



Annual Financial Statements

For the year ended 30 June 2021



LEETON
SHIRE COUNCIL

General Purpose Financial Statements

For the year ended 30 June 2021



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SHIRE COUNCIL

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

23-25 Chelmsford Place
Leeton NSW 2705

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.leeton.nsw.gov.au.

Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

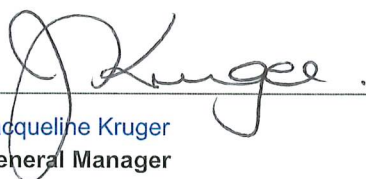
Signed in accordance with a resolution of Council made on 27 October 2021.



Cr Paul Maytom
Mayor



Cr George Weston
Councillor



Jacqueline Kruger
General Manager



Lawrence Amato
Responsible Accounting Officer

Leeton Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Income from continuing operations				
13,623	Rates and annual charges	B2-1	13,439	13,012
7,612	User charges and fees	B2-2	7,745	9,803
1,654	Other revenue	B2-3	807	1,310
5,104	Grants and contributions provided for operating purposes	B2-4	8,618	6,439
9,717	Grants and contributions provided for capital purposes	B2-4	6,926	3,935
859	Interest and investment income	B2-5	681	888
297	Other income	B2-6	286	305
615	Net gains from the disposal of assets	B4-1	—	—
39,481	Total income from continuing operations		38,502	35,692
Expenses from continuing operations				
12,164	Employee benefits and on-costs	B3-1	12,352	11,524
10,986	Materials and services	B3-2	13,316	11,157
94	Borrowing costs	B3-3	119	82
6,301	Depreciation, amortisation and impairment for non-financial assets	B3-4	7,268	6,173
244	Other expenses	B3-5	2,904	196
—	Net losses from the disposal of assets	B4-1	42	122
29,789	Total expenses from continuing operations		36,001	29,254
9,692	Operating result from continuing operations		2,501	6,438
9,692	Net operating result for the year attributable to Council		2,501	6,438
(25)	Net operating result for the year before grants and contributions provided for capital purposes		(4,425)	2,503

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

Leeton Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Net operating result for the year – from Income Statement		2,501	6,438
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	C1-6	24,872	54,061
Other movements in reserves – Intangible Assets Revaluation	C1-7	(54)	28
Total items which will not be reclassified subsequently to the operating result		24,818	54,089
Total comprehensive income for the year attributable to Council		27,319	60,527

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

Leeton Shire Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	13,132	10,863
Investments	C1-2	26,150	28,500
Receivables	C1-4	2,637	2,200
Inventories	C1-5	1,205	982
Other		59	68
Total current assets		43,183	42,613
Non-current assets			
Investments	C1-2	7,700	10,850
Receivables	C1-4	45	76
Infrastructure, property, plant and equipment	C1-6	299,890	266,594
Intangible Assets	C1-7	8,316	8,371
Total non-current assets		315,951	285,891
Total assets		359,134	328,504
LIABILITIES			
Current liabilities			
Payables	C3-1	2,742	2,649
Contract liabilities	C3-2	2,405	2,312
Borrowings	C3-3	464	442
Employee benefit provisions	C3-4	2,621	2,405
Total current liabilities		8,232	7,808
Non-current liabilities			
Borrowings	C3-3	2,851	3,316
Employee benefit provisions	C3-4	277	261
Provisions	C3-5	3,336	—
Total non-current liabilities		6,464	3,577
Total liabilities		14,696	11,385
Net assets		344,438	317,119
EQUITY			
Accumulated surplus		132,870	130,369
IPPE revaluation reserve		211,568	186,750
Council equity interest		344,438	317,119
Total equity		344,438	317,119

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

Leeton Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		130,369	186,750	317,119	125,414	132,661	258,075
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(1,483)	–	(1,483)
Net operating result for the year		2,501	–	2,501	6,438	–	6,438
Restated net operating result for the period		2,501	–	2,501	6,438	–	6,438
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	24,872	24,872	–	54,061	54,061
– Gain (loss) on revaluation of Intangible Assets		–	(54)	(54)	–	28	28
Other comprehensive income		–	24,818	24,818	–	54,089	54,089
Total comprehensive income		2,501	24,818	27,319	6,438	54,089	60,527
Closing balance at 30 June		132,870	211,568	344,438	130,369	186,750	317,119

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

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
13,624	Rates and annual charges		13,359	13,358
7,617	User charges and fees		6,891	8,943
859	Investment and interest revenue received		780	1,181
14,220	Grants and contributions		18,537	12,268
–	Bonds, deposits and retention amounts received		–	32
2,151	Other		1,569	1,159
<i>Payments:</i>				
(12,262)	Employee benefits and on-costs		(13,237)	(11,214)
(8,058)	Materials and services		(14,722)	(10,223)
(94)	Borrowing costs		(126)	(76)
–	Bonds, deposits and retention amounts refunded		(8)	–
(1,760)	Other		86	(128)
16,297	Net cash flows from operating activities	G1-1a	13,129	15,300
Cash flows from investing activities				
<i>Receipts:</i>				
2,000	Sale of investment securities		5,500	1,960
50	Sale of real estate assets		155	200
615	Sale of infrastructure, property, plant and equipment		565	272
25	Deferred debtors receipts		60	5
<i>Payments:</i>				
(18,591)	Purchase of infrastructure, property, plant and equipment		(16,321)	(12,151)
–	Purchase of real estate assets		(376)	(411)
(5)	Deferred debtors and advances made		–	–
(15,906)	Net cash flows used in investing activities		(10,417)	(10,125)
Cash flows from financing activities				
<i>Receipts:</i>				
1,900	Proceeds from borrowings		–	2,449
<i>Payments:</i>				
(442)	Repayment of borrowings		(443)	(325)
1,458	Net cash flows from financing activities		(443)	2,124
1,849	Net change in cash and cash equivalents		2,269	7,299
(1,888)	Cash and cash equivalents at beginning of year		10,863	3,564
(39)	Cash and cash equivalents at end of year	C1-1	13,132	10,863
37,408	plus: Investments on hand at end of year	C1-2	33,850	39,350
37,369	Total cash, cash equivalents and investments		46,982	50,213

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

Leeton 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 22 September 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 financial assets and liabilities and certain classes of infrastructure, property, plant and equipment.

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of intangible assets – refer Note C1-7
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- iii. estimated landfill remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

Council reviewed receivables for impairment and found there to be minimal impairments – 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.

The Consolidated Fund has been included in the financial statements of the Council.

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

- General purpose operations
- Water service
- Sewerage service

A1-1 Basis of preparation (continued)

The Trust Fund

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

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

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 relies on the commitment made by volunteers to help run some of its venues and events. These volunteer services are not recognised in Council's Income Statement as they would not be purchased if not donated and they are deemed to be immaterial.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note G3-1.

Covid 19 Impacts

The Covid 19 pandemic caused only minimal inconvenience to Council's business practices during the period and has not resulted in significant additional costs.

Rate collections were effectively halted for the period 13 May 2020 to 26 September 2020 in response to the addition of Section 747AB to the *Local Government Act 1993*. Debt collection of other receivables has also been impacted.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Functions or activities										
Governance	–	–	228	253	(228)	(253)	–	–	–	–
Administration	12,620	12,630	4,088	4,262	8,532	8,368	4,170	4,004	35,176	36,001
Public order and safety	177	312	636	605	(459)	(293)	118	247	1,364	1,348
Health	25	26	73	92	(48)	(66)	–	–	–	–
Environment	2,915	3,162	5,765	2,719	(2,850)	443	74	247	6,800	6,141
Community services and education	2,195	1,895	2,215	2,054	(20)	(159)	434	200	5,184	5,098
Housing and community amenities	785	653	1,247	944	(462)	(291)	280	186	29,307	28,630
Water supplies	4,910	5,269	4,157	3,987	753	1,282	69	92	59,852	42,547
Sewerage services	3,401	3,214	2,797	2,708	604	506	11	129	46,896	39,121
Recreation and culture	4,930	1,838	5,866	4,568	(936)	(2,730)	4,383	1,350	34,968	31,313
Mining, manufacturing and construction	95	82	217	209	(122)	(127)	–	–	99	775
Transport and communication	6,304	6,525	7,728	6,224	(1,424)	301	5,962	3,919	136,347	134,663
Economic affairs	145	86	984	629	(839)	(543)	43	–	3,141	2,867
Total functions and activities	38,502	35,692	36,001	29,254	2,501	6,438	15,544	10,374	359,134	328,504

B1-2 Components of functions or activities

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

Governance

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

Administration

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

Public order and safety

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

Health

Includes inspection, food control, administration.

Environment

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

Community services and education

Includes administration social protection (welfare); migrant, youth services; aged and disabled persons services; 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 aged persons.

Water supplies

Includes the supply of water services.

Sewerage services

Includes the supply of sewerage services.

Recreation and culture

Includes public libraries; museums; community centres and halls, 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.

Transport and communication

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

Economic affairs

Includes camping areas, tourism and area promotion; industrial development promotion; events; real estate development and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

	2021 \$ '000	2020 \$ '000
Ordinary rates		
Residential	4,112	3,913
Farmland	3,009	2,967
Business	463	429
Less: pensioner rebates (mandatory)	(91)	(93)
Less: pensioner rebates (Council policy)	(164)	(167)
Rates levied to ratepayers	7,329	7,049
Pensioner rate subsidies received	90	93
Total ordinary rates	7,419	7,142
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,229	1,246
Stormwater management services	91	91
Water supply services	1,575	1,496
Sewerage services	2,510	2,443
Waste management services (non-domestic)	176	170
Other	–	10
Recycling	587	562
Trade waste	17	18
Less: pensioner rebates (mandatory)	(90)	(92)
Less: pensioner rebates (Council policy)	(165)	(166)
Annual charges levied	5,930	5,778
Pensioner subsidies received:		
– Water	36	37
– Sewerage	29	30
– Domestic waste management	25	25
Total annual charges	6,020	5,870
Total rates and annual charges	13,439	13,012

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is 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 in substance a rates payment.

B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	2,924	3,100
Sewerage services	1	768	423
Total specific user charges		3,692	3,523
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	2	57	48
Inspection services	2	10	14
Private works – section 67	1	16	37
Regulatory/ statutory fees	2	23	11
Registration fees	2	14	16
Section 10.7 certificates (EP&A Act)	2	24	22
Section 603 certificates	2	30	20
Tapping fees	2	15	47
Town planning	2	159	136
Total fees and charges – statutory/regulatory		348	351
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	250	216
Child care	1	1,716	1,634
Employee Contributions (FBT reduction) – Council vehicles	2	81	84
Library and art gallery	2	11	12
Transport for NSW works (state roads not controlled by Council)	1	334	2,582
Swimming centres	2	43	102
Tourism	2	60	46
Waste disposal tipping fees	2	722	821
Golf course	2	333	281
Roxy theatre	2	38	76
Stadium	2	84	48
User group contributions	2	12	13
Other	2	21	14
Total fees and charges – other		3,705	5,929
Total user charges and fees		7,745	9,803
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		5,758	7,776
User charges and fees recognised at a point in time (2)		1,987	2,027
Total user charges and fees		7,745	9,803

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
Fines – other	2	25	44
Legal fees recovery – rates and charges (extra charges)	2	–	44
Commissions and agency fees	2	1	1
Diesel rebate	2	50	51
Insurance claims recoveries	2	32	62
Recycling income (non-domestic)	2	40	56
Sales – general	2	294	113
Sale of Investment Water	2	164	767
Donations and sponsorship received	2	19	1
Child care operations	2	4	16
Insurance rebates	2	–	32
Other	2	178	123
Total other revenue		807	1,310

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	807	1,310
Total other revenue	807	1,310

Accounting policy for other revenue

Where the revenue relates to a contract with a customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, whichever is earlier.

