6,481</b>	<b>1,167</b>	<b>(34)</b>	<b>(5,209)</b>	<b>–</b>	<b>–</b>	<b>(648)</b>	<b>242,439</b>	<b>(97,192)</b>	<b>145,247</b>

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

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

### Accounting policy

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

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	20 to 100	Drains	70 to 100
Bores	10 to 50	Culverts	50 to 80
Reticulation pipes: PVC	50 to 80	Flood control structures	20 to 80
Reticulation pipes: other	25 to 50		
Pumps and telemetry	8 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	15	Bulk earthworks	Indefinite
Sealed roads: structure	35 to 150	Swimming pools	25 to 140
Unsealed roads	90 to 150	Other open space/recreational assets	20
Bridge: concrete	80 to 120	Other infrastructure	20
Bridge: other	80 to 120		
Road pavements	35 to 130		
Kerb, gutter and footpaths	40		

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

### Land under roads

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

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

### Crown reserves

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

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

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

**Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land and buildings but will not recognise plant and vehicles.

**Externally restricted infrastructure, property, plant and equipment**

	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Water supply</b>						
WIP	392	—	392	126	—	126
Plant and equipment	315	63	252	314	48	266
Land						
– Operational land	34	—	34	34	—	34
Infrastructure	17,272	7,324	9,948	16,821	6,995	9,826
<b>Total water supply</b>	<b>18,013</b>	<b>7,387</b>	<b>10,626</b>	<b>17,295</b>	<b>7,043</b>	<b>10,252</b>
<b>Sewerage services</b>						
WIP	2	—	2	—	—	—
Plant and equipment	285	45	240	285	30	255
Land						
– Operational land	88	—	88	88	—	88
Infrastructure	13,833	4,655	9,178	13,404	4,456	8,948
<b>Total sewerage services</b>	<b>14,208</b>	<b>4,700</b>	<b>9,508</b>	<b>13,777</b>	<b>4,486</b>	<b>9,291</b>
<b>Total restricted infrastructure, property, plant and equipment</b>	<b>32,221</b>	<b>12,087</b>	<b>20,134</b>	<b>31,072</b>	<b>11,529</b>	<b>19,543</b>

## C1-8 Intangible assets

Intangible assets are as follows:

	2021 \$ '000	2020 \$ '000
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	425	425
Accumulated amortisation	(50)	(25)
<b>Net book value – opening balance</b>	<b>375</b>	<b>400</b>
<b>Movements for the year</b>		
Amortisation charges	(25)	(25)
<b>Closing values at 30 June</b>		
Gross book value	443	425
Accumulated amortisation	(93)	(50)
<b>Total software – net book value</b>	<b>350</b>	<b>375</b>
<b>Total intangible assets – net book value</b>	<b>350</b>	<b>375</b>

### Accounting policy

#### IT development and software

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

## C1-9 Other

### Other assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Prepayments	14	–	11	–
<b>Total other assets</b>	<b>14</b>	<b>–</b>	<b>11</b>	<b>–</b>

## C2 Leasing activities

### C2-1 Council as a lessee

Council had no leases in place as at 30 June 2021.

#### (a) Income Statement

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

	2021 \$ '000	2020 \$ '000
Expenses relating to low-value leases	10	9
	<b>10</b>	<b>9</b>

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

##### Accounting policy

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

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

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

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

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

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

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

##### Exceptions to lease accounting

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

##### Leases at significantly below market value / Concessionary leases

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

## C2-2 Council as a lessor

### Operating leases

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

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

#### (i) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	115	114
<b>Total income relating to operating leases for Council assets</b>	<b>115</b>	<b>114</b>

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

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

< 1 year	31	30
1-2 years	32	31
2-3 years	33	32
3-4 years	34	33
4-5 years	35	34
<b>Total undiscounted lease payments to be received</b>	<b>165</b>	<b>160</b>

### Accounting policy

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

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

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

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



Bairnald Shire Council | Notes to the Financial Statements 30 June 2021

**C3 Liabilities of Council****C3-1 Payables**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	594	–	503	–
Goods and services – capital expenditure	731	–	417	–
Accrued expenses:				
– Borrowings	5	–	6	–
– Salaries and wages	48	–	128	–
– Other expenditure accruals	6	–	58	3
Security bonds, deposits and retentions	270	–	269	–
Retirement home contributions	1,743	–	1,557	–
Other	41	–	26	–
Prepaid rates	122	–	102	–
<b>Total payables</b>	<b>3,560</b>	<b>–</b>	<b>3,066</b>	<b>3</b>
<b>Total payables</b>	<b>3,560</b>	<b>–</b>	<b>3,066</b>	<b>3</b>

**Payables relating to restricted assets**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Externally restricted assets</b>				
Water	21	–	56	–
Sewer	–	–	25	–
Payables relating to externally restricted assets	21	–	81	–
<b>Total payables relating to restricted assets</b>	<b>21</b>	<b>–</b>	<b>81</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>3,539</b>	<b>–</b>	<b>2,985</b>	<b>3</b>
<b>Total payables</b>	<b>3,560</b>	<b>–</b>	<b>3,066</b>	<b>3</b>

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**C3-1 Payables (continued)****Current payables not anticipated to be settled within the next twelve months**

	2021 \$ '000	2020 \$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	1,898	1,697
<b>Total payables</b>	<b>1,898</b>	<b>1,697</b>

**Accounting policy**

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

**Payables**

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

**C3-2 Contract Liabilities**

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,067	–	375	–
<b>Total grants received in advance</b>		<b>3,067</b>	<b>–</b>	<b>375</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>3,067</b>	<b>–</b>	<b>375</b>	<b>–</b>

**Notes**

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

**Contract liabilities relating to restricted assets**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Externally restricted assets</b>				
Water	6	–	–	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	3,061	–	375	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>3,067</b>	<b>–</b>	<b>375</b>	<b>–</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>3,067</b>	<b>–</b>	<b>375</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>3,067</b>	<b>–</b>	<b>375</b>	<b>–</b>

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### C3-2 Contract Liabilities (continued)

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**Significant changes in contract liabilities**

During the reporting period Council received an increase in grant funding in advance which resulted in a significant increase in contract liabilities where grant funding for capital works remained unspent at the reporting date.

**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.

Bairnsdale Shire Council | Notes to the Financial Statements 30 June 2021

**C3-3 Borrowings**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured <sup>(1)</sup>	182	1,854	248	2,045
<b>Total borrowings</b>	<b>182</b>	<b>1,854</b>	<b>248</b>	<b>2,045</b>

<sup>(1)</sup> Loans are secured over the general rating income of Council.

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

**Borrowings relating to restricted assets**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Externally restricted assets</b>				
Water	66	636	63	706
Borrowings relating to externally restricted assets	66	636	63	706
<b>Total borrowings relating to restricted assets</b>	<b>66</b>	<b>636</b>	<b>63</b>	<b>706</b>
<b>Total borrowings relating to unrestricted assets</b>	<b>116</b>	<b>1,218</b>	<b>185</b>	<b>1,339</b>
<b>Total borrowings</b>	<b>182</b>	<b>1,854</b>	<b>248</b>	<b>2,045</b>

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

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	2,293	(257)	–	–	–	–	2,036
<b>Total liabilities from financing activities</b>	<b>2,293</b>	<b>(257)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,036</b>

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	2,558	(265)	–	–	–	–	2,293
<b>Total liabilities from financing activities</b>	<b>2,558</b>	<b>(265)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,293</b>

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**C3-3 Borrowings (continued)****(b) Financing arrangements**

	2021 \$ '000	2020 \$ '000
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	200	200
Credit cards/purchase cards	150	150
<b>Total financing arrangements</b>	<b>350</b>	<b>350</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	5	5
<b>Total drawn financing arrangements</b>	<b>5</b>	<b>5</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	145	145
<b>Total undrawn financing arrangements</b>	<b>345</b>	<b>345</b>

**Additional financing arrangements information****Breaches and defaults**

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

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

**Accounting policy**

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

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

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

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**C3-4 Employee benefit provisions**

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	455	–	393	–
Long service leave	316	119	313	118
Gratuities	33	–	37	–
<b>Total employee benefit provisions</b>	<b>804</b>	<b>119</b>	<b>743</b>	<b>118</b>
<b>Total employee benefit provisions relating to unrestricted assets</b>	<b>804</b>	<b>119</b>	<b>743</b>	<b>118</b>
<b>Total employee benefit provisions</b>	<b>804</b>	<b>119</b>	<b>743</b>	<b>118</b>

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	485	425
	<b>485</b>	<b>425</b>

**Description of and movements in provisions**

	ELE provisions			
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	Total \$ '000
<b>2021</b>				
At beginning of year	393	431	37	861
Additional provisions	313	49	1	363
Amounts used (payments)	(251)	(45)	(5)	(301)
<b>Total ELE provisions at end of year</b>	<b>455</b>	<b>435</b>	<b>33</b>	<b>923</b>
<b>2020</b>				
At beginning of year	366	408	–	774
Additional provisions	281	107	36	424
Amounts used (payments)	(244)	(69)	–	(313)
Remeasurement effects	7	31	1	39
Other	(36)	(45)	–	(81)
Unused amounts reversed	(6)	(15)	–	(21)
Other – Net Superannuation	25	14	–	39
<b>Total ELE provisions at end of year</b>	<b>393</b>	<b>431</b>	<b>37</b>	<b>861</b>

**Accounting policy****Short-term obligations**

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating long service 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 long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

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### C3-4 Employee benefit provisions (continued)

#### 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.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

### C3-5 Provisions

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	170	–	170
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>170</b>	<b>–</b>	<b>170</b>
<b>Total provisions</b>	<b>–</b>	<b>170</b>	<b>–</b>	<b>170</b>

#### Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Net carrying amount \$ '000
<b>2021</b>		
At beginning of year	170	170
Total other provisions at end of year	170	170
<b>2020</b>		
At beginning of year	170	170
Total other provisions at end of year	170	170

#### Nature and purpose of provisions

##### Asset remediation

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

##### Accounting policy

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

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### C3-5 Provisions (continued)

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

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

#### **Asset remediation – tips and quarries**

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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



## C4 Reserves

### C4-1 Nature and purpose of reserves

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

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

**D Council structure****D1 Results by fund**

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

**D1-1 Income Statement by fund**

	<b>General 2021 \$ '000</b>	<b>Water 2021 \$ '000</b>	<b>Sewer 2021 \$ '000</b>
<b>Income from continuing operations</b>			
Rates and annual charges	2,820	742	567
User charges and fees	1,163	735	82
Interest and investment revenue	55	13	6
Other revenues	234	81	24
Grants and contributions provided for operating purposes	8,791	–	–
Grants and contributions provided for capital purposes	3,608	77	–
Other income	115	–	–
<b>Total income from continuing operations</b>	<b>16,786</b>	<b>1,648</b>	<b>679</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	5,524	194	59
Materials and services	2,268	371	175
Borrowing costs	81	44	–
Depreciation, amortisation and impairment of non-financial assets	4,765	278	171
Other expenses	497	21	–
Share of interests in joint ventures and associates using the equity method	227	–	–
<b>Total expenses from continuing operations</b>	<b>13,362</b>	<b>908</b>	<b>405</b>
<b>Operating result from continuing operations</b>	<b>3,424</b>	<b>740</b>	<b>274</b>
<b>Net operating result for the year</b>	<b>3,424</b>	<b>740</b>	<b>274</b>
<b>Net operating result attributable to each council fund</b>	<b>3,424</b>	<b>740</b>	<b>274</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(184)</b>	<b>663</b>	<b>274</b>