B2-4 Grants and contributions

	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,684	1,643	–	–
Financial assistance – local roads component	2	532	548	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,802	1,742	–	–
Financial assistance – local roads component	2	569	580	–	–
Amount recognised as income during current year		4,587	4,513	–	–

Special purpose grants and non-developer contributions (tied)

Cash contributions

Previously specific grants:

Domestic waste management		–	–	20	180
– Water		36	–	–	–
Sewerage services		–	–	–	53
Child care	1	142	142	167	–
Community care	2	18	45	45	–
Economic development	2	172	582	–	–
Employment and training programs	2	57	31	–	–
Environmental programs		2	–	–	–

B2-4 Grants and contributions (continued)

	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Heritage and cultural	2	12	15	510	581
Library	2	1	1	–	–
Library – per capita	2	63	66	–	–
Library – special projects	2	14	–	–	–
LIRS subsidy	2	33	51	6	–
Noxious weeds	2	50	50	–	–
NSW rural fire services	2	75	75	43	168
Recreation and culture	2	1,272	350	3,016	333
Youth services	2	10	2	–	–
Street lighting	2	64	61	–	–
Transport (roads to recovery)	1	–	–	985	985
Transport (other roads and bridges funding)	1	1,708	49	511	563
Other specific grants	2	52	19	489	–
Previously contributions:					
Other councils – joint works/services	1	–	–	–	594
Roads and bridges	1	–	–	746	198
Transport for NSW contributions (regional roads, block grant)	2	250	387	137	–
Sewerage (excl. section 64 contributions)	2	–	–	–	22
Water supplies (excl. section 64 contributions)	2	–	–	18	40
Total special purpose grants and non-developer contributions – cash		4,031	1,926	6,693	3,717
Total special purpose grants and non-developer contributions (tied)		4,031	1,926	6,693	3,717
Total grants and non-developer contributions		8,618	6,439	6,693	3,717
Comprising:					
– Commonwealth funding		4,644	4,536	2,657	53
– State funding		3,928	1,477	3,974	2,810
– Other funding		46	426	62	854
		8,618	6,439	6,693	3,717

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):		G4				
Cash contributions						
S94A – fixed development consent levies		2	–	–	205	100
S 64 – water supply contributions		2	–	–	15	52
S 64 – sewerage service contributions		2	–	–	11	54
S 64 – stormwater contributions		2	–	–	2	12
Total developer contributions – cash			–	–	233	218
Total developer contributions			–	–	233	218
Total contributions			–	–	233	218
Total grants and contributions			8,618	6,439	6,926	3,935
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	6,467	3,422
Grants and contributions recognised at a point in time (2)			8,618	6,439	459	513
Total grants and contributions			8,618	6,439	6,926	3,935

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
Unspent grants and contributions				
Unspent funds at 1 July	661	2,332	1,809	1,429
Reclassification to Operating from Capital Grant	–	231	–	(231)
Add: Funds received and not recognised as revenue in the current year	165	614	1,826	1,515
Less: Funds received in prior year but revenue recognised and funds spent in current year	(345)	(2,516)	(1,634)	(904)
Unspent funds at 30 June	481	661	2,001	1,809
Contributions				
Unspent funds at 1 July	507	412	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	238	95	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(64)	–	–	–
Unspent contributions at 30 June	681	507	–	–

Accounting policy

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

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

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 are recognised at the assets 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.

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

B2-4 Grants and contributions (continued)

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

Contributions

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

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	29	56
– Cash and investments	646	829
– Deferred debtors	6	3
Total interest and investment income (losses)	681	888
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	15	28
General Council cash and investments	322	249
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	5	3
– Section 64	–	1
Water fund operations	189	333
Sewerage fund operations	103	172
Domestic waste management operations	47	102
Total interest and investment income	681	888

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
Rental income			
Other lease income			
Office Space / commercial / land		138	159
Housing		129	137
Other lease income		19	9
Total Other lease income		286	305
Total rental income	C2-2	286	305
Total other income		286	305

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	10,599	9,766
Travel expenses	20	53
Employee leave entitlements (ELE)	1,090	1,018
Superannuation	1,139	1,052
Workers' compensation insurance	183	126
Fringe benefit tax (FBT)	16	54
Payroll tax	18	37
Training costs (other than salaries and wages)	142	141
Protective clothing	33	35
Relocation Cost	7	—
Other	54	35
Total employee costs	13,301	12,317
Less: capitalised costs	(949)	(793)
Total employee costs expensed	12,352	11,524
Number of 'full-time equivalent' employees (FTE) at year end	146	140
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	151	147

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		24,474	18,559
Contractor and consultancy costs			
– Garbage collection charges		803	810
– Contractor and consultancy costs – Administration		57	145
– Contractor and consultancy costs – Building & Planning		34	19
– Contractor and consultancy costs – Engineering		68	172
– Other contractor and consultancy costs		293	286
Audit Fees ¹	F2-1	20	101
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	175	194
Advertising		64	88
Bank charges		75	71
Electricity and heating		540	591
Insurance		375	347
Office expenses (including computer expenses)		352	348
Postage		32	36
Printing and stationery		144	87
Street lighting		241	256
Subscriptions and publications		163	138
Telephone and communications		229	236
Valuation fees		73	39
Commissions / agency fees		29	28
Licences and permits		10	26
Regional arts board		13	12
Other expenses		25	–
Legal expenses:			
– Legal expenses: planning and development		1	16
– Legal expenses: debt recovery		–	44
– Legal expenses: other		84	26
Expenses from leases of low value assets		2	2
Film and other hire expenses		18	35
Water purchases		187	218
Total materials and services		28,581	22,930
Less: capitalised costs		(15,265)	(11,773)
Total materials and services		13,316	11,157

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
(i) Interest bearing liability costs		
Interest on loans	119	82
Total interest bearing liability costs	119	82
Total interest bearing liability costs expensed	119	82
(ii) Other borrowing costs		
– Remediation liabilities	–	–
Total borrowing costs expensed	119	82

Accounting policy

Borrowing costs are expensed when incurred.

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		696	684
Office Furniture and Equipment		122	81
Land improvements (depreciable)		39	35
Infrastructure:	C1-6		
– Buildings – non-specialised		5	5
– Buildings – specialised		916	853
– Other structures		363	368
– Roads		2,818	2,322
– Bridges		75	37
– Footpaths		145	70
– Stormwater drainage		306	125
– Water supply network		891	875
– Sewerage network		871	705
Other assets:			
– Other		21	13
Total gross depreciation and amortisation costs		7,268	6,173
Total depreciation and amortisation costs		7,268	6,173
Total depreciation, amortisation and impairment for non-financial assets		7,268	6,173

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.

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
Other		–	4
Total impairment of receivables	C1-4	–	4
Other			
Contributions/levies to other levels of government			
Contributions/levies to other levels of government		8	–
– Emergency services levy (includes FRNSW, SES, and RFS levies)		22	18
– NSW fire brigade levy		37	33
– NSW rural fire service levy		125	113
Donations, contributions and assistance to other organisations (Section 356):			
– Annual donations		23	20
– Discretionary donations, contributions and assistance		20	8
Remediation liability		2,669	–
Total other		2,904	192
Total other expenses		2,904	196

Accounting policy

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

Impairment expenses are recognised when identified.

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

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		565	272
Less: carrying amount of plant and equipment assets sold/written off		(630)	(396)
Gain (or loss) on disposal		(65)	(124)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		155	200
Less: carrying amount of real estate assets sold/written off		(132)	(198)
Gain (or loss) on disposal		23	2
Net gain (or loss) on disposal of assets		(42)	(122)

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

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	13,623	13,439	(184)	(1)% U
User charges and fees	7,612	7,745	133	2% F
Other revenues	1,654	807	(847)	(51)% U
Other revenues are down in most areas most notably "Sales of Investment Water" was \$337k under budget and "Art Deco Festival Income" was down \$82k due to the cancellation of the event.				
Operating grants and contributions	5,104	8,618	3,514	69% F
Council has been particularly successful in securing grant funding for our projects. There are two major operating grants received by Council which were unbudgeted. These are \$1.27m for the grandstand and \$1.8m for the bridge over Sturt canal. Neither of these assets belong to Council.				
Capital grants and contributions	9,717	6,926	(2,791)	(29)% U
While Council has secured a record amount of grant funding a portion of this funding was budgeted as capital but was operating in nature, \$1.8m for the Sturt Canal bridge, further not all capital funds received are yet recorded with balances of unspent grant liabilities recorded under Contract Liabilities.				
Interest and investment revenue	859	681	(178)	(21)% U
Investment returns have been well down on expectations due to falling interest rates.				
Net gains from disposal of assets	615	–	(615)	(100)% U
The net position for sale of assets was a loss.				
Other income	297	286	(11)	(4)% U

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	12,164	12,352	(188)	(2)% U
Materials and services	10,986	13,316	(2,330)	(21)% U
The major contributors to this budget variation are the two projects to renew non Council assets being the Grandstand \$1.3m and the Sturt Canal bridge \$2.7m.				
Borrowing costs	94	119	(25)	(27)% U
The variation to budget is due to the underestimation of the interest on the Leeton Swimming Pool loan.				
Depreciation, amortisation and impairment of non-financial assets	6,301	7,268	(967)	(15)% U
The original budget for depreciation and amortisation could not take into account the increase in depreciation following the increase in valuation of Council's network of Roads, Footpaths, Stormwater and Bridges. This change in valuation meant an increase in depreciation of approximately \$900k.				
Other expenses	244	2,904	(2,660)	(1,090)% U
Other Expenses includes the initial recognition of the Landfill Rehabilitation provision of \$2.6m which covers 10 years of provision. Without this item "Other Expenses" are \$235k which is 4% under the \$245k budget.				
Net losses from disposal of assets	–	42	(42)	∞ U
No loss on disposal was budgeted				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	16,297	12,483	(3,814)	(23)% U
The decrease in cash from operating activities relates to the two large projects undertaken by Council that were originally budgeted as capital but are operating in nature.				
Cash flows from investing activities	(15,906)	(9,771)	6,135	(39)% F
The increase in cash from operating activities relates to the two large projects undertaken by Council that were originally budgeted as capital but are operating in nature.				
Cash flows from financing activities	1,458	(443)	(1,901)	(130)% U
The original budget included a new loan of \$1.9m. This loan was not sought.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	1,566	2,837
Cash-equivalent assets		
– Deposits at call	11,566	8,026
Total cash and cash equivalents	13,132	10,863
 Total cash and cash equivalents per Statement of Financial Position	 13,132	 10,863
Balance as per the Statement of Cash Flows	13,132	10,863

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
Debt securities at amortised cost				
Long term deposits	25,500	4,000	28,500	6,500
FRN's (with maturities > 3 months)	650	3,700	–	4,350
Total	26,150	7,700	28,500	10,850
Total financial investments	26,150	7,700	28,500	10,850
Total cash assets, cash equivalents and investments	39,282	7,700	39,363	10,850

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at fair value through profit or loss comprise of investments held as Floating Rate Notes in the Statement of Financial Position.

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

C1-3 Restricted cash, cash equivalents and investments

	2021 Current	2021 Non-current	2020 Current	2020 Non-current
--	-----------------	---------------------	-----------------	---------------------

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

	\$ '000	\$ '000	\$ '000	\$ '000
attributable to:				
External restrictions	25,926	7,700	22,203	10,850
Internal restrictions	11,417	–	15,985	–
Unrestricted	1,939	–	1,175	–
	39,282	7,700	39,363	10,850
Total cash, cash equivalents and investments	39,282	7,700	39,363	10,850

	2021	2020
	\$ '000	\$ '000

Details of restrictions**External restrictions**

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

Developer contributions – general	651	479
Developer contributions – water fund	30	28
Specific purpose unexpended grants – general fund	2,482	2,470
Water fund	16,757	15,896
Water supplies – retention	–	1
Water supplies – carry over works	375	638
Sewer fund	7,615	6,502
Sewerage services – carry over works	1,792	1,891
Stormwater management	76	298
Deposits, retention and bonds	331	331
Un-expended Loan Funds	–	1,281
Domestic waste management	898	3,238
DWM - Landfill Provision	2,619	–
External restrictions	33,626	33,053

Total external restrictions

33,626	33,053
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Internal restrictions

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

Plant and vehicle replacement	2,000	1,961
Infrastructure replacement	2,000	2,746
Employees leave entitlement	1,328	2,113
Unfinished Works	–	2,368
Buildings	1,000	676
Childcare centre	200	231
Community services – Youth	–	16
Emergency services	–	30
Aged housing	–	116
Insurance	–	41
Workers compensation equalisation	165	397
Aerodrome	200	315
Roads general	2,000	2,281
Roxy theatre	–	102
Stadium	–	12
Sportsgrounds improvements	300	265
Swimming pool	950	1,044
Land development	800	715
Renewable Energy Efficiencies	120	100
Cemetery Expansion	–	100
Leeton Museum & Art Gallery	300	150

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

	2021	2020
	\$ '000	\$ '000
Computer & Office Equipment	–	50
Community Grant Schemes	–	6
Valuation Reserve	–	40
Election Reserve	–	110
Mainstreet Project - Facade Painting	54	–
Total internal restrictions	11,417	15,985
Total restrictions	45,043	49,038

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

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	441	–	182	–
Interest and extra charges	49	–	78	–
User charges and fees	1,380	–	550	–
Accrued revenues				
– Interest on investments	267	–	337	–
– Other income accruals	45	–	428	–
Deferred debtors	65	45	71	76
Government grants and subsidies	54	–	193	–
Net GST receivable	352	–	377	–
Total	2,653	45	2,216	76
Less: provision of impairment				
Rates and annual charges	(11)	–	(11)	–
User charges and fees	(5)	–	(5)	–
Total provision for impairment – receivables	(16)	–	(16)	–
Total net receivables	2,637	45	2,200	76
Externally restricted receivables				
Water supply				
– Water Consumption Charges	327	–	284	–
– Rates and availability charges	78	–	64	–
– Other	27	4	19	25
Sewerage services				
– Accrued Income	117	–	126	–
– Rates and availability charges	57	–	84	–
– Other	42	10	51	4
Total external restrictions	648	14	628	29
Unrestricted receivables	1,989	31	1,572	47
Total net receivables	2,637	45	2,200	76

	2021 \$ '000	2020 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year	16	16
Balance at the end of the year	16	16

C1-4 Receivables (continued)

Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- 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 2 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.

COVID-19

Council's rates and user charges have not been significantly impacted by the COVID-19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision.

Cashflows and interest income may have been impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until 30 September 2020 and no interest can be charged until after 31 December 2020.

The impact this may have is not able to be measured at this stage however it is not expected to be significant.

C1-5 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	1,087	–	866	–
Stores and materials	118	–	116	–
Total inventories at cost	1,205	–	982	–
Total inventories	1,205	–	982	–

C1-5 Inventories (continued)

(i) Other disclosures

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(a) Details for real estate development					
Residential		41	–	41	–
Industrial/commercial		1,023	–	802	–
Other properties		23	–	23	–
Total real estate for resale		1,087	–	866	–

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

Represented by:

Acquisition costs		890	–	558	–
Development costs		197	–	308	–
Total costs		1,087	–	866	–
Total real estate for resale		1,087	–	866	–

Movements:

Real estate assets at beginning of the year		866	–	603	–
– Purchases and other costs		353	–	411	–
– Transfers to and from Land Assets		–	–	50	–
– WDV of sales (expense)	B4-1	(132)	–	(198)	–
Total real estate for resale		1,087	–	866	–

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

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

	2021 \$ '000	2020 \$ '000
Real estate for resale	878	524
	878	524

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.

Real Estate held for resale

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Write-off Assets decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	4,885	–	4,885	1,964	1,135	–	–	(3,979)	(236)	–	–	3,769	–	3,769
Plant and equipment	8,051	(1,155)	6,896	–	865	(630)	(696)	–	–	–	–	8,095	(1,660)	6,435
Office Furniture & Equipment	585	(119)	466	–	525	–	(122)	160	–	–	–	1,271	(242)	1,029
Land:														
– Operational land	5,148	–	5,148	–	–	–	–	–	–	–	–	5,148	–	5,148
– Community land	8,029	–	8,029	–	–	–	–	–	–	–	–	8,029	–	8,029
Land improvements – depreciable	1,706	(574)	1,132	28	–	–	(39)	29	–	–	–	1,763	(613)	1,150
Infrastructure:														
– Buildings – non-specialised	209	(10)	199	–	–	–	(5)	–	–	–	–	209	(15)	194
– Buildings – specialised	28,079	(1,683)	26,396	298	458	–	(916)	704	–	–	–	29,539	(2,599)	26,940
– Other structures	7,736	(695)	7,041	3,600	313	–	(363)	1,026	–	–	–	12,675	(1,058)	11,617
– Roads	77,209	(1,087)	76,122	2,621	2,532	–	(2,818)	431	–	–	1,133	82,839	(2,818)	80,021
– Bridges	4,639	–	4,639	–	–	–	(75)	–	–	–	–	4,639	(75)	4,564
– Footpaths	7,736	–	7,736	51	–	–	(145)	–	–	–	–	7,787	(145)	7,642
– Bulk earthworks (non-depreciable)	38,930	–	38,930	–	–	–	–	–	–	–	–	38,930	–	38,930
– Stormwater drainage	25,706	–	25,706	273	152	–	(306)	250	–	–	–	26,380	(305)	26,075
– Water supply network	58,985	(35,130)	23,855	933	–	–	(891)	789	–	–	16,563	88,032	(46,783)	41,249
– Sewerage network	66,752	(37,428)	29,324	109	–	–	(871)	590	–	–	7,176	62,150	(25,822)	36,328
Other assets:														
– Other assets	113	(23)	90	–	34	–	(21)	–	–	–	–	147	(44)	103
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	–	–	–	–	667	–	–	–	–	–	–	667	–	667
Total infrastructure, property, plant and equipment	344,498	(77,904)	266,594	9,877	6,681	(630)	(7,268)	–	(236)	–	24,872	382,069	(82,179)	299,890

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Tfrs from/(to) real estate assets (Note C1-5) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	2,688	–	2,688	2,688	1,390	–	–	(1,832)	–	(50)	–	4,885	–	4,885
Plant and equipment	7,131	(550)	6,581	–	1,395	(396)	(684)	–	–	–	–	8,051	(1,155)	6,896
Office equipment	368	(39)	329	–	203	–	(81)	14	–	–	–	585	(119)	466
Land:														
– Operational land	4,473	–	4,473	–	470	–	–	–	–	–	205	5,148	–	5,148
– Community land	8,029	–	8,029	–	–	–	–	–	–	–	–	8,029	–	8,029
Land improvements – depreciable	1,651	(539)	1,112	55	–	–	(35)	–	–	–	–	1,706	(574)	1,132
Infrastructure:														
– Buildings – non-specialised	232	(5)	227	12	–	–	(5)	–	35	–	–	209	(10)	199
– Buildings – specialised	25,166	(830)	24,336	988	50	–	(853)	365	(35)	–	1,475	28,079	(1,683)	26,396
– Other structures	7,485	(326)	7,159	170	26	–	(368)	54	–	–	–	7,736	(695)	7,041
– Roads	104,131	(29,815)	74,316	3,121	693	–	(2,322)	58	–	–	256	77,209	(1,087)	76,122
– Bridges	3,724	(684)	3,040	–	–	–	(37)	–	–	–	1,636	4,639	–	4,639
– Footpaths	6,390	(1,198)	5,192	41	284	–	(70)	–	–	–	2,289	7,736	–	7,736
– Bulk earthworks (non-depreciable)	8,706	–	8,706	–	–	–	–	–	–	–	30,224	38,930	–	38,930
– Stormwater drainage	10,498	(2,300)	8,198	156	–	–	(125)	–	–	–	17,477	25,706	–	25,706
– Water supply network	58,025	(33,933)	24,092	329	–	–	(875)	80	–	–	229	58,985	(35,130)	23,855
– Sewerage network	64,837	(36,377)	28,460	38	–	–	(705)	1,261	–	–	270	66,752	(37,428)	29,324
Other assets:														
– Other assets	73	(10)	63	–	40	–	(13)	–	–	–	–	113	(23)	90
– Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total infrastructure, property, plant and equipment	313,607	(106,606)	207,001	7,598	4,551	(396)	(6,173)	–	–	(50)	54,061	344,498	(77,904)	266,594

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

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

Accounting policy

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – 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 at significantly below fair value, 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:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 5		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 150
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Water Treatment Plants	30 to 70	Culverts	50 to 100
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	45 to 80		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	infinite
Sealed roads: structure	50	Swimming pools	60
Unsealed roads	20 to 150	Other open space/recreational assets	15 to 200
Bridge: concrete	100	Other infrastructure	15 to 100
Other Road Assets	40 to 100	Tip Assets	2 to 5
Road pavements	60		
Kerb, gutter and footpaths	100		

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 in accordance with AASB 1051 *Land Under Roads*.

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C1-2.

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

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

Rural Fire Service assets

Under Section 119 of the Rural Fire Services Act 1997 (NSW), "all firefighting equipment purchased or constructed wholly of 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 fire fighting equipment has been purchased or constructed".

However, pursuant to the Council's Rural Fire District Agreement with the Commissioner of the NSW Rural Fire Service, the Council has transferred substantially all of the rights and obligations in respect to all fire fighting equipment vested in the Council to the Commissioner for the foreseeable future. In accordance with the requirements of the Australian Accounting Standards and the Code of Accounting Practice, the Leeton Shire Council has continued not to recognise in their financial statements any rural firefighting plant and equipment assets that have been "vested" in Council.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land:	All purchases are capitalised, but land resumed for public works need not be capitalised if the resumption costs are less than \$5,000.
Buildings and Land Improvements:	Capital expenses totalling less than \$2,000 need not be capitalised.
Plant & Equipment and Office Furniture & Equipment:	Capital expenses totalling less than \$1,000 need not be capitalised.
Water & Sewer Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Stormwater Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Transport Assets:	Capital expense totalling less than \$10,000 on any road or other asset need not be capitalised.
Other Infrastructure Assets:	Capital expenses on swimming pools less than \$10,000 or on any other recreational asset less than \$1,000 need not be capitalised

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/21			as at 30/06/20		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	108	—	108	789	—	789
Plant and equipment	139	45	94	139	30	109
Office equipment	8	7	1	9	6	3
Buildings	846	103	743	846	68	778
Other structures	60	5	55	60	3	57
Infrastructure	88,032	46,783	41,249	58,985	35,130	23,855
Total water supply	89,193	46,943	42,250	60,828	35,237	25,591
Sewerage services						
WIP	292	—	292	601	—	601
Plant and equipment	285	87	198	281	57	224
Buildings	339	39	300	189	26	163
Other structures	159	14	145	159	8	151
Infrastructure	62,150	25,822	36,328	66,751	37,427	29,324
Total sewerage services	63,225	25,962	37,263	67,981	37,518	30,463
Domestic waste management						
Plant and equipment	379	94	285	379	78	301
Land						
– Operational land	494	—	494	494	—	494
– Improvements – depreciable	68	3	65	—	—	—
Buildings	505	7	498	—	—	—
Tip Assets	667	—	667	—	—	—
Total domestic waste management	2,113	104	2,009	873	78	795
Total restricted infrastructure, property, plant and equipment	154,531	73,009	81,522	129,682	72,833	56,849

C1-7 Intangible assets

Intangible assets are as follows:

	2021 \$ '000	2020 \$ '000
Water Licenses		
Opening values at 1 July		
Gross book value	8,371	8,343
Net book value – opening balance	8,371	8,343
Movements for the year		
– Revaluation	(55)	28
Closing values at 30 June		
Gross book value	8,316	8,371
Total Water Licences – net book value	8,316	8,371
 Total intangible assets – net book value	 8,316	 8,371

Accounting policy

Council holds a number of high and general security water licences which it recognises as an intangible asset.