Bairnsdale Shire Council | Notes to the Financial Statements 30 June 2021

**D1-2 Statement of Financial Position by fund**

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,160	1,604	528
Investments	9,650	600	500
Receivables	1,912	312	66
Inventories	240	–	–
Other	14	–	–
<b>Total current assets</b>	<b>16,976</b>	<b>2,516</b>	<b>1,094</b>
<b>Non-current assets</b>			
Receivables	45	19	–
Infrastructure, property, plant and equipment	126,799	10,626	9,508
Investments accounted for using the equity method	1,132	–	–
Intangible assets	350	–	–
<b>Total non-current assets</b>	<b>128,326</b>	<b>10,645</b>	<b>9,508</b>
<b>TOTAL ASSETS</b>	<b>145,302</b>	<b>13,161</b>	<b>10,602</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	3,539	21	–
Contract liabilities	3,061	6	–
Borrowings	116	66	–
Employee benefit provision	804	–	–
<b>Total current liabilities</b>	<b>7,520</b>	<b>93</b>	<b>–</b>
<b>Non-current liabilities</b>			
Borrowings	1,218	636	–
Employee benefit provision	119	–	–
Provisions	170	–	–
<b>Total non-current liabilities</b>	<b>1,507</b>	<b>636</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>9,027</b>	<b>729</b>	<b>–</b>
<b>Net assets</b>	<b>136,275</b>	<b>12,432</b>	<b>10,602</b>
<b>EQUITY</b>			
Accumulated surplus	50,214	5,301	3,364
Revaluation reserves	86,061	7,131	7,238
<b>Council equity interest</b>	<b>136,275</b>	<b>12,432</b>	<b>10,602</b>
<b>Total equity</b>	<b>136,275</b>	<b>12,432</b>	<b>10,602</b>

## D2 Interests in other entities

	Council's share of net assets	
	2021	2020
	\$ '000	\$ '000
<b>Council's share of net income</b>		
Net share of interests in joint ventures and associates using the equity method – expenses		
Joint ventures	227	102
<b>Total net share of interests in joint ventures and associates using the equity method – expenses</b>	<b>227</b>	<b>102</b>
<b>Total Council's share of net income</b>	<b>(227)</b>	<b>(102)</b>
<b>Council's share of net assets</b>		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	1,132	1,359
<b>Total net share of interests in joint ventures and associates using the equity method – assets</b>	<b>1,132</b>	<b>1,359</b>
<b>Total Council's share of net assets</b>	<b>1,132</b>	<b>1,359</b>

### D2-1 Interests in joint arrangements

The following information is provided for joint arrangements that are individually material to the Council. Included are the amounts as per the individual joint arrangement's financial statements, adjusted for fair-value adjustments, rather than Council's share.

Council is a member of the Far West Joint Organisation of Councils (FWJO). Details of Council's membership and participation is as follows:

The FWJO is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008.

The FWJO has the same year end date as the Council.

The principal functions of the Far West Joint Organisation will be to:

Establish strategic regional priorities for the joint organisation area and develop strategies and plans for delivering these priorities:

- Provide regional leadership for the joint organisation area and to be an advocate for strategic regional priorities,
- Identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area,
- Enhancing strategic capacity to support member councils to deliver services to their communities,
- Service delivery to provide services directly to communities within the region.

The percentage ownership interest held is equivalent to the percentage voting rights for all associates as follows:

FWJO comprises the Councils of the Shires of Balranald, Wentworth, Broken Hill and Central Darling Shire Councils. The Board of the FWJO comprises 4 voting members being the Mayors of the four member Councils, and non-voting members being the General Managers of the four member Councils, as well as 3 appointed members from the State Government and Cabinet (non-voting).

Balranald Shire Council, as a member of the FWJO, has a one quarter voting right (25%) in respect to the decisions of the Board.

For the 2020/21 year, no member Councils were required to make contributions to the FWJO.

Members of the FWJO are indemnified from liability for functions and duties carried out or omitted honestly, in good faith and with due care and diligence.

The FWJO has engaged an Executive Officer on a standard Local Government employment contract for 3 years.

There are no liability issues identified for Council in the short to medium term.

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

<b>Far West Joint Organisation Equity Method</b>		
	<b>\$'000</b>	<b>\$'000</b>
	<b>2021</b>	<b>2020</b>
<b>Summarised Statement of Financial Position</b>		
Current assets	4,619	5,419
Non-current assets	-	36
Current liabilities	(92)	(33)
Non-current liabilities	-	-
<b>Net assets</b>	<b>4,527</b>	<b>5,421</b>
<b>Summarised Statement of Income and other Comprehensive Income</b>		
Grant funding	150	6,150
Interest income	5	33
<b>Total income from continuing operations</b>	<b>155</b>	<b>6,183</b>
Employee benefits	(98)	(265)
Borrowing costs	-	-
Depreciation and amortisation	(2)	(11)
Administration expenses	(948)	(486)
<b>Total expense from continuing operations</b>	<b>(1,048)</b>	<b>(762)</b>
<b>Gain/(Loss) from continuing operations</b>	<b>(893)</b>	<b>5,421</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(893)</b>	<b>5,421</b>
<b>Summarised statement of Cash Flows</b>		
Cashflow from operating activities	(893)	5,418
Cashflow from investing activities	33	(47)
Cashflow from financing activities	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(860)</b>	<b>5,371</b>
<b>Reconciliation of carrying amount of interest in the joint arrangement to summarised financial information for FWJO accounted for using the Equity method:</b>		
Balranald Shire Council's share of net assets	1,132	1,355
Carrying amount of net assets	1,132	1,355

**Accounting policy**

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

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. If the Council's share of losses of a joint arrangement equals or exceeds its interest in the joint arrangement, the Council discontinues recognising its share of further losses.

The Council's share in the joint arrangements gains or losses arising from transactions between itself and its joint arrangement are eliminated.

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

## E Risks and accounting uncertainties

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

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

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

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

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

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

	Carrying value 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	7,292	6,534	7,292	6,534
Receivables	2,354	2,493	2,354	2,493
Investments				
– Debt securities at amortised cost	10,750	5,250	10,750	5,250
<b>Total financial assets</b>	<b>20,396</b>	<b>14,277</b>	<b>20,396</b>	<b>14,277</b>
<b>Financial liabilities</b>				
Payables	3,560	3,069	3,560	3,069
Loans/advances	2,036	2,293	2,036	2,293
<b>Total financial liabilities</b>	<b>5,596</b>	<b>5,362</b>	<b>5,596</b>	<b>5,362</b>

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

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

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

The risks associated with the instruments held are:

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

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

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**E1-1 Risks relating to financial instruments held (continued)****(a) Market risk – interest rate and price risk**

	2021 \$ '000	2020 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	180	118

**(b) Credit risk**

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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**E1-1 Risks relating to financial instruments held (continued)****Credit risk profile****Receivables – rates and annual charges**

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
<b>2021</b>						
Gross carrying amount	–	117	49	31	8	205
<b>2020</b>						
Gross carrying amount	–	180	43	46	7	276

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

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
<b>2021</b>						
Gross carrying amount	557	5	150	74	1,460	2,246
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.60%	1.69%
<b>ECL provision</b>	–	–	–	–	38	38
<b>2020</b>						
Gross carrying amount	1,008	884	6	163	182	2,243
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.70%	0.22%
<b>ECL provision</b>	–	–	–	–	5	5

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**E1-1 Risks relating to financial instruments held (continued)****(c) Liquidity risk**

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2021</b>							
Trade/other payables	0.00%	2,013	1,425	–	–	3,438	3,438
Loans and advances	5.74%	–	265	572	1,199	2,036	2,036
<b>Total financial liabilities</b>		<b>2,013</b>	<b>1,690</b>	<b>572</b>	<b>1,199</b>	<b>5,474</b>	<b>5,474</b>
<b>2020</b>							
Trade/other payables	0.00%	1,826	1,141	–	–	2,967	2,967
Loans and advances	5.74%	–	257	837	1,199	2,293	2,293
<b>Total financial liabilities</b>		<b>1,826</b>	<b>1,398</b>	<b>837</b>	<b>1,199</b>	<b>5,260</b>	<b>5,260</b>

**Loan agreement breaches**

There were not any breaches to loan agreements which have occurred during the reporting year.

## E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		30/06/20	30/06/20	–	–	2,062	2,333	2,062	2,333
Office equipment		30/06/20	30/06/20	–	–	110	109	110	109
Furniture and fittings		30/06/20	30/06/20	–	–	110	131	110	131
Land – operational		30/06/18	30/06/18	3,514	3,514	–	–	3,514	3,514
Land community		30/06/20	30/06/20	–	–	2,214	2,214	2,214	2,214
Land improvements		30/06/20	30/06/20	–	–	941	941	941	941
Buildings non - specialised		30/06/18	30/06/18	1,430	1,430	18,870	18,935	20,300	20,365
Buildings specialised		30/06/18	30/06/18	–	–	612	620	612	620
Other structures		30/06/20	30/06/20	–	–	10,303	10,302	10,303	10,302
Roads and bridges		30/06/18	30/06/18	–	–	73,853	75,415	73,853	75,415
Kerb and channels		30/06/18	30/06/18	–	–	3,632	3,695	3,632	3,695
Footpaths		30/06/18	30/06/18	–	–	1,035	933	1,035	933
Stormwater drainage		30/06/18	30/06/18	–	–	3,525	3,581	3,525	3,581
Water supply network		30/06/18	30/06/18	–	–	9,947	9,826	9,947	9,826
Sewerage network		30/06/18	30/06/18	–	–	9,178	8,948	9,178	8,948
Swimming pools		30/06/18	30/06/18	–	–	1,318	1,352	1,318	1,352
Other		30/06/20	30/06/20	–	–	573	612	573	612
Total infrastructure, property, plant and equipment				4,944	4,944	138,283	139,947	143,227	144,891

### Valuation techniques

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

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 & Equipment

##### Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant & equipment- Graders, Trucks, rollers, tractors and motor vehicles.
- Office equipment- Computers, photocopies, calculators etc.

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## E2-1 Fair value measurement (continued)

- Furniture & Fittings- Chairs, desks and display boards.