- The water licences are individually tradable on the open water licence sales market.
- The licences were obtained principally through land acquisitions where the water licence was attached to the land.
- The water licences are individually tradable separate from the land and can be sold on a permanent or temporary basis.
- Income received from the sale of water entitlements are disclosed as other revenue.
- The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date.
- No amortisation costs are applicable, as high and general security licences have an indefinite life.
- Water licences purchased are initially recorded at cost and are revalued at least every 5 years based on market evidence.
- Water licences are tested for impairment annually based on market evidence. If the recoverable amount is less than the carrying amount the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

C2 Leasing activities

C2-1 Council as a lessee

Office equipment

Leases for office equipment are generally for low value assets. The leases are for 5 years with no renewal option, the payments are fixed.

(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	2	2
	2	2

(b) Statement of Cash Flows

Total cash outflow for leases	2	2
	2	2

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

C2-1 Council as a lessee (continued)

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. The right-of-use 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 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 no concessionary leases or below market value leases.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups, training providers, emergency services, businesses and individuals. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 *Investment Property* as they are held for strategic purposes.

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

	2021 \$ '000	2020 \$ '000
Operating lease expenses		
Operating expenses from property that generated rental income	400	413
Total expenses relating to operating leases	400	413
 Council does not lease any Property, Plant or Equipment .		
 Lease income (excluding variable lease payments not dependent on an index or rate)	286	305
Total income relating to operating leases for Council assets	286	305

C2-2 Council as a lessor (continued)

Reconciliation of IPPE assets leased out as operating leases

	Plant & Equipment 2021 \$ '000	Plant & Equipment 2020 \$ '000
Opening balance as at 1 July	4,694	2,579
Additions renewals	93	727
Depreciation expense	(178)	(185)
WIP transfers	93	98
Revaluation increments to equity (ARR)	–	1,475
Closing balance as at 30 June	4,702	4,694
	2021 \$ '000	2020 \$ '000

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

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

< 1 year	174	22
1–2 years	136	267
2–3 years	136	251
3–4 years	98	216
4–5 years	98	209
> 5 years	102	239
Total undiscounted lease payments to be received	744	1,204

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Goods and services	1,652	—	1,726	—
Accrued expenses:				
– Accrued Interest on Borrowings	28	—	35	—
– Salaries and wages	420	—	337	—
– Other expenditure accruals	130	—	210	—
Security bonds, deposits and retentions	333	—	341	—
Prepaid rates	179	—	—	—
Total payables	2,742	—	2,649	—
Total payables	2,742	—	2,649	—

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	1	—	13	—
Sewer	—	—	7	—
Payables relating to externally restricted assets	1	—	20	—
Total payables relating to restricted assets	1	—	20	—
Total payables relating to unrestricted assets	2,741	—	2,629	—
Total payables	2,742	—	2,649	—

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

		2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,744	—	1,515	—
Unexpended operating grants (enforceable contracts)	(ii)	294	—	406	—

C3-2 Contract Liabilities (continued)

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total grants received in advance		2,038	—	1,921	—
User fees and charges received in advance:					
Child Care Fees in Advance - Leeton					
Early Learning Centre	(iii)	8	—	10	—
Other		359	—	381	—
Total user fees and charges received in advance		367	—	391	—
Total contract liabilities		2,405	—	2,312	—

Notes

(i) Council has received funding to construct assets including Leeton Swimming Pool, Drought Relief Round #3 & CBD Enhancement Projects and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 1058 being an enforceable contract.

(iii) Childcare fees are paid 2 weeks in advance with 2 weeks notice required for non-attendance/cancellation. No option for refunds is available if the child does not attend. Parents sign an enrolment form that details all the relevant terms and conditions. Revenue is recognised as Council provides the service.

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,003	—	1,931	—
Contract liabilities relating to externally restricted assets	2,003	—	1,931	—
Total contract liabilities relating to unrestricted assets	402	—	381	—
Total contract liabilities	2,405	—	2,312	—

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

	2021 \$ '000	2020 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	238	666
Operating grants (received prior to performance obligation being satisfied)	1,371	572
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,609	1,238

C3-2 Contract Liabilities (continued)

Accounting policy

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

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	464	2,851	442	3,316
Total borrowings	464	2,851	442	3,316

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

Disclosures on liability interest rate risk exposures 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
Total borrowings relating to unrestricted assets	464	2,851	442	3,316
Total borrowings	464	2,851	442	3,316

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

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

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2020 Opening Balance \$ '000	Cash flows \$ '000	2021 Closing balance \$ '000
Loans – secured	3,758	(443)	3,315
Total liabilities from financing activities	3,758	(443)	3,315

	2019 Opening Balance \$ '000	Cash flows \$ '000	Non-cash movements Acquisition due to change in accounting policy \$ '000	2020 Closing balance \$ '000
Loans – secured	1,634	(325)	2,449	3,758
Total liabilities from financing activities	1,634	(325)	2,449	3,758

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Bank overdraft facilities ¹	545	545
Credit cards/purchase cards	50	50
Total financing arrangements	595	595
Drawn facilities		
– Credit cards/purchase cards	16	14
Total drawn financing arrangements	16	14
Undrawn facilities		
– Bank overdraft facilities	545	545
– Credit cards/purchase cards	34	36
Total undrawn financing arrangements	579	581

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Councils Loans are secured by future cash flows.

Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured by future cashflows of Council.

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

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that

C3-3 Borrowings (continued)

it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed when incurred.

C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	969	–	852	–
Long service leave	1,603	272	1,519	258
ELE on-costs	49	5	34	3
Total employee benefit provisions	2,621	277	2,405	261

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	1,621	1,416
	1,621	1,416

Description of and movements in provisions

	ELE provisions			
	Annual leave \$ '000	Long service leave \$ '000	ELE on-costs \$ '000	Total \$ '000
2021				
At beginning of year	852	1,777	37	2,666
Remeasurement effects	20	(11)	12	21
Other	97	109	5	211
Total ELE provisions at end of year	969	1,875	54	2,898
2020				
At beginning of year	723	1,711	45	2,479
Remeasurement effects	129	(192)	–	(63)
Other	–	258	(8)	250
Total ELE provisions at end of year	852	1,777	37	2,666

C3-4 Employee benefit provisions (continued)

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	—	3,336	—	—
Sub-total – asset remediation/restoration	—	3,336	—	—
Total provisions	—	3,336	—	—

Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	—	3,336	—	—
Provisions relating to externally restricted assets	—	3,336	—	—
Total provisions relating to restricted assets	—	3,336	—	—
Total provisions	—	3,336	—	—

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

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

Description of and movements in provisions

C3-5 Provisions (continued)

	Asset remediation \$ '000	Net carrying amount \$ '000
2021		
Initial recognition of Landfill Rehabilitation Provision	3,336	3,336
2020		
Initial recognition of Landfill Rehabilitation Provision	—	—

Accounting policy

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Water Licences

The reserve for high security water licences is used to record increments/decrements in the value of tradeable water licences.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	9,579	1,448	2,412
User charges and fees	3,866	3,042	837
Interest and investment revenue	387	191	103
Other revenues	671	126	10
Grants and contributions provided for operating purposes	8,517	72	29
Grants and contributions provided for capital purposes	6,883	32	11
Other income	286	–	–
Total income from continuing operations	30,189	4,911	3,402
Expenses from continuing operations			
Employee benefits and on-costs	9,294	1,900	1,158
Materials and services	11,286	1,311	719
Borrowing costs	119	–	–
Depreciation, amortisation and impairment of non-financial assets	5,402	946	920
Other expenses	2,904	–	–
Net losses from the disposal of assets	42	–	–
Total expenses from continuing operations	29,047	4,157	2,797
Operating result from continuing operations	1,142	754	605
Net operating result for the year	1,142	754	605
Net operating result attributable to each council fund	1,142	754	605
Net operating result for the year before grants and contributions provided for capital purposes	(5,741)	722	594

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	5,610	5,047	2,475
Investments	11,436	9,359	5,355
Receivables	2,005	416	216
Inventories	1,205	—	—
Other	55	4	—
Total current assets	20,311	14,826	8,046
Non-current assets			
Investments	3,367	2,756	1,577
Receivables	15	20	10
Infrastructure, property, plant and equipment	220,377	42,250	37,263
Intangible assets	8,316	—	—
Total non-current assets	232,075	45,026	38,850
TOTAL ASSETS	252,386	59,852	46,896
LIABILITIES			
Current liabilities			
Payables	2,741	1	—
Contract liabilities	2,405	—	—
Borrowings	464	—	—
Employee benefit provision	2,621	—	—
Total current liabilities	8,231	1	—
Non-current liabilities			
Borrowings	2,851	—	—
Employee benefit provision	277	—	—
Provisions	3,336	—	—
Total non-current liabilities	6,464	—	—
TOTAL LIABILITIES	14,695	1	—
Net assets	237,691	59,851	46,896
EQUITY			
Accumulated surplus	86,218	25,623	21,029
Revaluation reserves	151,473	34,228	25,867
Council equity interest	237,691	59,851	46,896
Total equity	237,691	59,851	46,896

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
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	13,132	10,863	13,132	10,863
Receivables	2,682	2,276	2,458	1,895
Investments				
– Debt securities at amortised cost	33,850	39,350	33,850	39,350
Total financial assets	49,664	52,489	49,440	52,108
Financial liabilities				
Payables	2,742	2,649	2,563	3,027
Loans/advances	3,315	3,758	3,315	3,759
Total financial liabilities	6,057	6,407	5,878	6,786

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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 with the assistance of independent advisors.

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

The risks associated with the instruments held are:

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

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

- **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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

	2021	2020
	\$ '000	\$ '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	467	334
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E1-1 Risks relating to financial instruments held (continued)

(b) Credit risk

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	258	1	1	2	–	262
2020						
Gross carrying amount	199	182	–	–	–	381

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	807	417	588	153	292	2,257
Expected loss rate (%)	0.00%	0.00%	1.50%	1.50%	1.50%	0.69%
ECL provision	–	–	9	2	4	15
2020						
Gross carrying amount	1,880	12	21	192	5	2,110
Expected loss rate (%)	0.00%	0.00%	1.50%	1.50%	1.50%	0.15%
ECL provision	–	–	–	5	–	5

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
2021							
Trade/other payables	0.00%	333	2,409	–	–	2,742	2,742
Loans and advances	3.50%	–	570	1,501	1,928	3,999	3,315
Total financial liabilities		333	2,979	1,501	1,928	6,741	6,057
2020							
Trade/other payables	0.00%	362	2,284	–	–	2,646	2,649
Loans and advances	4.06%	–	573	1,741	2,366	4,680	3,758
Total financial liabilities		362	2,857	1,741	2,366	7,326	6,407

Loan agreement breaches

There have been no breaches to loan agreements 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
- Intangibles

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).