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

### Operational & Community Land

Operational & community Land are based on either the market value approach (level 2) or the cost approach (level 3). Operational Land is represented by actual market values in the Balranald Shire LGA. Operational land was valued based on observable market values (level 2). Community land includes a component of market values, but the bulk of community land was considered to be non observable market evidence and as such have been classified at a level 3.

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

### Buildings- Non Specialised & Specialised

Non- Specialised & Specialised Buildings have been valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. The approaches estimated the replacement cost of each building by componentising the building into significant parts.

While all buildings were physically inspected and the unit rates based on square market based evidence (level) 2 was established for some building assets, the majority of building assets were valued at a level 3.

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

### Other Structures

Other structures comprise of aerodrome runway, lighting, irrigation systems and fencing etc. have been valued externally by Herron Todd White (South East Regional Australia) Pty Ltd of 133 End Street Deniliquin NSW 2710 using the cost approach. The approach estimated the replacement cost of the asset by componentising the asset into significant parts. No market evidence (level 2) inputs are available therefore level 3 valuation inputs were used for this asset class.

### Roads, Bridges, Footpaths & Drainage Infrastructure.

Roads comprise roads carriageway, roadside shoulders & Kerb and Gutter and Channels. Bridges comprised of Bridges and Major Culverts. All these asset classes were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts using Balranald Shire Council's internal data base of costs. From field observations taken during this revaluation most of the unsealed road network has been reclassified from a formed and paved road asset to a formed only road asset.

Further, the useful life of formations was changed to better align with the useful lives of formations by neighbouring Councils. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Apart from reclassifying certain components of the road network, there had been no change to the valuation process during the reporting period.

### Water Supply Network

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

The cost approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. All Water Supply Network Assets were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018.

This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

### Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. All Water Supply Network Assets were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018.

This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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## E2-1 Fair value measurement (continued)

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### Swimming Pools

Assets within this class comprise Council's outdoor swimming pool, valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. The approach estimated the replacement cost for each pool by componentising its significant parts.

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

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

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**E2-1 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.

	Fair value (30/6/21) 2021 \$ '000	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	2,062	Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Office equipment	110	Replacement Cost	Current Replacement Cost, Remaining Useful Life
Furniture and fittings	110	Replacement Cost	Current Replacement Cost, Remaining Useful Life
Community Land	2,214	Unimproved Value	New South Wales Valuer Generals Unimproved Value
Land improvements	941	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Buildings non specialised	20,300	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Building specialised	612	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Other structures	18,870	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Roads and bridges	73,853	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Kerb and gutter	3,632	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Footpaths	1,035	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Stormwater drainage	3,525	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Water supply network	9,947	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Sewerage network	9,178	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Swimming pools	1,318	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Other assets	573	Depreciated Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value

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## E2-1 Fair value measurement (continued)

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

	Plant and equipment		Office equipment		Furniture and fittings		Community Land	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	2,333	2,247	109	98	131	99	2,214	4,056
Total gains or losses for the period								
Other movements								
Purchases (GBV)	108	499	27	38	-	46	-	-
Disposals (WDV)	-	(34)	-	-	-	-	-	-
Depreciation and impairment	(379)	(379)	(26)	(27)	(21)	(14)	-	-
Adjustments and Transfers	-	-	-	-	-	-	-	(105)
Revaluations	-	-	-	-	-	-	-	(1,737)
Closing balance	2,062	2,333	110	109	110	131	2,214	2,214

	Land improvement		Buildings non specialised		Building specialised		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	941	792	18,935	19,775	620	585	10,302	6,759
Total gains or losses for the period								
Other movements								
Purchases (GBV)	-	149	491	291	-	19	286	2,118
Depreciation and impairment	-	-	(556)	(550)	(8)	(8)	(285)	(208)
WIP Transfers	-	-	-	2	-	24	-	140
Adjustments and Transfers	-	-	-	(583)	-	-	-	776
Revaluations	-	-	-	-	-	-	-	717
Closing balance	941	941	18,870	18,935	612	620	10,303	10,302

	Roads and bridges		Kerb and gutter		Footpaths		Stormwater drainage	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	75,415	75,788	3,695	3,757	933	965	3,581	3,650
Total gains or losses for the period								
Other movements								
Purchases (GBV)	1,703	3,088	-	-	134	-	-	-
Depreciation and impairment	(3,265)	(3,357)	(63)	(62)	(32)	(32)	(56)	(59)
Adjustments and Transfers	-	(104)	-	-	-	-	-	(10)
Closing balance	73,853	75,415	3,632	3,695	1,035	933	3,525	3,581

	Water supply network		Sewerage network		Swimming pool		Other assets	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	9,826	9,547	8,948	8,720	1,352	1,170	612	458
Total gains or losses for the period								
Other movements								
Purchases (GBV)	294	458	303	369	-	226	5	4
Depreciation and impairment	(263)	(271)	(157)	(175)	(34)	(23)	(44)	(43)
WIP Transfers	-	-	-	-	-	3	-	-
Adjustments and Transfers	(1)	1	-	(49)	-	(29)	-	-
Revaluations	91	91	84	83	-	5	-	193
Closing balance	9,947	9,826	9,178	8,948	1,318	1,352	573	612

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Bairnsdale Shire Council | Notes to the Financial Statements 30 June 2021

**E2-1 Fair value measurement (continued)**

	2021 \$ '000	2020 \$ '000
<b>Opening balance</b>	<b>139,947</b>	<b>138,466</b>
Purchases (GBV)	3,351	7,305
Disposals (WDV)	–	(34)
Depreciation and impairment	(5,189)	(5,208)
WIP Transfers	–	169
Adjustments and Transfers	(1)	(103)
Revaluations	175	(648)
<b>Closing balance</b>	<b>138,283</b>	<b>139,947</b>

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

There were no transfers between FV hierarchy.

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## E2-1 Fair value measurement (continued)

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### Highest and best use

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



## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

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

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

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

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

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

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

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

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

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

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### E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 53,338.78. The last valuation of the Scheme was performed by Fund Actuary, Richard Boyfield, FIAA as at 30 June 2020. The amount of additional contributions included in the total employer contribution advised above is \$33,200.00. Council's expected contribution to the plan for the next annual reporting period is \$55,940.88.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.08%

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

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

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

\* Plus promotional increases

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

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

continued on next page ...

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### E3-1 Contingencies (continued)

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#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

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

##### (ii) Infringement notices/fines

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

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

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

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

Bairanald Shire Council | Notes to the Financial Statements 30 June 2021

**F People and relationships****F1 Related party disclosures****F1-1 Key management personnel (KMP)**

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. The aggregate amount of KMP compensation included in the Income Statement is:

	2021 \$ '000	2020 \$ '000
<b>Compensation:</b>		
Short-term benefits	879	877
Termination benefits	233	19
<b>Total</b>	<b>1,112</b>	<b>896</b>

**Other transactions with KMP and their related parties**

Nature of the transaction	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2020					
Spouse Short Term Benefits - Council Employment <sup>1</sup>	16	—		—	—

<sup>(1)</sup> There were no spouse short term benefits provided to employees for 2021.

Bairanald Shire Council | Notes to the Financial Statements 30 June 2021

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

	<b>2021</b>	2020
	<b>\$ '000</b>	\$ '000

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

Administrator fee	<b>141</b>	13
Councillors' fees	-	59
Other Councillors' expenses (including Administrator)	<b>15</b>	19
<b>Total</b>	<b>156</b>	<b>91</b>

**F2 Other relationships****F2-1 Audit fees**

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

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements

	61	55
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<b>Remuneration for audit and other assurance services</b>	<b>61</b>	<b>55</b>
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<b>Total Auditor-General remuneration</b>	<b>61</b>	<b>55</b>
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<b>Total audit fees</b>	<b>61</b>	<b>55</b>
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## G Other matters

### G1-1 Statement of Cash Flows information

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

	2021 \$ '000	2020 \$ '000
<b>Net operating result from Income Statement</b>	<b>4,438</b>	<b>3,570</b>
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	5,214	5,234
Net losses/(gains) on disposal of assets	–	(6)
Adoption of AASB 15/1058	–	(660)
Share of net (profits)/losses of associates/joint ventures using the equity method	227	102
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	68	267
Increase/(decrease) in provision for impairment of receivables	71	–
Decrease/(increase) in inventories	(45)	(87)
Decrease/(increase) in other current assets	(3)	32
Increase/(decrease) in payables	91	213
Increase/(decrease) in accrued interest payable	(1)	(1)
Increase/(decrease) in other accrued expenses payable	(135)	(98)
Increase/(decrease) in other liabilities	222	1,412
Increase/(decrease) in contract liabilities	2,692	375
Increase/(decrease) in provision for employee benefits	62	87
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>12,901</b>	<b>10,440</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

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

#### Property, plant and equipment

Sewerage and water infrastructure	6	–
Buildings	5,192	–
Roads	1,963	200
Other Structures	1,311	422
<b>Total commitments</b>	<b>8,472</b>	<b>622</b>

#### These expenditures are payable as follows:

Within the next year	8,472	622
<b>Total payable</b>	<b>8,472</b>	<b>622</b>

#### Sources for funding of capital commitments:

Future grants and contributions	4,992	264
Unexpended grants	3,480	358
<b>Total sources of funding</b>	<b>8,472</b>	<b>622</b>

#### Details of capital commitments

Nature of Commitment	Amount \$'000	Expected Source of Funding
Bidgee Haven Hostel Extension	4,280	Future grants
	239	Unexpended grants
Greenham Park Changerooms Construction	288	Future grants
	159	Unexpended grants
Greenham Park Tennis Courts Construction	250	Future grants
Balranald Art Gallery Creative Learning Centre	220	Unexpended grants
Fixing Local Roads Program 1	1,423	Unexpended grants
Fixing Local Roads Program 2	175	Unexpended grants
RMS Repair Program	174	Unexpended grants
	174	Future grants
Other Roads & Traffic Infrastructure	17	Unexpended grants
Crown Reserve Infrastructure Lions Park	535	Unexpended grants
Our Rivers Our Region Program	521	Unexpended grants
Other minor grant programs	17	Unexpended grants
<b>Total Commitments</b>	<b>8,472</b>	



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

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

Bairanald Shire Council | Notes to the Financial Statements 30 June 2021

#### G4 Changes from prior year statements

##### G4-1 Changes in accounting policy

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##### G4-2 Correction of errors

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Council made no correction of errors during the current reporting period.

## G5 Statement of developer contributions as at 30 June 2021

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Council currently has no S7.11 developer contribution plans.

**G6 Statement of performance measures****G6-1 Statement of performance measures – consolidated results**

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	980	6.35%	(2.65)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	15,428			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	6,637	34.73%	35.48%	> 60.00%
Total continuing operating revenue <sup>1</sup>	19,113			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	12,750	6.14x	5.72x	> 1.50x
Current liabilities less specific purpose liabilities	2,076			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	6,319	16.54x	12.22x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	382			
<b>5. Rates and annual charges outstanding percentage</b>				
Rates and annual charges outstanding	168	3.80%	6.74%	< 10.00%
Rates and annual charges collectable	4,417			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	18,042	20.51	12.64	> 3.00
Monthly payments from cash flow of operating and financing activities	880	mths	mths	mths

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

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

Bairnsdale Shire Council | Notes to the Financial Statements 30 June 2021

## G6-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	0.33%	(10.40)%	42.20%	39.15%	40.35%	41.71%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	26.13%	26.69%	95.33%	99.55%	100.00%	99.14%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	6.14x	5.72x	(15.90)x	17.73x	=	38.32x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	17.97x	12.07x	8.95x	8.41x	=	=	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	5.57%	6.03%	0.00%	8.99%	0.00%	7.72%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	20.23	10.41	25.63	32.35	17.17	67.66	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

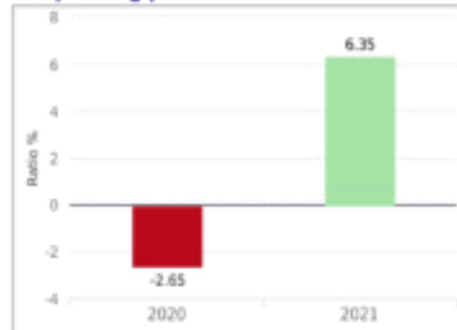
(1) - (2) Refer to Notes at Note G6-1 above.

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

## H Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

##### Purpose of operating performance ratio

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

##### Commentary on 2020/21 result

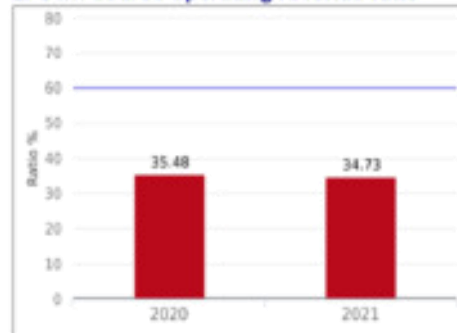
2020/21 ratio 6.35%

Council achieved a net operating surplus before capital grants due to increased operating revenue and reductions in operating expenditure during the year.

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

##### 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 34.73%

The Own Source Revenue ratio measures Council's dependence on external funding. During the year Council continued to receive significant external funding and this ratio has remained consistent for the past 3 years.

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

##### 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 6.14x

Council's performance against this ratio remains strong.

Ratio achieves benchmark

Ratio is outside benchmark

continued on next page ...

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

## 4. Debt service cover ratio



Benchmark: — &gt; 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

## 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 16.54x

Council has strengthened its position to cover external debts during the reporting period.

Ratio achieves benchmark

Ratio is outside benchmark

## 5. Rates and annual charges outstanding percentage



Benchmark: — &lt; 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

## 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 3.80%

Council's collection of outstanding rates & charges has improved significantly during the current reporting period.

Ratio achieves benchmark

Ratio is outside benchmark

## 6. Cash expense cover ratio



Benchmark: — &gt; 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

## 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 20.51 mths

The strong cash position has been assisted by increased grant funding during the period.

Ratio achieves benchmark

Ratio is outside benchmark

## Balranald Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2021

## Note H1-2. Segment reporting

	2021 \$'000	2020 \$'000
<b>Residential Aged Care: Bidgee Haven Hostel</b>		
<b>Income Statement</b>		
<b>Income from Continuing Operations</b>		
Residential Fees	365	359
Respite Care Subsidies	856	818
Interest on entry Contributions	7	12
Operational Grants	30	
Capital Grants	261	-
<b>Total Income from Continuing Operations</b>	<b>1,519</b>	<b>1,189</b>
<b>Expenses from Continuing Operations</b>		
Employee Costs	987	973
Consultancy Costs	0	1
Care and Catering Costs	64	59
Cleaning and Laundry Expenses	10	10
Administration Cost	80	60
Repairs and Maintenance	49	48
Insurance	12	10
Utilities Costs	27	37
General Expenses	44	17
Depreciation	50	54
<b>Total Expenses from Continuing Operations</b>	<b>1,323</b>	<b>1,269</b>
<b>Operating Result from Continuing Operations</b>	<b>196</b>	<b>(80)</b>
<b>Net Profit(Loss) from Discontinued Operations</b>		
<b>Net Operating Result for the Year</b>	<b>196</b>	<b>(80)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>196</b>	<b>(80)</b>



## Balranald Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2021

## Note H1-2. Segment reporting

	2021 \$'000	2020 \$'000
<b>Residential Aged Care: Bidgee Haven Hostel</b>		
<b>Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Investments	1,780	1,557
Other	2	3
<b>Total Current Assets</b>	<b>1,782</b>	<b>1,560</b>
<b>Non-Current Assets</b>		
Office Equipment	19	22
Plant and Equipment	10	11
Furniture and Fittings	15	17
Infrastructure, Property, Plant & Equipment	90	
Buildings	2,827	2,728
Intangible Assets	300	300
<b>Total Non-Current Assets</b>	<b>3,261</b>	<b>3,078</b>
<b>TOTAL ASSETS</b>	<b>5,043</b>	<b>4,638</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Subsidy from Council	560	557
Provisions	60	54
<b>Total Current Liabilities</b>	<b>620</b>	<b>611</b>
<b>Non-Current Liabilities</b>		
Hostel Bonds	1,743	1,557
Provisions	33	19
<b>Total Non-Current Liabilities</b>	<b>1,776</b>	<b>1,576</b>
<b>TOTAL LIABILITIES</b>	<b>2,396</b>	<b>2,187</b>
<b>Net Assets</b>	<b>2,647</b>	<b>2,451</b>
<b>EQUITY</b>		
Retained earnings B/FWD	271	351
Revaluation Reserves	2,180	2,180
Operating result for year	196	(80)
<b>Total Equity</b>	<b>2,647</b>	<b>2,451</b>

### H1-3 Council information and contact details

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**Principal place of business:**

70 Market street  
BALRANALD NSW 2715

**Contact details****Mailing Address:**

PO Box 120  
BALRANALD NSW 2715

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Telephone:** 03 5020 1300

**Facsimile:** 03 5020 1620

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

**Email:** [council@balranald.nsw.gov.au](mailto:council@balranald.nsw.gov.au)

**Officers****General Manager**

Mr Glenn Wilcox

**Administrator**

Mr Michael Colreavy

**Responsible Accounting Officer**

Ms Hodi Beauliv

**Public Officer**

Ms Hodi Beauliv

**Auditors**

Auditor General of NSW  
Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney  
NSW 2000



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Bairnald Shire Council

To the Administrator of the Bairnald Shire Council

### Opinion

I have audited the accompanying financial statements of Bairnald Shire Council (the Council), which comprise the Statement by the Administrator 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 Administrator is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Administrator's Responsibilities for the Financial Statements**

The Administrator is 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 Administrator determines 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 Administrator is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

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

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

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



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

9 December 2021  
SYDNEY



Michael Colreavy  
Administrator  
Balranald Shire Council  
PO Box 120  
BALRANALD NSW 2715

Contact: Manuel Moncada  
Phone no: 02 9275 7333  
Our ref: D2126552/1687

9 December 2021

Dear Administrator

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

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

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

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

## **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

### **Rural fire-fighting equipment not recognised in the financial statements**

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

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

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

## INCOME STATEMENT

### Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	4.13	3.88	↑ 6.4
Grants and contributions revenue	12.48	12.14	↑ 2.8
Operating result from continuing operations	4.44	3.57	↑ 24.4
Net operating result before capital grants and contributions	0.75	(0.49)	↑ 253

Council's operating result (\$4.44 million including the effect of depreciation and amortisation expense of \$5.21 million) was \$0.87 million higher than the 2019–20 result.

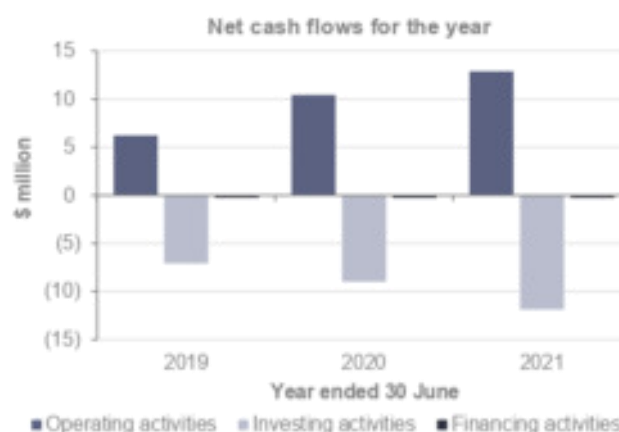
The net operating result before capital grants and contributions (\$753,000) was \$1.24 million higher than the 2019–20 result due to reduced expenditure compared to the prior year.

Rates and annual charges revenue (\$4.13 million) increased by \$0.25 million (6.4 per cent) in 2020–2021. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 10 per cent in 2020–21.

Grants and contributions revenue (\$12.48 million) increased by \$0.34 million (2.8 per cent) in 2020–2021.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$758,000 at the close of the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>18.0</b>	<b>11.8</b>	<ul style="list-style-type: none"> <li>External restrictions include unspent specific purpose grants and domestic waste management charges, and water and sewerage funds.</li> <li>Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> </ul>
Restricted cash and investments:			
• External restrictions	7.5	3.9	
• Internal restrictions	6.3	6.4	

### Debt

After repaying principal and interest of \$382,000, total debt as at 30 June 2021 was \$2.0 million (2020: \$2.3 million).

## PERFORMANCE

### Performance measures

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

#### Operating performance ratio

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

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





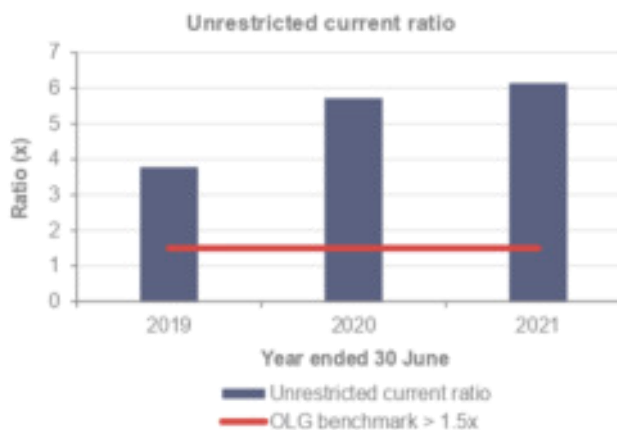
**Own source operating revenue ratio**

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent. The Council did not meet the OLG benchmark for the current reporting period.