E2-1 Fair value measurement (continued)

		Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements											
Infrastructure, property, plant and equipment	C1-6										
Plant and equipment		30/06/18	30/06/18	—	—	—	—	6,435	6,896	6,435	6,896
Office Furniture & Equipment		30/06/18	30/06/18	—	—	—	—	1,029	466	1,029	466
Operational land		30/06/18	30/06/18	—	—	5,148	5,148	—	—	5,148	5,148
Community land		30/06/18	30/06/18	—	—	—	—	8,029	8,029	8,029	8,029
Land improvements		30/06/18	30/06/18	—	—	—	—	1,150	1,132	1,150	1,132
Buildings – specialised		30/06/18	30/06/18	—	—	—	—	26,940	26,396	26,940	26,396
Buildings – non-specialised		30/06/18	30/06/18	—	—	194	199	—	—	194	199
Other structures		30/06/18	30/06/18	—	—	—	—	11,617	7,041	11,617	7,041
Roads		30/06/20	30/06/20	—	—	—	—	80,021	76,122	80,021	76,122
Bridges		30/06/20	30/06/20	—	—	—	—	4,564	4,639	4,564	4,639
Footpaths		30/06/20	30/06/20	—	—	—	—	7,642	7,736	7,642	7,736
Bulk earthworks		30/06/20	30/06/20	—	—	—	—	38,930	38,930	38,930	38,930
Stormwater drainage		30/06/20	30/06/20	—	—	—	—	26,075	25,706	26,075	25,706
Water supply network		30/06/21	30/06/20	—	—	—	—	41,249	23,855	41,249	23,855
Sewerage network		30/06/21	30/06/20	—	—	—	—	36,328	29,324	36,328	29,324
Tip Assets		30/06/21		—	—	—	—	667	—	667	—
Other assets		30/06/18	30/06/18	—	—	—	—	103	90	103	90
Total infrastructure, property, plant and equipment				—	—	5,342	5,347	290,779	256,362	296,121	261,709
Intangible assets											
Water Licences		30/06/21	30/06/20	8,316	8,371	—	—	—	—	8,316	8,371
Total intangible assets				8,316	8,371	—	—	—	—	8,316	8,371

E2-1 Fair value measurement (continued)

Valuation techniques

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

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. Leeton Shire Council use valuation techniques consistent with one or more of those approaches to measure fair value on all its asset classes.

Cost Approach

A valuation technique that reflects the amount that could be required to replace the service capacity of an asset.

Income Approach

Valuation technique that converts future amounts (cash flows or income and expenses) to a single current (discount) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Market Approach

A valuation technique that uses prices and other relevant information, generated by the market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities such as a business.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all assets classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land and Buildings are undertaken by Council's assets officer in conjunction with the various technical staff.

Operational Land and Building valuations are conducted by a qualified external valuer, Community Land is valued using the Valuer Generals valuation.

Management reviews the valuations reports for consistency and accuracy and to ensure all valuations movements are fully explained.

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
Plant, equipment, furniture, fittings and office equipment	7,464	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	8,029	Rate per square metre. \$0.03 - \$120.15	Land value, land area
Land Improvements	1,150	Cost used to approximate fair value	Asset condition, remaining lives, residual value
Specialised buildings	26,940	Cost approach based on sq metre rate	Asset condition, consumption rate, remaining lives
Other structures (Includes Swimming Pools and other Recreational assets)	11,617	Cost used to approximate fair value	Gross replacement cost, useful life and residual value or Asset Condition, consumption rate and remaining life.
Roads, bridges, footpaths, bulkworks	131,157	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Stormwater drainage	26,075	Unit rates per sq metre or length	Asset condition, remaining lives, residual value

E2-1 Fair value measurement (continued)

	Fair value (30/6/21) 2021 \$ '000	Valuation technique/s	Unobservable inputs
Water Supply and Sewerage Network	77,577	Based on NSW Office of Water Reference Rates Manual	Asset condition, pattern of consumption, residual value, components, dimensions and specification, unit rates
Other assets	103	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Tip Assets	667	Cost used to approximate fair value	Gross replacement cost, useful life and residual value or Asset Condition, consumption rate and remaining life.

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

	Total IPP&E 2021 \$ '000	2020 \$ '000
Opening balance	256,362	199,613
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	24,872	53,858
Other movements		
Transfers from/(to) another asset class	3,979	1,866
Purchases (GBV)	13,459	7,589
Disposals (WDV)	(630)	(396)
Depreciation and impairment	(7,263)	(6,168)
Closing balance	290,779	256,362

E2-1 Fair value measurement (continued)

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

None

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$132,707.51. 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 \$93,800. Council's expected contribution to the plan for the next annual reporting period is \$147,757.08.

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 0.23% as at 30 June 2020.

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 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94/94A Plans

Council levies section 94/94A contributions upon various developments across the Council area through the required contribution plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Tips and quarries

Council operates tips and quarries and will have to rehabilitate the sites at some future date. As at 30 June 2020 Council is unable to reliably estimate the financial cost of such work.

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 June 2008.

(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.

(iii) Riverina and Murray Joint Organisation

Council is a member of the Riverina and Murray Joint Organisation (RAMJO), established under the *Local Government Act 1993 (NSW)* together with the Albury City, Berrigan Shire, Carrathool Shire, Edward River, Federation, Griffith City, Hay Shire, Murray River, Murrumbidgee and Narrandera Shire Councils. Council have not recognised their share of the net assets of the Joint Organisation based on materiality and accordingly these have not been included as part of the primary financial statements.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	854	656
Post-employment benefits	63	44
Other long-term benefits	14	13
Termination benefits	29	15
Total	960	728

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

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021						
Airconditioning Maintenance and Servicing	1	7	–	30 day terms on invoices, market value	–	–
Consultancy - Director	2	172	–	14 day terms on invoices, market value	–	–
2020						
Airconditioning Maintenance and Servicing	1	4	–	30 day terms on invoices, market value	–	–
Consultancy - Director	2	86	20	14 day terms on invoices, market value	–	–

1 Council transacts with the KMP controlled Weston and Weston. Contracts are awarded through a competitive procurement process.

2 Council has entered into an agreement with Star Advisory for the provision of consultancy.

F1-2 Councillor and Mayoral fees and associated expenses

	2021	2020
	\$ '000	\$ '000

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

Mayoral fee	26	26
Councillors' fees	109	110
Other Councillors' expenses (including Mayor)	40	58
Total	175	194

F2 Other relationships

F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	5	47
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Remuneration for audit and other assurance services

	5	47
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Total Auditor-General remuneration

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services

	3	3
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Internal Audit

	12	51
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Remuneration for audit and other assurance services

	15	54
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Total remuneration of non NSW Auditor-General audit firms

	20	101
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Total audit fees

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
Net operating result from Income Statement	2,501	6,438
Adjust for non-cash items:		
Depreciation and amortisation	7,268	6,173
Net losses/(gains) on disposal of assets	42	122
Adoption of AASB 15/1058	–	(1,483)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(443)	1,979
Decrease/(increase) in inventories	(2)	(28)
Decrease/(increase) in other current assets	9	(21)
Increase/(decrease) in payables	(74)	966
Increase/(decrease) in accrued interest payable	(7)	6
Increase/(decrease) in other accrued expenses payable	3	208
Increase/(decrease) in other liabilities	171	(1,178)
Increase/(decrease) in contract liabilities	93	1,931
Increase/(decrease) in provision for employee benefits	232	187
Increase/(decrease) in other provisions	2,690	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	12,483	15,300

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

Buildings	75	1,878
Water infrastructure	–	869
Sewer infrastructure	170	3,101
Roads and drainage	142	4,347
Other Structures	1,015	4,961
Total commitments	1,402	15,156

These expenditures are payable as follows:

Within the next year	1,402	15,156
Total payable	1,402	15,156

Sources for funding of capital commitments:

Unrestricted general funds	336	–
Unexpended/Future grants/Contract	896	9,632
Externally restricted reserves	170	4,201
Internally restricted reserves	–	1,323
Total sources of funding	1,402	15,156

Details of capital commitments

Capital commitments includes Purchase Orders raised but items not yet supplied, unfinished works and revoked works.

G3 Changes from prior year statements

G3-1 Changes in accounting policy

Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Changes in accounting policies due to adoption of new accounting standards (retrospective)

Council made no retrospective changes in accounting policies due to adoption of new accounting standards.

G3-2 Correction of errors

Council has no prior year adjustments.

G3-3 Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

Council were able to recognise a Landfill rehabilitation provision for the Leeton Landfill. This resulted in a Provision of \$3.4m, an asset of \$0.7m and a Rehabilitation Liability Cost of \$2.7m.

Nature and effect of changes in accounting estimates on future years

There is expected to be no material difference in the accounting estimates in future years.

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year - Cash \$ '000	Interest and investment income earned \$ '000	Amounts expended \$ '000	Held as restricted asset at 30 June 2021 \$ '000
Drainage	14	2	–	–	16
Traffic facilities	38	–	–	–	38
Open space	12	–	–	(12)	–
Recreation facilities	20	–	–	(20)	–
Plan administration	1	–	–	–	1
S7.11 contributions – under a plan	85	2	–	(32)	55
S7.12 levies – under a plan	394	205	4	(7)	596
Total S7.11 and S7.12 revenue under plans	479	207	4	(39)	651
S64 contributions	28	26	–	(24)	30
Total contributions	507	233	4	(63)	681

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

G4-2 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year - Cash \$ '000	Interest and investment income earned \$ '000	Amounts expended \$ '000	Held as restricted asset at 30 June 2021 \$ '000
LEETON S94 FIXED LEVY PLAN					
Drainage	14	2	—	—	16
Traffic facilities	38	—	—	—	38
Open space	12	—	—	(12)	—
Plan administration	1	—	—	—	1
Recreation facilities	20	—	—	(20)	—
Total	85	2	—	(32)	55

S7.12 Levies – under a plan

Leeton S7.12 Fixed Levy Plan

Section 94A	394	205	4	(7)	596
Total	394	205	4	(7)	596

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4,383)	(13.88)%	8.28%	9.52%	12.86%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	31,576					
2. Own source operating revenue ratio *						
Total continuing operating revenue excluding all grants and contributions ¹	22,958	59.63%	70.93%	73.91%	71.84%	> 60.00%
Total continuing operating revenue	38,502					
3. Unrestricted current ratio						
Current assets less all external restrictions	15,727	3.41x	4.34x	4.34x	5.12x	> 1.50x
Current liabilities less specific purpose liabilities	4,607					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3,004	5.35x	21.83x	21.95x	25.15x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	562					
5. Rates, annual charges, interest and extra charges outstanding percentage *						
Rates and annual charges outstanding	479	3.49%	1.82%	4.52%	3.92%	< 10.00%
Rates and annual charges collectable	13,717					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	42,632	17.58 mths	25.05 mths	22.71 mths	22.51 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	2,425					

(1) Excludes fair value adjustments, reversal of revaluation decrements and net gain on sale of assets.

(2) Excludes impairment/revaluation decrements and net loss on sale of assets.

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(24.45)%	4.54%	14.80%	22.90%	17.52%	12.05%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio *							
Total continuing operating revenue excluding capital grants and contributions ¹	48.99%	62.87%	97.88%	97.56%	98.82%	95.06%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.41x	4.34x	14,826.00x	1,023.46x	∞	973.86x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	(0.32)x	13.85x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage *							
Rates and annual charges outstanding	4.86%	2.52%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	14.48 mths	22.24 mths	∞	∞	∞	∞	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 20a above.

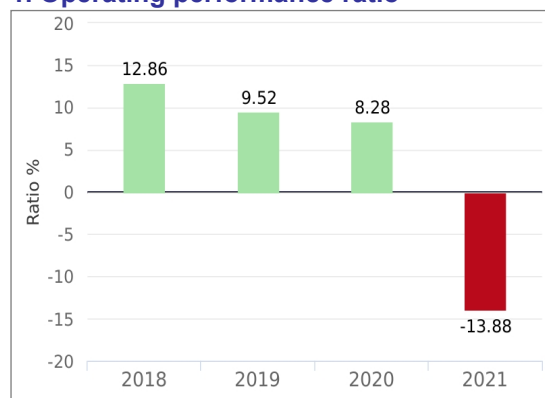
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

* These 2 ratios have had the pensioner subsidies removed from the 2018/19 amounts due to changes in the 2019/20 Accounting Code. This change is to ensure comparatives remain consistent.

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (13.88)%

Three main causes:-1. Council has recorded the Landfill Restoration Provision for the landfill site which is 10 years old. This has inflated the effect in the 2020/21 year.2. The valuation of Council's Roads network and the purchase of the Leeton Museum and Art Gallery has resulted in an increase in annual depreciation of around \$1.1m. This will be an ongoing change.3. Council has historically been awarded \$1.4m to \$2.4m in contracted works from the RMS. Last year saw minimal contracted works offered or awarded.

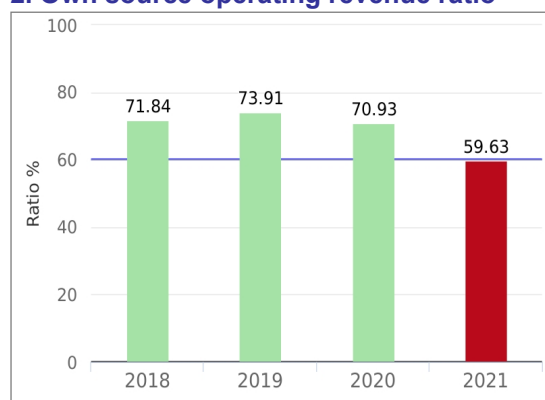
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio *



Purpose of own source operating revenue ratio *

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

Commentary on 2020/21 result

2020/21 ratio 59.63%

The benchmark for this ratio is 60% and Council has achieved 59.63%.

The drop from prior years is twofold:

1. Council current success in receiving grant funding has the effect of reducing the proportion of income that is considered "Own Source".

2. The probable reduction in income due to the decision by the RMS to drastically reduce ordered works.

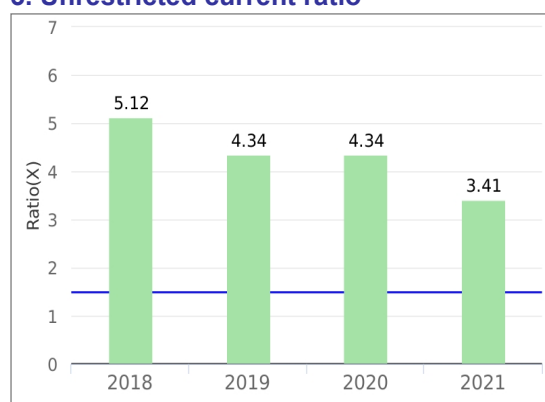
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 3.41x

The increased General Fund capital program and the increased External restrictions relating to Water and Sewer have driven the reduction in this ratio.

Benchmark: — > 1.50x

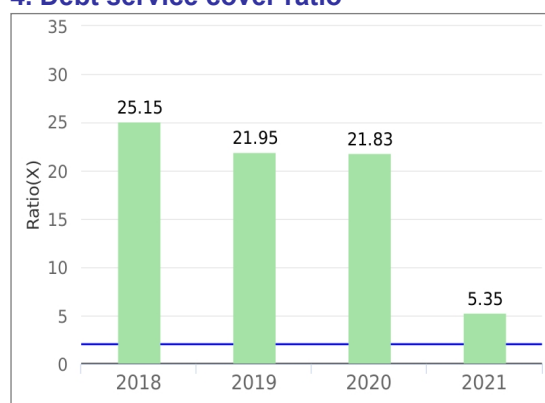
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Benchmark: — > 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

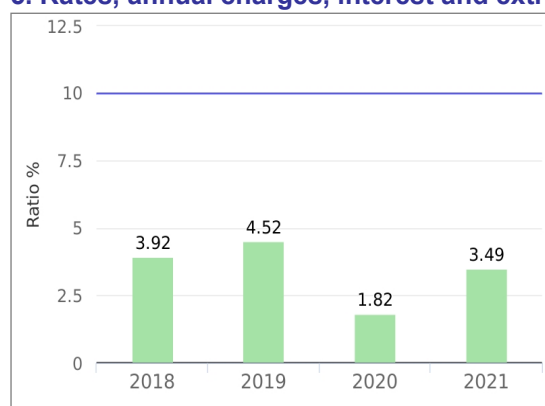
2020/21 ratio 5.35x

This ratio is skewed as the initial recognition of a \$2.6m landfill rehabilitation cost covers a ten year catch up. Without this anomaly the ratio would be comparable to historical figures. The benchmark for this ratio is 2 and Council has achieved 1.76 even taking into consideration this additional and 1 off expense.

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage *



Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Purpose of rates, annual charges, interest and extra charges outstanding

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

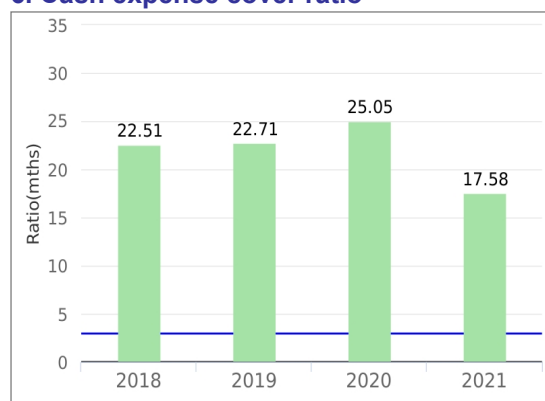
2020/21 ratio 3.49%

While this ratio is slightly higher than last year it is still low by Council's standards and well below the benchmark for rural councils.

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Benchmark: — > 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 17.58 mths

The reduction in this ration reflects the impact of the increased works program undertaken.

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

23-25 Chelmsford Place
Leeton NSW 2705

Contact details**Mailing Address:**

23-25 Chelmsford Place
Leeton NSW 2705

Telephone: 02 6953 0911

Facsimile: 02 6953 3337

Opening hours:

Office Hours: 8.30am to 5.00pm

Cashier Hours: 9:00am to 4:00pm (Mon - Fri)

Internet: www.leeton.nsw.gov.au

Email: council@leeton.nsw.gov.au

Officers**General Manager**

Jackie Kruger

Responsible Accounting Officer

Lawrence Amato

Public Officer

Kerrie-Anne Hare

Auditors

NSW Audit Office
Level 15, 1 Margaret Street
Sydney NSW 2000

Elected members**Mayor**

Paul Maytom

Councillors

Cr George Weston (Deputy Mayor)

Cr Peter Davidson

Cr Michael Kidd

Cr Tracey Morris

Cr Paul Smith

Cr Tony Ciccio

Cr Tony Reneker

Cr Sandra Nardi

Other information

ABN: 59 217 957 665



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY



Cr Paul Maytom
Mayor
Leeton Shire Council
23-25 Chelmsford Place
LEETON NSW 2705

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D2120760/1753

28 October 2021

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements





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

Rural fire fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirement 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 fire-fighting equipment is not controlled by the NSW Rural Fire Service.

INCOME STATEMENT

Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	13.4	13.0	 3.1
Grants and contributions revenue	15.5	10.4	 49.0
Operating result from continuing operations	2.5	6.4	 60.9
Net operating result before capital grants and contributions	(4.4)	2.5	 276

The Council's net operating result from continuing operations was a surplus of \$2.5 million (\$6.4 million surplus for the year ended 30 June 2020). The decrease of \$3.9 million is mainly due to a decrease in user fees and charges of \$2.0 million which is as a result of a decline in Transport for NSW works and \$2.7 million of remediation expenses due to the first-time recognition of an asset remediation provision.

The net operating result before capital grants and contributions was a deficit of \$4.4 million (\$2.5 million surplus for the year ended 30 June 2020). The decrease of \$6.9 million is largely due to the factors flagged earlier regarding user charges and fees and remediation expenses.

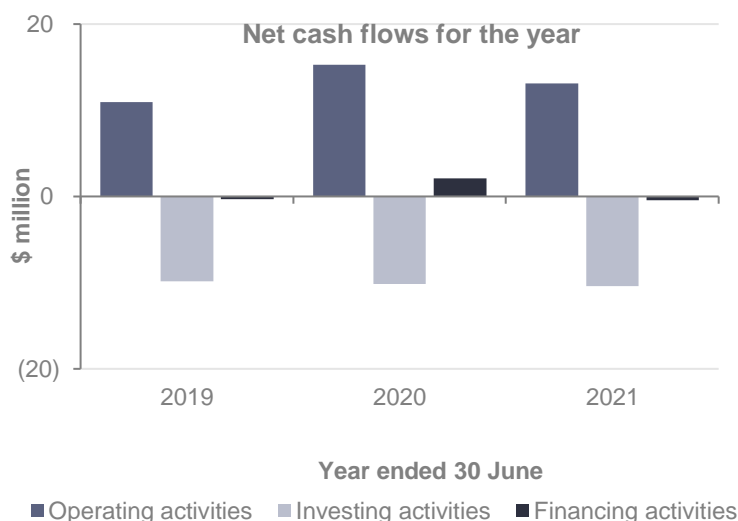
Rates and annual charges revenue was \$13.4 million (\$13.0 million for the year ended 30 June 2020). The increase of \$0.4 million (3.1%) is consistent with an increase in ordinary rates in line with the 2.6% rate peg and an increase in the total number of rateable properties.

Grants and contributions revenue was \$15.5 million (\$10.4 million for the year ended 30 June 2020). The increase of \$5.1 million (49.8%) was primarily due to the Council receiving:

- \$2.7 million for the Leeton Regional Aquatic Centre swimming pool
- \$1.8 million for the Sturt Canal bridge
- \$1.3 million for the Leeton Showground grandstand.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$13.1 million (\$10.9 million for the year ended 30 June 2020). There was a net increase of cash and cash equivalents of \$2.2 million during the 2020-21 financial year.
- Net cash provided by operating activities has decreased by \$2.2 million. This is due to an increase in materials and services payments of \$4.5 million.
- There was no significant movement in the net cash used in investing activities.
- Net cash used in financing activities decreased by \$2.6 million due to the receipt of \$2.5 million in new borrowings in the 2020 year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	47.0	50.2	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. There has been no significant movement in externally restricted cash.
Restricted cash and investments:			<ul style="list-style-type: none"> • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of work and any forward plans identified by Council. The decrease of \$4.6 million is mainly due to a \$2.4 reduction in unfinished works and a \$0.8 reduction in employee leave entitlements.
• External restrictions	33.7	33.1	
• Internal restrictions	11.4	16.0	
• Unrestricted	1.9	1.2	<ul style="list-style-type: none"> • Unrestricted cash and investments was \$1.9 million, which is available to provide liquidity for day-to-day operations of the Council.

Debt

Council has \$3.3 million of external borrowings (2020: \$3.7 million) which is secured over the revenue of Council. Council also has a \$0.5 million bank overdraft facility (2020: \$0.5 million) which was undrawn as at 30 June 2021.