**Unrestricted current ratio**

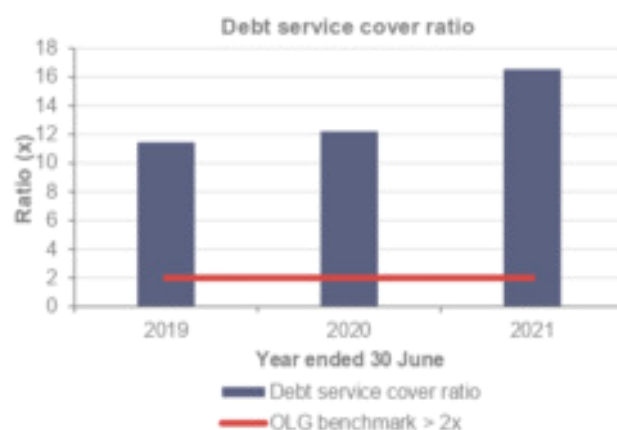
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

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

**Debt service cover ratio**

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

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



### Rates and annual charges outstanding percentage

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

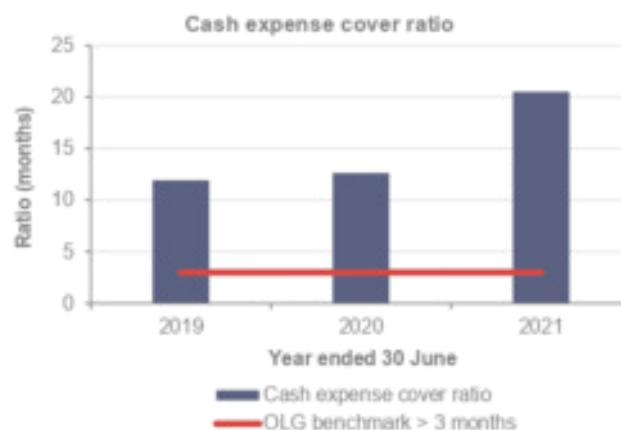
The Council met the OLG benchmark for the current reporting period.



### Cash expense cover ratio

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

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



### Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$2.8 million compared \$6.5 million for the prior year
- The level of asset renewals during the year represented 54 percent of the total depreciation expense (\$5.2 million) for the year.

## OTHER MATTERS

### Legislative compliance

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

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

The Council's:

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



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

cc: Glenn Wilcox, Acting General Manager  
Rosanne Kava, Chair of Audit, Risk and Improvement Committee  
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

# Balranald Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

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## Bairnald Shire Council

### 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).

**Balranald Shire Council****General Purpose Financial Statements**

for the year ended 30 June 2021

**Statement by Administrator 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 19 October 2021.

  
Michael Colreavy  
Administrator  
09 December 2021  
Glenn Wilcox  
General Manager  
09 December 2021  
Hodi Beauliv  
Director Corporate & Community Services  
09 December 2021

Balranald Shire Council | Income Statement of water supply business activity | For the year ended 30 June 2021

**Balranald Shire Council****Income Statement of water supply business activity**

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>Income from continuing operations</b>		
Access charges	742	702
User charges	728	735
Fees	7	2
Interest	13	31
Grants and contributions provided for non-capital purposes	–	7
Other income	81	94
<b>Total income from continuing operations</b>	<b>1,571</b>	<b>1,571</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	194	240
Borrowing costs	44	48
Materials and services	371	213
Depreciation, amortisation and impairment	278	271
Water purchase charges	21	21
Other expenses	–	163
<b>Total expenses from continuing operations</b>	<b>908</b>	<b>956</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>663</b>	<b>615</b>
Grants and contributions provided for capital purposes	77	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>740</b>	<b>615</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>740</b>	<b>615</b>
Less: corporate taxation equivalent (based on result before capital)	(172)	(169)
<b>Surplus (deficit) after tax</b>	<b>568</b>	<b>446</b>
<b>Plus accumulated surplus</b>	<b>4,561</b>	<b>3,946</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	172	169
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>5,301</b>	<b>4,561</b>
<b>Return on capital %</b>	<b>6.7%</b>	<b>6.5%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	568	446
Less: capital grants and contributions (excluding developer contributions)	(77)	–
<b>Surplus for dividend calculation purposes</b>	<b>491</b>	<b>446</b>
<b>Potential dividend calculated from surplus</b>	<b>245</b>	<b>223</b>

Balranald Shire Council | Income Statement of sewerage business activity | For the year ended 30 June 2021

**Balranald Shire Council****Income Statement of sewerage business activity**

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>Income from continuing operations</b>		
Access charges	567	574
User charges	78	72
Liquid trade waste charges	2	-
Fees	2	2
Interest	6	12
Grants and contributions provided for non-capital purposes	-	6
Other income	24	34
<b>Total income from continuing operations</b>	<b>679</b>	<b>700</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	59	62
Materials and services	175	109
Depreciation, amortisation and impairment	171	175
Other expenses	-	62
<b>Total expenses from continuing operations</b>	<b>405</b>	<b>408</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>274</b>	<b>292</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>274</b>	<b>292</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>274</b>	<b>292</b>
Less: corporate taxation equivalent (based on result before capital)	(71)	(80)
<b>Surplus (deficit) after tax</b>	<b>203</b>	<b>212</b>
<b>Plus accumulated surplus</b>	<b>3,090</b>	<b>2,798</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Corporate taxation equivalent	71	80
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>3,364</b>	<b>3,090</b>
<b>Return on capital %</b>	<b>2.9%</b>	<b>3.1%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	203	212
<b>Surplus for dividend calculation purposes</b>	<b>203</b>	<b>212</b>
<b>Potential dividend calculated from surplus</b>	<b>101</b>	<b>106</b>



Bairnald Shire Council | Statement of Financial Position of water supply business activity | For the year ended 30 June 2021

## Bairnald Shire Council

### Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,604	1,317
Investments	600	600
Receivables	312	193
<b>Total current assets</b>	<b>2,516</b>	<b>2,110</b>
<b>Non-current assets</b>		
Receivables	19	64
Infrastructure, property, plant and equipment	10,626	10,252
<b>Total non-current assets</b>	<b>10,645</b>	<b>10,316</b>
<b>Total assets</b>	<b>13,161</b>	<b>12,426</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	6	-
Payables	21	56
Borrowings	66	63
<b>Total current liabilities</b>	<b>93</b>	<b>119</b>
<b>Non-current liabilities</b>		
Borrowings	636	706
<b>Total non-current liabilities</b>	<b>636</b>	<b>706</b>
<b>Total liabilities</b>	<b>729</b>	<b>825</b>
<b>Net assets</b>	<b>12,432</b>	<b>11,601</b>
<b>EQUITY</b>		
Accumulated surplus	5,301	4,561
Revaluation reserves	7,131	7,040
<b>Total equity</b>	<b>12,432</b>	<b>11,601</b>

Balranald Shire Council | Statement of Financial Position of sewerage business activity | For the year ended 30 June 2021

**Balranald Shire Council****Statement of Financial Position of sewerage business activity**

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	528	419
Investments	500	500
Receivables	66	39
<b>Total current assets</b>	<b>1,094</b>	<b>958</b>
<b>Non-current assets</b>		
Receivables	-	18
Infrastructure, property, plant and equipment	9,508	9,291
<b>Total non-current assets</b>	<b>9,508</b>	<b>9,309</b>
<b>Total assets</b>	<b>10,602</b>	<b>10,267</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	-	25
<b>Total current liabilities</b>	<b>-</b>	<b>25</b>
<b>Total liabilities</b>	<b>-</b>	<b>25</b>
<b>Net assets</b>	<b>10,602</b>	<b>10,242</b>
<b>EQUITY</b>		
Accumulated surplus	3,364	3,090
Revaluation reserves	7,238	7,152
<b>Total equity</b>	<b>10,602</b>	<b>10,242</b>

## 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)

Nil

#### Category 2

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

##### a. Balranald Shire Council combined water supplies

Comprising the whole of the operations and assets of the raw and filtered water supply systems, that services the towns of Balranald and Euston.

##### b. Balranald Shire Council sewerage service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems, that services the towns of Balranald and Euston.

### 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):

continued on next page ...

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## Note – Significant Accounting Policies (continued)

### Notional rate applied (%)

Corporate income tax rate – 26%

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

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

In accordance with the Department of Industry (DoI) – 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 DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – 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%.

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

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

The rate applied of 26% 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:

continued on next page ...

Page 9 of 13

**Note – Significant Accounting Policies (continued)****Operating result before capital income + interest expense****Written down value of I,PP&E as at 30 June**

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

**(iii) Dividends**

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

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

Each dividend must be calculated and approved in accordance with the Department of 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 2021 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.



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Bairanald Shire Council

To the Administrator of the Bairanald Shire Council

### Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity

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

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

### Basis for Opinion

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

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

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

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

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

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

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

**Emphasis of Matter - Basis of Accounting**

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

**Other Information**

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

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

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

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

I have nothing to report in this regard.

**The Administrator's Responsibilities for the Financial Statements**

The Administrator is 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 Administrator's responsibility also includes such internal control as the Administrator determines 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 Administrator is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

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



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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

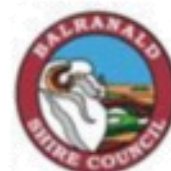
9 December 2021  
SYDNEY



# Balranald Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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**Bairnald Shire Council****Special Schedules**

for the year ended 30 June 2021

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Balranald Shire Council | Permissible income for general rates | For the year ended 30 June 2021

## Balranald Shire Council

## Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	2,510	2,602
Plus or minus adjustments <sup>2</sup>	b	21	(12)
<b>Notional general income</b>	<b>c = a + b</b>	<b>2,531</b>	<b>2,590</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	10.00%	10.00%
Plus special variation amount	$h = d \times (c + g)$	253	259
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>2,784</b>	<b>2,849</b>
Plus (or minus) last year's carry forward total	l	(174)	8
<b>Sub-total</b>	$n = (j + m)$	<b>(174)</b>	<b>8</b>
<b>Total permissible income</b>	$o = k + n$	<b>2,610</b>	<b>2,857</b>
Less notional general income yield	p	2,602	2,880
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>8</b>	<b>(23)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	—	18
<b>Carry forward to next year <sup>5</sup></b>	$t = q + r + s$	<b>8</b>	<b>(5)</b>

## Notes

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



Balranald Shire Council | Special Schedules 2021

## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates Balranald Shire Council

To the Administrator of Balranald Shire Council

#### Opinion

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

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

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

#### Basis for Opinion

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

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

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

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

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

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

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

#### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### The Administrator's Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