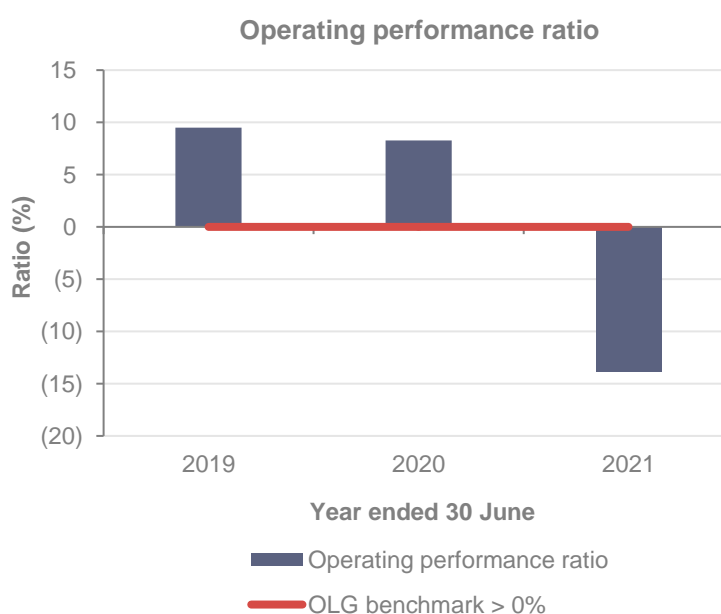
PERFORMANCE

Performance measures

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

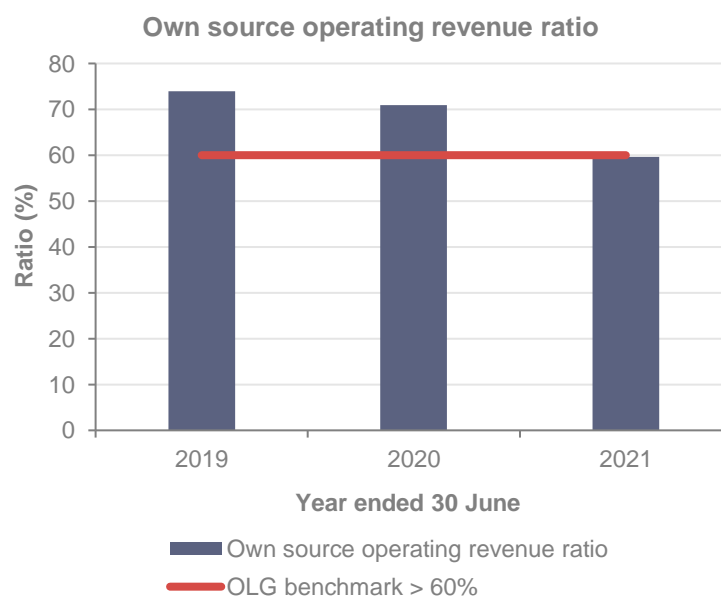
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council did not meet the OLG benchmark for the current reporting period.
- The operating performance ratio declined to (13.88%) (2020: 8.28%) due to a \$2.0 million decrease in user fees and charges revenue and recognition of \$2.7 million of remediation expenses.



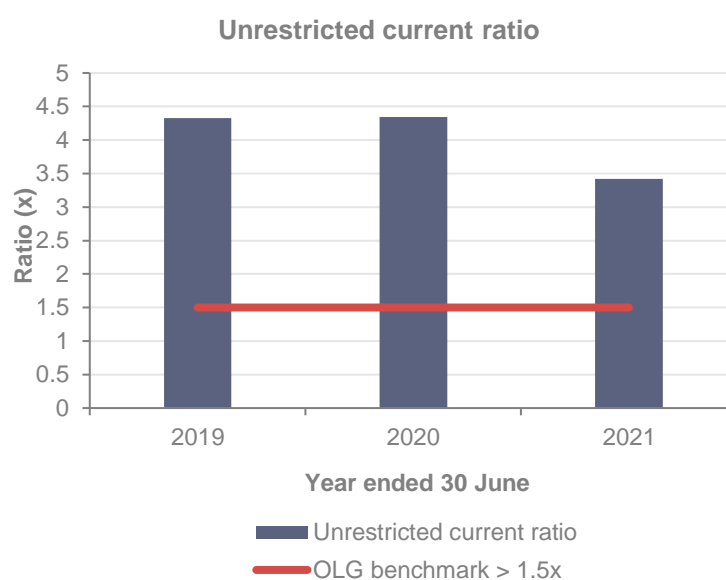
Own source operating revenue ratio

- 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.
- The decline is attributed to the decrease in user fees and charges revenue and increase in grants and contributions. The own source operating revenue ratio has continued to decrease for Council over the assessed time period.



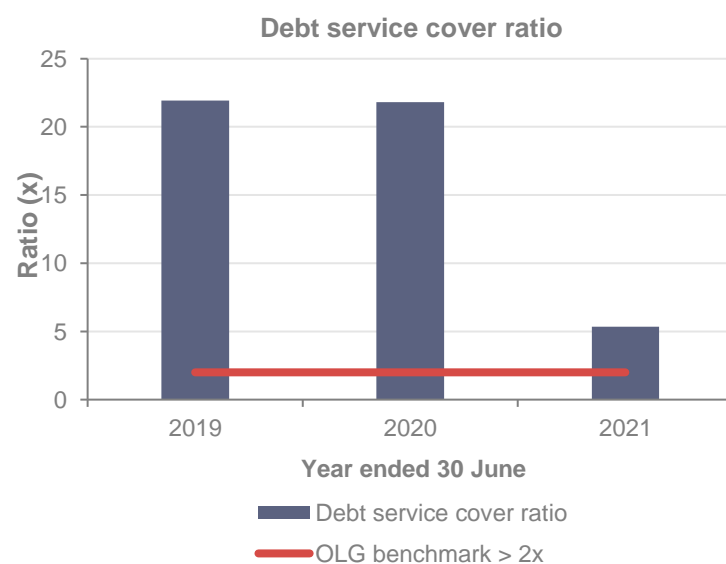
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council exceeded the OLG benchmark for the current reporting period.
- Whilst the Council's unrestricted current ratio has decreased due to an increase in current liabilities, it remains a sufficient margin above the OLG benchmark.



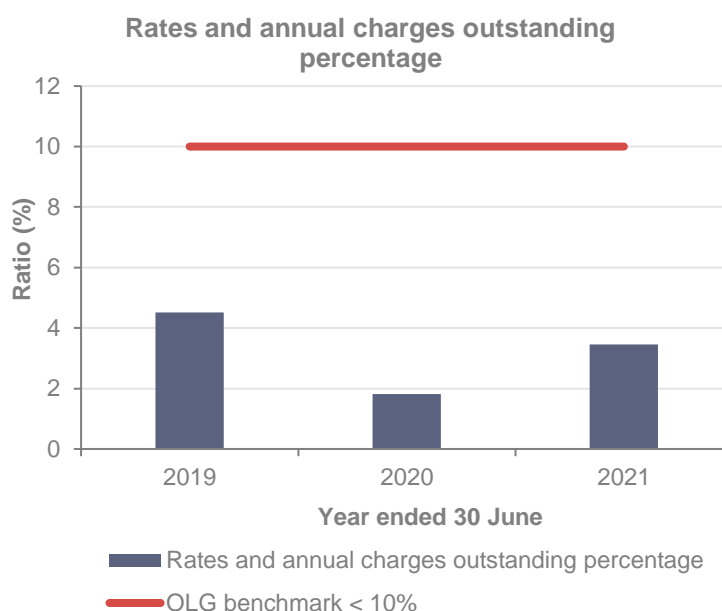
Debt service cover ratio

- 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. This indicates that the Council has sufficient operating revenue to service its debts.
- The debt service cover ratio declined to (5.35%) (2020: 21.83%) due to the decrease in user fees and charges revenue and increase in remediation expenses.



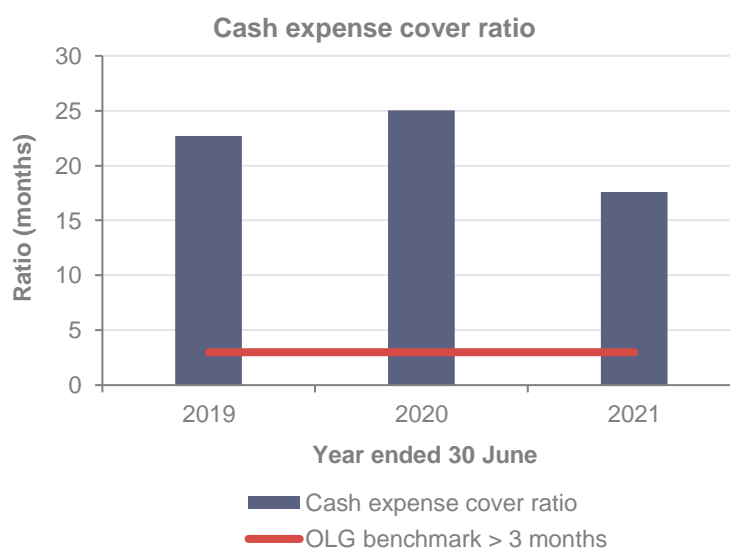
Rates and annual charges outstanding percentage

- 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 is significantly within 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's cash expense cover ratio was 17.6 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 17.6 months of operating cash expenditure without additional cash inflows at 30 June 2021.
- The Council's cash expense cover has decreased due to an increase in materials and services expenses.



Infrastructure, property, plant and equipment renewals

The Council renewed \$9.9 million of assets in the 2020-21 financial year, compared to \$7.6 million of assets in the 2019-20 financial year. This increase is primarily due to \$3.4 million of additional renewal in relation to other structures.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

The Council does not have any service concession arrangements that fall under AASB 1059.

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.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ms Jackie Kruger, General Manager
Mr Graham Bradley, Chair of the Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Special Purpose Financial Statements

For the year ended 30 June 2021



LEETON
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).

Leeton Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

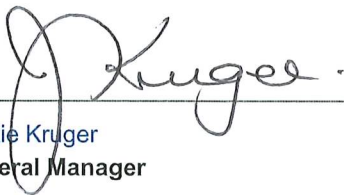
Signed in accordance with a resolution of Council made on 27 October 2021.



Paul Maytom
Mayor



George Weston
Councillor



Jackie Kruger
General Manager



Lawrence Amato
Responsible Accounting Officer

Leeton Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	1,448	1,429
User charges	3,042	3,248
Interest	191	333
Grants and contributions provided for non-capital purposes	72	37
Other income	126	149
Total income from continuing operations	4,879	5,196
Expenses from continuing operations		
Employee benefits and on-costs	1,900	1,708
Materials and services	1,124	1,151
Depreciation, amortisation and impairment	946	929
Water purchase charges	187	218
Total expenses from continuing operations	4,157	4,006
Surplus (deficit) from continuing operations before capital amounts	722	1,190
Grants and contributions provided for capital purposes	32	92
Surplus (deficit) from continuing operations after capital amounts	754	1,282
Surplus (deficit) from all operations before tax	754	1,282
Less: corporate taxation equivalent [based on result before capital]	(188)	(327)
Surplus (deficit) after tax	566	955
Plus accumulated surplus	24,869	23,587
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	188	327
Closing accumulated surplus	25,623	24,869
Return on capital %	1.7%	4.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	566	955
Less: capital grants and contributions (excluding developer contributions)	(32)	(92)
Surplus for dividend calculation purposes	534	863
Potential dividend calculated from surplus	267	431

Leeton Shire Council

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

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	2,412	2,406
User charges	1	1
Liquid trade waste charges	836	498
Interest	103	172
Grants and contributions provided for non-capital purposes	29	30
Other income	10	5
Total income from continuing operations	3,391	3,112
Expenses from continuing operations		
Employee benefits and on-costs	1,158	1,161
Materials and services	719	823
Depreciation, amortisation and impairment	920	753
Total expenses from continuing operations	2,797	2,737
Surplus (deficit) from continuing operations before capital amounts	594	375
Grants and contributions provided for capital purposes	11	130
Surplus (deficit) from continuing operations after capital amounts	605	505
Surplus (deficit) from all operations before tax	605	505
Less: corporate taxation equivalent [based on result before capital]	(154)	(103)
Surplus (deficit) after tax	451	402
Plus accumulated surplus	20,423	19,918
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	155	103
Closing accumulated surplus	21,029	20,423
Return on capital %	1.6%	1.2%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	451	402
Less: capital grants and contributions (excluding developer contributions)	(11)	(130)
Surplus for dividend calculation purposes	440	272
Potential dividend calculated from surplus	220	136

Leeton Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	5,047	3,414
Investments	9,359	9,523
Receivables	416	367
Other	4	1
Total current assets	14,826	13,305
Non-current assets		
Investments	2,756	3,626
Receivables	20	25
Infrastructure, property, plant and equipment	42,250	25,591
Total non-current assets	45,026	29,242
Total assets	59,852	42,547
LIABILITIES		
Current liabilities		
Payables	1	13
Total current liabilities	1	13
Total liabilities	1	13
Net assets	59,851	42,534
EQUITY		
Accumulated surplus	25,623	24,869
Revaluation reserves	34,228	17,665
Total equity	59,851	42,534

Leeton Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2,475	1,730
Investments	5,355	4,826
Receivables	216	261
Total current assets	8,046	6,817
Non-current assets		
Investments	1,577	1,837
Receivables	10	4
Infrastructure, property, plant and equipment	37,263	30,463
Total non-current assets	38,850	32,304
Total assets	46,896	39,121
LIABILITIES		
Current liabilities		
Payables	–	7
Total current liabilities	–	7
Total liabilities	–	7
Net assets	46,896	39,114
EQUITY		
Accumulated surplus	21,029	20,423
Revaluation reserves	25,867	18,691
Total equity	46,896	39,114

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Comprising the whole of the operations and net assets of Council's water supply activities servicing the towns of Leeton, Yanco, Whitton and Murrumbidgee which are established as a separate Special Rate Fund.

b. Sewerage Service

Comprising the whole of the operations and net assets of Council's sewerage reticulation & treatment activities servicing the towns of Leeton, Whitton and Yanco, which are established as a separate Special Rate Fund.

Category 2

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

Council has no Category 2 Business Activities

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

Note – Significant Accounting Policies (continued)

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

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 27.5%.

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Note – Significant Accounting Policies (continued)

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30 June 2019.

(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

Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Leeton Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors 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
- Sewerage

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 Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

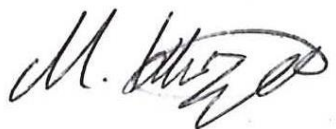
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY

Special Schedules

For the year ended 30 June 2021



LEETON
SHIRE COUNCIL

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Leeton Shire Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	7,467	7,627
Plus or minus adjustments ²	b	9	—
Notional general income	c = a + b	7,476	7,627
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	194	153
Sub-total	k = (c + g + h + i + j)	7,670	7,780
Plus (or minus) last year's carry forward total	l	(37)	6
Sub-total	n = (l + m)	(37)	6
Total permissible income	o = k + n	7,633	7,786
Less notional general income yield	p	7,627	7,787
Catch-up or (excess) result	q = o - p	7	(1)
Carry forward to next year ⁶	t = q + r + s	7	(1)

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. 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.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY

Leeton Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – non-specialised	5,081	5,081	20	25	194	209	3.0%	97.0%	0.0%	0.0%	0.0%
	Buildings – specialised	2,439	2,439	226	236	25,897	28,353	59.0%	34.0%	3.0%	3.0%	1.0%
	Water buildings	1,425	1,425	2	10	743	846	16.0%	29.0%	55.0%	0.0%	0.0%
	Sewer Buildings	3,274	3,274	2	6	300	340	0.0%	47.0%	17.0%	36.0%	0.0%
	Sub-total	12,219	12,219	250	277	27,134	29,748	56.7%	34.4%	4.6%	3.3%	1.0%
Other structures	Other	1,912	1,912	–	69	1,701	1,901	86.0%	10.0%	4.0%	0.0%	0.0%
	Sub-total	1,912	1,912	76	69	1,701	1,901	86.0%	10.0%	4.0%	0.0%	0.0%
Roads	Sealed roads	5,329	5,329	1,167	1,174	58,614	60,485	6.0%	39.0%	41.0%	14.0%	0.0%
	Unsealed roads	50	50	560	536	8,079	8,590	100.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	4	4	37	2,102	4,564	6,723	62.0%	24.0%	14.0%	0.0%	0.0%
	Footpaths	110	110	52	44	7,642	7,787	81.0%	14.0%	4.0%	1.0%	0.0%
	Other road assets	277	277	7	3	3,928	4,128	15.0%	39.0%	33.0%	9.0%	4.0%
	Bulk earthworks	–	–	–	–	38,930	38,930	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Guttering	406	406	26	34	9,400	9,636	11.0%	50.0%	32.0%	7.0%	0.0%
	Sub-total	6,176	6,176	1,849	3,893	131,157	136,279	46.5%	24.0%	22.4%	7.0%	0.1%
Water supply network	Mains	5,783	5,783	850	891	18,855	38,861	0.0%	48.0%	0.0%	35.0%	17.0%
	Dams/Weirs	340	340	–	–	3,747	6,591	4.0%	10.0%	86.0%	0.0%	0.0%
	Pump Stations	4,762	4,762	21	11	878	1,463	3.0%	78.0%	6.0%	13.0%	0.0%
	Filtration/Treatment Plant	4,765	4,765	760	838	9,636	23,870	0.0%	0.0%	74.0%	8.0%	18.0%
	Reservoirs	1,684	1,684	–	–	5,614	11,841	0.0%	18.0%	52.0%	20.0%	10.0%
	Water Nodes	1,232	1,232	80	47	2,519	5,405	29.0%	10.0%	16.0%	12.0%	33.0%
	Sub-total	18,566	18,566	1,711	1,787	41,249	88,031	2.1%	26.3%	34.6%	21.3%	15.8%
Sewerage network	Sewer Lines	1,008	1,008	212	252	16,179	21,685	49.0%	32.0%	3.0%	15.0%	1.0%
	Pump Stations	1,518	1,518	270	225	6,379	11,619	17.0%	21.0%	32.0%	24.0%	6.0%
	Treatment Plants	3,255	3,255	362	468	8,340	18,683	0.0%	41.0%	21.0%	9.0%	29.0%
	Sewer Nodes	1,377	1,377	–	–	5,430	10,162	14.0%	24.0%	38.0%	4.0%	20.0%
	Sub-total	7,158	7,158	844	945	36,328	62,149	22.6%	31.3%	19.6%	13.1%	13.5%
	Pipes	64	64	62	82	21,632	21,870	58.0%	35.0%	7.0%	0.0%	0.0%
	Pump Stations	4	4	–	2	790	819	52.0%	47.0%	1.0%	0.0%	0.0%

Leeton Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Stormwater drainage	Pits & Inlets	21	21	—	—	3,653	3,691	49.0%	46.0%	5.0%	0.0%	0.0%
	Sub-total	89	89	62	84	26,075	26,380	56.6%	36.9%	6.5%	0.0%	0.0%
Open space / recreational assets	Other Recreation Assets	519	519	390	533	4,567	5,304	28.0%	20.0%	35.0%	15.0%	2.0%
	Swimming pools	1,494	1,494	40	53	5,349	5,468	5.0%	2.0%	10.0%	82.0%	1.0%
	Sub-total	2,013	2,013	430	586	9,916	10,772	16.3%	10.9%	22.3%	49.0%	1.5%
Total – all assets		48,133	48,133	5,222	7,641	273,560	355,260	32.2%	27.2%	22.1%	12.0%	6.4%

(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

Leeton Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	7,885					
Depreciation, amortisation and impairment	6,390	123.40%	90.58%	74.27%	63.76%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	48,133					
Net carrying amount of infrastructure assets	277,329	17.36%	6.58%	2.20%	2.18%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	7,641					
Required asset maintenance	5,222	146.32%	96.97%	100.30%	100.00%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	48,133	13.55%	5.10%	1.40%	1.30%	
Gross replacement cost	355,260					

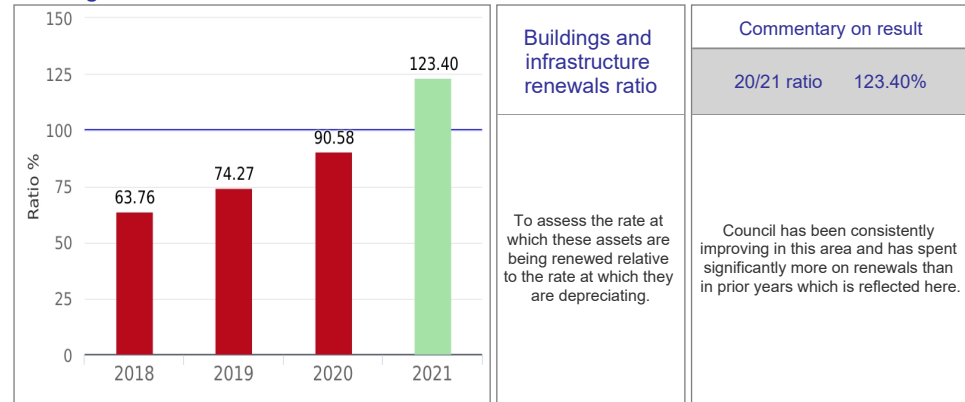
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Leeton Shire Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



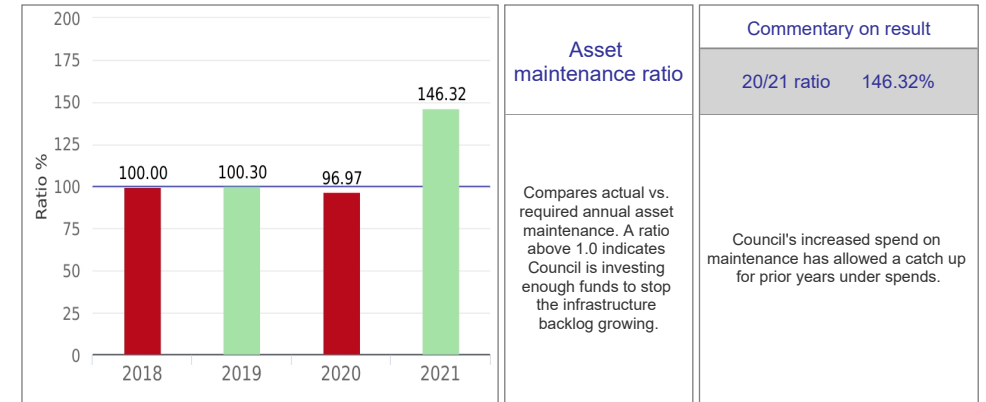
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



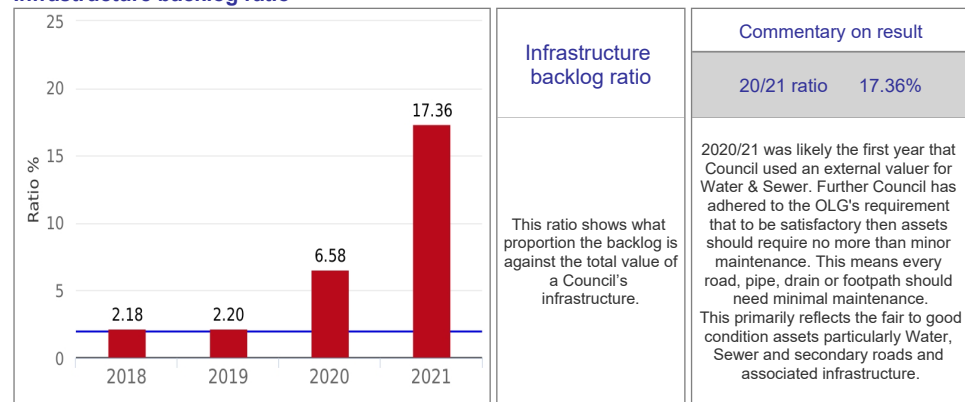
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Leeton Shire Council

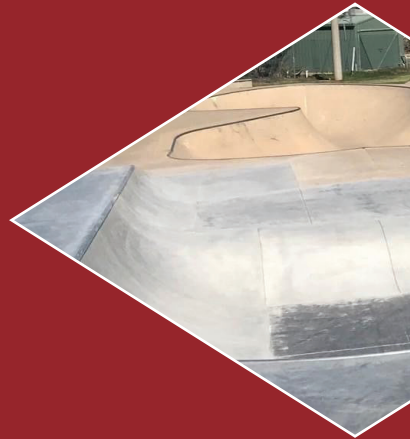
Report on infrastructure assets as at 30 June 2021

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 ¹							
Depreciation, amortisation and impairment	147.86%	118.73%	104.71%	37.60%	12.51%	5.39%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	11.22%	6.13%	45.01%	7.08%	19.70%	9.08%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	184.06%	94.06%	104.44%	100.00%	111.97%	100.00%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	10.93%	6.18%	21.09%	2.86%	11.52%	3.99%	

(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.

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LEETON SHIRE COUNCIL

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