9 December 2021  
SYDNEY

Balranald Shire Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

## Balranald Shire Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance <sup>a</sup>	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	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	165	119	60	117	20,300	34,731	32.0%	60.0%	6.0%	2.0%	0.0%
	Buildings – specialised	-	-	-	-	612	938	95.0%	0.0%	0.0%	5.0%	0.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>165</b>	<b>119</b>	<b>60</b>	<b>117</b>	<b>20,912</b>	<b>35,669</b>	<b>33.7%</b>	<b>58.4%</b>	<b>5.8%</b>	<b>2.1%</b>	<b>0.0%</b>
Other structures	Other structures	101	379	180	143	10,303	23,579	7.0%	41.0%	42.0%	10.0%	0.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>101</b>	<b>379</b>	<b>180</b>	<b>143</b>	<b>10,303</b>	<b>23,579</b>	<b>7.0%</b>	<b>41.0%</b>	<b>42.0%</b>	<b>10.0%</b>	<b>0.0%</b>
Roads	Roads	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	208	772	590	599	42,096	60,653	90.0%	9.0%	0.0%	1.0%	0.0%
	Unsealed roads	1,929	1,447	928	1,240	29,582	63,495	10.0%	15.0%	46.0%	25.0%	4.0%
	Bridges	-	-	-	-	2,174	2,843	7.0%	0.0%	93.0%	0.0%	0.0%
	Footpaths	10	86	25	17	1,035	1,886	0.0%	21.0%	74.0%	5.0%	0.0%
	Other road assets	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and channels	-	-	18	18	3,632	5,073	30.0%	45.0%	20.0%	5.0%	0.0%
	Other road assets (incl. bulk earth works)	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>2,145</b>	<b>2,305</b>	<b>1,561</b>	<b>1,874</b>	<b>74,888</b>	<b>133,950</b>	<b>46.8%</b>	<b>13.2%</b>	<b>25.6%</b>	<b>12.6%</b>	<b>1.9%</b>
Water supply network	Water supply network	770	1,952	545	384	9,947	17,272	20.0%	9.0%	50.0%	16.0%	5.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>770</b>	<b>1,952</b>	<b>545</b>	<b>384</b>	<b>9,947</b>	<b>17,272</b>	<b>20.0%</b>	<b>9.0%</b>	<b>50.0%</b>	<b>16.0%</b>	<b>5.0%</b>
Sewerage network	Sewerage network	426	1,119	211	134	9,178	13,833	7.0%	50.0%	30.0%	8.0%	5.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>426</b>	<b>1,119</b>	<b>211</b>	<b>134</b>	<b>9,178</b>	<b>13,833</b>	<b>7.0%</b>	<b>50.0%</b>	<b>30.0%</b>	<b>8.0%</b>	<b>5.0%</b>
Stormwater drainage	Stormwater drainage	72	161	10	18	3,525	4,747	16.0%	83.0%	1.0%	0.0%	0.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>72</b>	<b>161</b>	<b>10</b>	<b>18</b>	<b>3,525</b>	<b>4,747</b>	<b>16.0%</b>	<b>83.0%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>0.0%</b>

continued on next page ...

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## Balranald Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance <sup>(a)</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	—	—	1,318	1,982	10.0%	40.0%	46.0%	0.0%	4.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,318</b>	<b>1,982</b>	<b>10.0%</b>	<b>40.0%</b>	<b>46.0%</b>	<b>0.0%</b>	<b>4.0%</b>
Other infrastructure assets	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total – all assets</b>		<b>3,679</b>	<b>6,035</b>	<b>2,567</b>	<b>2,670</b>	<b>130,071</b>	<b>231,032</b>	<b>35.4%</b>	<b>26.6%</b>	<b>26.0%</b>	<b>10.3%</b>	<b>1.8%</b>

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

## Infrastructure asset condition assessment 'key'

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



Balranald Shire Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

**Balranald Shire Council****Report on infrastructure assets as at 30 June 2021****Infrastructure asset performance indicators (consolidated) \***

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals <sup>1</sup>	2,678	57.52%	74.74%	>= 100.00%
Depreciation, amortisation and impairment	4,656			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	3,679	2.75%	2.78%	< 2.00%
Net carrying amount of infrastructure assets	133,777			
Asset maintenance ratio				
Actual asset maintenance	2,670	104.01%	124.43%	> 100.00%
Required asset maintenance	2,567			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	6,035	2.61%	2.65%	
Gross replacement cost	231,032			

(\*) 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.

Balranald Shire Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

## Balranald Shire Council

## Report on infrastructure assets as at 30 June 2021

## Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals <sup>1</sup>	63.22%	82.61%	0.00%	0.00%	0.00%	0.00%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	2.17%	2.19%	7.74%	7.84%	4.64%	4.76%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	118.83%	146.40%	70.46%	80.37%	63.51%	50.24%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.48%	1.50%	11.30%	11.60%	8.09%	8.35%	
Gross replacement cost							

(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.



Mr Glenn Wilcox  
Acting General Manager  
Bairnald Shire Council  
PO Box 120  
BALRAINALD NSW 2715

Contact: Manuel Moncada  
Phone no: 02 9275 7333  
Our ref:

X Xxxxx 2021

Dear Mr Wilcox,

**Management Letter on the Audit  
for the Year Ended 30 June 2021**

Our audit for the year ended 30 June 2021 is complete. This letter outlines:

- matters of governance interest we identified during the current audit
- unresolved matters identified during previous audits
- matters we are required to communicate under Australian Auditing Standards.

We planned and carried out our audit to obtain reasonable assurance the financial statements are free from material misstatement. Because our audit is not designed to identify all matters that may be of governance interest to you, there may be other matters that did not come to our attention.

The Management Letter may be sent to the Minister, if the Minister requests it.

For each matter in this letter, we have included our observations, risk assessment and recommendations. The risk assessment is based on our understanding of your business. Management should make its own assessment of the risks to the organisation.

We have kept management informed of the issues included in this letter as they have arisen. This letter includes management's formal responses, the person responsible for addressing the matter and the date by which this should be actioned.

If you would like to discuss any of the matters raised in this letter, please contact me on 9275 7143 or Brett Hanger on 02 9251 4600.

Yours sincerely

Manuel Moncada  
Director, Financial Audit

cc: Mr Michael Colreavy, Administrator  
Ms Rosanne Kava, Chair of the Audit, Risk and Improvement Committee



# Management letter

for the year ended 30 June 2021

Balranald Shire Council



FINANCIAL AUDIT

INSIGHTS FOR BETTER GOVERNMENT

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We have rated the risk of each issue as 'Extreme', 'High', 'Moderate' or 'Low' based on the likelihood of the risk occurring and the consequences if the risk does occur.

The risk assessment matrix used is broadly consistent with the risk management framework in [IPP12-03 'Risk Management Toolkit for the NSW Public Sector'](#).

This framework may be used as better practice for councils.

		CONSEQUENCE			
		Low	Medium	High	Very high
LIKELIHOOD	Almost certain	M	M	H	E
	Likely	L	M	H	H
	Possible	L	M	M	H
	Rare	L	L	M	M

The risk level is a combination of the consequences and likelihood. The position within the matrix corresponds to the risk levels below.

RISK LEVELS	MATRIX REFERENCE
⊗ Extreme:	E
⚠ High:	H
— Moderate:	M
✓ Low:	L

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For each issue identified, we have used the consequence and likelihood tables from [TPP12-03](#) to guide our assessment.

#### Consequence levels and descriptors

Consequence level	Consequence level description
Very high	<ul style="list-style-type: none"> <li>Affects the ability of your entire entity to achieve its objectives and may require third party intervention;</li> <li>Arises from a fundamental systemic failure of governance practices and/or internal controls across the entity; or</li> <li>May result in an inability for the auditor to issue an audit opinion or issue an unqualified audit opinion.</li> </ul>
High	<ul style="list-style-type: none"> <li>Affects the ability of your entire entity to achieve its objectives and requires significant coordinated management effort at the executive level;</li> <li>Arises from a widespread failure of governance practices and/or internal controls affecting most parts of the entity; or</li> <li>May result in an inability for the auditor to issue an unqualified audit opinion.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Affects the ability of a single business unit in your entity to achieve its objectives but requires management effort from areas outside the business unit; or</li> <li>Arises from ineffective governance practices and/or internal controls affecting several parts of the entity.</li> </ul>
Low	<ul style="list-style-type: none"> <li>Affects the ability of a single business unit in your entity to achieve its objectives and can be managed within normal management practices; or</li> <li>Arises from isolated ineffective governance practices and/or internal controls affecting a small part of the entity.</li> </ul>

#### Likelihood levels and descriptors

Likelihood level	Frequency	Probability
Almost certain	The event is expected to occur in most circumstances, and frequently during the year	More than 99 per cent
Likely	The event will probably occur once during the year	More than 20 per cent and up to 99 per cent
Possible	The event might occur at some time in the next five years	More than 1 per cent and up to 20 per cent
Rare	The event could occur in exceptional circumstances	Less than 1 per cent

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## Summary of issues

Issue	Detail	Likelihood	Consequence	Risk assessment
<b>Prior year matters not resolved by management</b>				
1	<a href="#">Issue 1: Information technology general controls</a>	Possible	Medium	Moderate
2	<a href="#">Issue 2: Review of master-file changes</a>	Possible	Medium	Moderate
3	<a href="#">Issue 3: Security of bank payment files</a>	Possible	Medium	Moderate
4	<a href="#">Issue 4: Lack of contract register</a>	Possible	Medium	Moderate
5	<a href="#">Issue 5: Lack of contract management policy</a>	Possible	Medium	Moderate
6	<a href="#">Issue 6: IPPE – Policies, strategy and plan</a>	Possible	Medium	Moderate
7	<a href="#">Issue 7: Excessive annual leave balances</a>	Possible	Medium	Moderate
8	<a href="#">Issue 8: Inventory management system</a>	Possible	Medium	Moderate
9	<a href="#">Issue 9: Improvement opportunities – governance and cyber security</a>	Possible	Medium	Moderate
10	<a href="#">Issue 10: Caravan park operations</a>	Possible	Low	Low
11	<a href="#">Issue 11: Receipting procedures</a>	Possible	Low	Low
12	<a href="#">Issue 12: Account reconciliations</a>	Possible	Low	Low
13	<a href="#">Issue 13: Manual journals - lack of independent review</a>	Possible	Low	Low
14	<a href="#">Issue 14: Review of non-rateable properties</a>	Possible	Low	Low
15	<a href="#">Issue 15: New employee procedures</a>	Possible	Low	Low
<b>Current year matters</b>				
1	<a href="#">Issue 1: Rural fire-fighting equipment not recognised in the financial statements</a>	Almost certain	High	High
2	<a href="#">Issue 2: Fixed assets register</a>	Possible	Medium	Moderate

## Appendix

[Review of matters raised in prior year management letters that have been addressed](#)

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## Prior year matters not resolved by management

### Issue 1: Information technology general controls

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	Medium	Yes/No	IT	Moderate

#### Observation

Our review of the information technology general control environment identified the following issues:

(1) Audit logs of privileged users:

We noted that several privileged users had access to the key system, Practical Plus. Audit logs of privileged IT access activities within the system exist. However, the log has not been produced and independently reviewed.

(2) Conflicting system access levels

We reviewed user access levels to major modules of the financial management software, Practical Plus, including general ledger, accounts payable, and bank reconciliations. We noted staff with conflicting access levels. Two finance staff are set up as system administrators for Practical Plus, which allows full access to major modules including general ledger, accounts payable, and bank reconciliations. They are also authorised cheque signatories.

(3) There is no formal process in place user access provisioning/de-provisioning.

(4) Other:

- Council does not have frameworks/policies/standards covering IT security, IT change management, incident & problem management, disaster recovery and business continuity;
- IT risks/issues are not regularly communicated through senior management and those charged with governance.

#### Implications

(1) If audit logs of privileged IT access activities are not maintained and secured from amendment, there is an increased risk of inappropriate activities or transactions occurring, which may go undetected.

(2) Inappropriate system access increases the risk of fraud, creating opportunities for both erroneous and inappropriate actions. For example, unauthorised changes may be processed by staff with conflicting access levels.

(3) Weak user access controls increase the likelihood of users (including contractors and service providers) retaining unnecessary and inappropriate system access.

(4) Council may be exposed to a greater risk of issues with IT.

#### Recommendation

(1) For those users assigned with administrator IT access privileges, Council should consider the following controls:

- audit logs maintained for an appropriate period of time
- audit logs secured from amendment or deletion
- Privileged access audit logs reviewed regularly by a suitably independent and qualified individual, with appropriate action taken when required.

(2) Segregation of duties is critical to effective internal control. To reduce the potential risk of fraud, system access levels of system users should be reviewed and altered as appropriate.

(3) Formal processes should be implemented for user access provisioning/de-provisioning and user access to key systems should be reviewed regularly.

(4) Council should implement policies including IT security, IT change management, incident & problem



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management, disaster recovery and business continuity;  
IT risks/issues should be regularly communicated through senior management and those charged with governance.

#### Management response

Agree

- (1) Process to be established in 2022 including:
  - IT support Officer to be trained in allocation of accesses in Practical
  - Develop procedure for approval to change accesses in Practical
  - Set-up standard access levels for different positions
  - Include Practical permissions on New Starter Checklist
  - IT Support Officer delegated responsibility for changing accesses and maintaining audit log
- (2) This is difficult due to staff turnover. Any progress made has been lost due to changes in staff. We are planning to:
  - Develop roles and responsibilities matrix, and training back-up staff member in each area; and
  - Look at appointing external contractors to assist with key functions
- (3) As per point (1) above, developing formal process to maintain user accesses
- (4) Council has approved tender for IT service provision at November 2021 Council meeting. New provider contract includes development of:
  - IT Security Policy
  - IT Management Policy
  - Disaster Recovery and Business Continuity Plan

Regular management meetings between IT provider and Council's IT Support Officer & Director will be conducted.

Person responsible:

Date (to be) actioned:

[staff/role]

[date]

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## Issue 2: Review of master-file changes

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	Medium	No	Operational	 Moderate

### Observation

Accounts Payable and Payroll staff are responsible for the maintenance of all details within their respective sub-systems including bank account details, creation of new suppliers/employees and in the case of payroll changes to pay rates. Similarly, the Rates Officer is responsible for all maintenance within the rates system, such as classification changes, write-offs and abandonments.

We noted that Master-file Maintenance Audit Reports are not produced regularly for review.

### Implications

Unauthorised changes may be processed without review.

### Recommendation

The review of the master-file maintenance audit report is an important internal control function to ensure that changes made to bank account details, creation of new suppliers and employees and changes to pay rates are correct and appropriate. In the case of rates, it is important that critical changes including property reclassifications and abandonments are reviewed.

These reports should be reviewed on a regular basis by an officer independent of the respective sub-systems and evidenced by way of signature.

### Management response

Agree

Masterfile maintenance audit process to be documented, with dual signatories in place. Senior Finance Officer will be allocated as reviewer.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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### Issue 3: Security of bank payment files

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	Yes	Operational	Moderate

#### Observation

Our review of controls over electronic funds transfers (EFT) relating to payroll and accounts payable identified the following issues:

- EFT payment files generated from each system are in text editable format
- the payment files are stored in unrestricted folders on the server with a significant number of users having write access capabilities
- the electronic funds transfer (EFT) payment files are un-encrypted files, meaning the data can be altered before being remitted to the relevant financial institution

There is no process in place to detect unauthorised amendments to the EFT payment files

#### Implications

There is a higher risk of fraud.

#### Recommendation

Management should:

- encrypt the electronic funds transfer files to prevent unauthorised changes
- ensure file location is restricted to authorised users. Council should endeavour to restrict the Accounts Payable/Payroll Officers from being able to access the EFT files after creation
- regularly review access to the drive and remove terminated users

#### Management response

Agree

Council is currently in discussions with EFTSure regarding 3rd party solution to check bank details when uploaded to the bank.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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#### Issue 4: Lack of contract register

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	No	Operational	Moderate

##### Observation

We have been advised that there is a contract register in place. However, the currency and details need to be reviewed and improved.

##### Implications

Council has not maintained adequate and current financial records.

##### Recommendation

Council should maintain a centralised contract register. The register should include information such as:

- details of the contractors, project undertaken or goods and services to be provided
- date on which contract became effective and duration of the contract
- estimated contract value
- information to identify the legal, operational and financial responsibilities and custodians of the contracts.

##### Management response

Agree

Completeness of contract register will be reviewed and level of details contained in the register will be improved.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Issue 5: Lack of contract management policy

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	No	Operational	Moderate

### Observation

Council does not have a contract management policy.

### Implications

There is an increased risk of non-compliance with key contractual terms, which may result in unnecessary variations to contracted prices.

### Recommendation

We recommend that Council develop a contract management policy and train key staff members involved in the contract management process.

### Management response

Agree

To be developed in next 12 months.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Issue 6: IPPE – Policies, strategy and plan

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	No	Operational	 Moderate

### Observation

We have been advised that Council has an asset management plan last dated in 2018. However, Council's asset management policy and strategy cannot be located.

The council does not have a formalised asset addition/disposal process.

### Implications

Outdated policies may not reflect current practices.

Asset acquisitions and disposals may occur without appropriate approvals.

### Recommendation

Council should:

- review and update the asset management strategy, policy and plan to ensure they remain current and implement a formalised asset addition/disposal policy
- communicate key changes to staff
- track when policies were last reviewed and their next review date, to ensure policies remain up to date.

### Management response

Agree


- Draft Procurement & Disposal Policy tabled at October 2021 Council meeting, scheduled to be adopted at December meeting
- Further work required on Asset Management Strategy, Policy and Plan
- Process needs to be established for Policy review.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Issue 7: Excessive annual leave balances

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	No	Operational/ compliance	 Moderate

### Observation

The total headcount for staff eligible for annual leave was 57 as at 28 May 2021 with a gross value of approximately \$430,000. We identified 9 employees with accrued annual leave balances in excess of 300 hours (i.e. 40 days) amounting to a gross value of approximately \$183,000. This is equivalent to 42% of the total gross annual leave balance.

Council should aim for employees to have less than 40 days of accrued annual leave at any point in time in accordance with the Local Government Award.

### Implications

Excessive annual leave balances can result in:

- higher future employee liabilities as a result of salary increases. This means that accrued leave will be paid at higher rates
- increased risk that staff performing key control functions are not rotated. It may also conceal fraud or further inefficiencies
- work, health and safety implications and reduced productivity.

### Recommendation

Council should monitor and manage excessive annual leave balances on a regular basis and establish individual leave management plans to reduce the leave balances over time.

### Management response

Agree


- Develop a report to identify staff with excess leave and report monthly to Managers; and
- HR Officer to develop individual leave management plans for the top 5 staff with excess leave balances

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Issue 8: Inventory management system

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	No	Operational/ reporting	 Moderate

### Observation

Council does not maintain a perpetual inventory system. Council has just completed a year end stocktake, having not performed one in previous years.

### Implications

There is an increased risk that inventories may be lost or stolen.

### Recommendation

Management should implement a perpetual inventory system and perform stocktakes at least annually.

### Management response

Agree

- Council is currently reviewing Store systems and processes;
- Stocktake to be undertaken in early January to get a better understanding of stock levels; and
- Improved systems and processes to be considered after interim stocktake completed.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]



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## Issue 9: Improvement opportunities – governance and cyber security

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	No	Operational	 Moderate

### Observation

We have previously collected data on several key areas across the Council sector to be incorporated into the Auditor General's Report to Parliament for Local Government. Our findings included:

#### Governance

- Council's Audit, Risk and Improvement Committee & internal audit function do not perform an annual self-assessment of their performance.
- Council does not have a documented legislative compliance register (other than the OLG compliance calendar).
- Council had a draft Fraud Control Plan and Council has not undertaken a fraud risk assessment. Council has not performed a fraud control health check (within the last three years). Information on fraud awareness is not provided to new starters and they not complete a conflicts of interests declaration or sign off on the code of conduct. Existing staff do not sign off on the code of conduct annually. Council does not report on fraud control activities in their annual report. Council does not include information (e.g. on its website) so the public know how to report suspected fraud.
- The gifts and benefit register does not capture the following information:
  - Estimated monetary value of the gift or benefit; and
  - Whether there have been any 'cash-like' gifts.

#### Cyber security

- Council does not have a Cyber Risk Policy or framework;
- Council haven't performed penetration testing;
- Council does not have a separate budget to spend on cyber security;
- Council does not have a central register of cyber incidents; and
- Council has not delivered training to all staff on cyber security.

### Implications

Council may be exposed to a greater risk of non-compliance and issues with governance processes and cyber security.

### Recommendation

Management should assess the risks arising from the observations above and prioritise the implementation of relevant policies and procedures.

### Management response

#### Agree

#### Governance

- Council to explore commercial product (such as Realinsys over next 12 months) as a possible solution;
- Active promotion of Gifts & Benefits register being undertaken around Council Offices/Depots and at team meetings
- Review Gifts & Benefits Policy to see if it has values and ability to record any 'cash-like' gifts

#### Cybersecurity

- Council has approved tender for IT service provision at November 2021 Council. Components of new provider contract will help address cyber-security including developing:
  - o IT Security Policy

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o Disaster Recovery & Business Continuity Plan

Caravan park operations

- Not actioned due to changeover in staff at Caravan Park and in the Council Office
- New process to be developed over next 12 months in line with consideration re: future operations of the caravan park.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Issue 10: Caravan park operations

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Low	No	Operational/Reporting	Low

### Observation

Council's caravan park is managed on behalf of Council by an onsite husband and wife team. The site managers have full access to operating system, including fee parameter set up, booking, receipting and reporting. During the period of review, Council staff have been involved in the park's operations due to staff turnover. There is no formal document/procedure in place to ensure there is regular independent checks in place. For example, there is no formalised procedure in place for:

- Attending and reviewing of end of day cash receipt balances to system totals;
- Review of cancellations of bookings;
- Review of cancellation of receipts; and
- Review discounts or fees waived.

### Implications

Weak controls in receipting process increase the risk of misappropriation of Council funds and revenue leakage.

### Recommendation

Council should consider restricting system access so that fee parameters cannot be modified by site managers; independent checks and reviews should be put in place to ensure exceptions are legitimate.

### Management response

Agree

There is changeover in staff during the year. Council will develop new process over next 12 months in line with consideration re: future operations of the caravan park

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Issue 11: Receipting procedures

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Low	No	Operational	Low

### Observation

From our review of cashier receipting procedures, we noted the following:

- During the mail opening process, cheques received are not stamped "Not Negotiable - Account Payee Only - Balranald Shire Council";
- No remittance register is maintained to keep track of cheques receiving through the mail to assist in ensuring they are correctly receipted in the financial system;
- Although cashiers have their own logins, it was observed that the generic log in 'reception' is still used. We have been advised that the generic login "reception" has to be used to do banking;
- In the event that the computerised receipting system is unavailable, receipts are issued from manual receipt books. However, manual receipts books are not reviewed to ensure that all manual receipts are processed into system;
- There is no accountable stationery used to record the issue and return of manual receipt books.

### Implications

Weak controls in receipting process increase the risk of misappropriation of Council funds and revenue leakage.

### Recommendation

- Cheques should be stamped "Not Negotiable - Account Payee Only - Balranald Shire Council" at mail opening;
- Two officers should be involved in the mail opening, who should record the number and value of mail remittances. Both officers should sign the mail remittance register confirming the total number and value of the remittances;
- Unique logins should be used for each cashier;
- An officer independent of the receipting function should periodically review the manual receipt books, ensuring that all manual receipts are accounted for and correctly processed in the receipting system. This review should be evidenced by way of signature; and
- The allocation of manual receipt books should be recorded in an accountable stationery register. Both the issuance and return of manual receipt books should be recorded and their usage checked periodically.

### Management response

Agree

- Stamp ordered 15/11/2021 to ensure Cheques are stamped with "Not Negotiable" at mail opening
- Two officers already involved with opening and signing mail;
- Exploring options for unique log-in's for cashiers, in the meantime receipting function to be locked down to just the reception staff (2 full-time and 1 casual) including setting up auto-lock feature on receipting computer and changing passwords so that only reception staff can undertake receipting;
- All staff to be advised cash receipting to be undertaken by Reception staff only;
- Meeting to be coordinated with Practical to discuss option for two log-in's to one cash drawer.

Person responsible:

Date (to be) actioned:

[staff/role]

[date]

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## Issue 12: Account reconciliations

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Low	No	Reporting	Low

### Observation

The following reconciliations are not performed:

- Reconciliation between the general ledger and the investment register;
- Reconciliation between the general ledger and rating system for revenue;
- Reconciliation of between water billing system and general ledger.

### Implications

A lack of reconciliation between the general ledger and sub-systems may result in transactions being incorrectly recorded. Without independent review of reconciliations performed, errors may not be detected on a timely manner.

### Recommendation

The reconciliations should be performed on a regular basis, ideally monthly. Reconciliations should be formally documented and signed by the preparer and reviewer certifying to their correctness.

### Management response

Agree

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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### Issue 13: Manual journals - lack of independent review

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Low	No	Reporting	Low

#### Observation

Manual journals are mainly posted by the Finance Manager, then reviewed by Director of Corporate & Community Services. We have been advised that manual journals have not been independently reviewed since the departure of the Finance Manager.

#### Implications

There is an increased risk of fraud or error.

#### Recommendation

Management should implement controls so there is segregation of duties when posting manual journals. If this is not possible, management could implement a control where the journals report is independently reviewed.

#### Management response

Agree

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Issue 14: Review of non-rateable properties

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Low	No	Operating/Reporting	Low

### Observation

Listings of non-rateable properties have not been reviewed by an officer independent of the rating function to ensure that properties are correctly classified as non-rateable.

### Implications

Land may be exempted from rates in accordance with Local Government Act 1993 and exemptions may expire with the passing of time or changes in use of the land. Without regular review, land that changes rating status might be unidentified and rates revenue may be under/over levied.

### Recommendation

To ensure all land has been correctly classified as non-rateable, listings of non-rateable properties should be reviewed (at least annually and preferably as part of the Statement of Compliance Return) by an officer independent of the rating function to ensure properties listed are legitimately non-rateable. This review should be evidenced by way of signature.

### Management response

Agree

Council is in process of reviewing all non-rateable properties and validating status with reference to legislative requirements.

Person responsible:

Date (to be) actioned:

[staff/role]

[date]

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### Issue 15: New employee procedures

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Low	No	Reporting	Low

#### Observation

We have been advised that there are instances where new starter set ups are not independently reviewed to ensure accuracy.

#### Implications

New starters may be set up incorrectly. Increased risk of fraudulent employees being included in payroll.

#### Recommendation

Details of all new starter set ups should be independently reviewed to ensure validity and accuracy.

#### Management response

Agree

- New starter procedure currently being developed;
- Evidence now kept of all new starters entered into the Payroll system, including accurate data; and
- New process for audit review of all new starter set-up's in Practical, entered by Payroll Officer, verified by Senior Finance Officer.

Person responsible:	Date (to be) actioned:
[staff/role]	[date]



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## Current year matters

### Issue 1: Rural fire-fighting equipment not recognised in the financial statements

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Almost Certain	High	Yes	Reporting	<b>1</b> High

#### Observation

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

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

The following are indicators of 'control' by Council:

- the Rural Fires Act 1997 vests rural fire-fighting equipment to council, giving Council the legal ownership
- the service agreement governs how the RFS can use these assets for fire mitigation and safety works in a council area
- as land owner, Council has responsibility for fire mitigation and safety works under the Rural Fires Act 1997
- Council is responsible for maintaining the assets but has transferred this responsibility to the RFS through the service agreement
- in the event of the loss of an asset, the insurance proceeds are used to reacquire or build a similar asset, which is again vested in Council.

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

#### Implications

The financial statements are misstated as rural fire-fighting equipment is not recorded.

#### Recommendation

We recommend that council should:

- perform a full asset stocktake of rural fire-fighting equipment that it controls, including assessing the condition of these assets
- record the rural fire-fighting equipment in the asset register and the financial statements.

#### Management response

Disagree

Bairanald Shire Council does not recognise the Rural Firefighting equipment in the financial statements as they have transferred essentially all the rights and obligations in relation to the operation of firefighting equipment to the New South Wales Rural Fire Service. Firefighting equipment, operation and maintenance is the responsibility of the Commissioner. Council has no right of use for assets and has no part in determining how assets are utilised.

Council believes that the criteria of asset recognition included in the AASB Accounting Framework and Standards are considered that the New South Wales Rural Fire Service retains control of the Fire-fighting equipment.

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**Person responsible:**

**Date (to be) actioned:**

N/A

N/A

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## Issue 2: Fixed assets register

Likelihood	Consequence	Systemic Issue	Category	Risk assessment
Possible	Medium	Yes	Reporting	 Moderate

### Observation

Council maintains the fixed assets register in spreadsheets. There are no controls in place to reduce errors when using spreadsheets for this purpose.

### Implications

There is a higher risk of error and data loss where financial records are maintained in spreadsheets with inadequate safeguards in place.

### Recommendation

Management should implement controls to prevent error and data loss.

Management should consider implementing an asset management system capable of maintaining detailed fixed assets registers for all asset categories.

### Management response

Agree

Person responsible:	Date (to be) actioned:
[staff/role]	[date]

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## Appendix

### Review of matters raised in prior year management letters that have been addressed

The issues in this appendix were raised in previous management letters. For each of these issues, we have determined how management has addressed the issue in the current year.

Prior issues raised	Risk assessment	Assessment of action taken	Recommendation
Information Technology general controls <ul style="list-style-type: none"> <li>• Password parameters in place for the key financial system, Practical Plus, does not meet best practice guidelines.</li> </ul>	⚠ Moderate	Matter has been addressed by management	Nil as matter addressed
Bank signatories	⚠ Moderate	Matter has been addressed by management	Nil as matter addressed
Improvement opportunities – governance and cyber security: <ul style="list-style-type: none"> <li>• Council does not have a draft Fraud Control Plan;</li> <li>• Council has a gift and benefits policy. However, the policy does not: <ul style="list-style-type: none"> <li>- Address conflicts of interest;</li> <li>- Outline measures to be taken when an employee breaches the policy; and</li> <li>- Cover the Mayor and Councillors (in addition to employees).</li> </ul> </li> </ul>	⚠ Moderate	Matter has been addressed by management	Nil as matter addressed
Outdated investment policy	✅ Low	Matter has been addressed by management	Nil as matter addressed

External and Internal Restrictions - Balranald Shire Council
--

<i>Details of Restrictions</i>	Balance as at 30 June 2021	Comments	Proposed Balance as at 1 July 2021
<b>External Restrictions - Included in Liabilities</b>			
Specific purpose unexpended grants - General Fund	\$ 3,061,236	See Report to December C/M	3,061,236
Specific purpose unexpended grants - Water Fund	5,965	See Report to December C/M	5,965
<b>External Restrictions - Other</b>			
Specific purpose unexpended grants - General Fund	548,517	See Report to December C/M	548,517
Water Supplies	2,198,000		2,198,000
Sewerage Services	1,028,000		1,028,000
Domestic Waste Management	616,066		616,066
	<b>\$ 7,457,785</b>		<b>\$ 7,457,785</b>
<b>Internal Restrictions</b>			
Plant and Vehicle replacement	366,104		366,104
Infrastructure replacement	214,000		469,405
Employee Leave Entitlements	269,000		269,000
Deposit, retentions and bonds	127,842		127,842
Caravan Park	139,368		139,368
Euston Cemetery	14,466	Transferred to Future Development Fund	-
Gravel pits rehabilitation	234,065		234,065
Hostel bonds	1,747,060		1,747,060
Hostel - Other	32,935	See Report to December C/M	63,530
Self Care unit bonds	140,000		140,000
Health	6,000	Transferred to Future Development Fund	-
Lake Benanee capital improvements	1,126	Transferred to Future Development Fund	-
Other assets replacement	286,000	Transferred to Infrastructure Replacement	-
Town Clock	3,000	Transferred to Future Development Fund	-
Financial Assistance Grant Funds	2,290,600		2,290,600
Future Development Fund	414,864		441,456
Berrett Park Revitalisation	2,000	Transferred to Future Development Fund	-
	<b>\$ 6,288,430</b>		<b>\$ 6,288,430</b>
<b>Summary</b>			
<b>External Restrictions</b>	<b>7,457,785</b>		<b>7,457,785</b>
<b>Internal Restrictions</b>	<b>6,288,430</b>		<b>6,288,430</b>
	<b>\$ 13,746,215</b>		<b>\$ 13,746,215</b>