

Goldenfields Water County Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To be innovative leaders in the supply and distribution of
water through regional efficiency, technical excellence and
customer service.*



Goldenfields Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To be innovative leaders in the supply and distribution of
water through regional efficiency, technical excellence and
customer service.*



Goldenfields Water County Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	51
On the Financial Statements (Sect 417 [3])	54

Overview

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

84 Parkes Street
Temora NSW 2666

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.gwcc.nsw.gov.au.

Goldenfields Water County Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

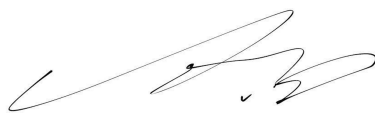
Signed in accordance with a resolution of Council made on 24 August 2021.



Clr Dennis Palmer
Chairperson
24 August 2021



Clr David McCann
Deputy Chairperson
24 August 2021



Aaron Drenovski
General Manager
24 August 2021



Michele Curran
Responsible Accounting Officer
24 August 2021

Goldenfields Water County Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
5,165	Rates and annual charges	B2-1	5,473	5,447
16,010	User charges and fees	B2-2	13,935	17,464
100	Other revenue	B2-3	228	80
1,500	Grants and contributions provided for capital purposes	B2-4	2,388	1,559
830	Interest and investment income	B2-5	1,045	1,371
85	Other income	B2-6	152	168
–	Net gains from the disposal of assets	B4-1	51	–
23,690	Total income from continuing operations		23,272	26,089
	Expenses from continuing operations			
6,517	Employee benefits and on-costs	B3-1	7,143	7,441
4,188	Materials and services	B3-2	7,382	8,370
7,521	Depreciation, amortisation and impairment for non-financial assets	B3-3	8,361	8,114
5,217	Other expenses	B3-4	240	220
–	Net losses from the disposal of assets	B4-1	–	415
23,443	Total expenses from continuing operations		23,126	24,560
247	Operating result from continuing operations		146	1,529
247	Net operating result for the year attributable to Council		146	1,529
(1,253)	Net operating result for the year before grants and contributions provided for capital purposes		(2,242)	(30)

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

Goldenfields Water County Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		146	1,529
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>9,971</u>	<u>(259)</u>
Total items which will not be reclassified subsequently to the operating result		9,971	(259)
Total other comprehensive income for the year		9,971	(259)
Total comprehensive income for the year attributable to Council		10,117	1,270

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

Goldenfields Water County Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	4,338	5,672
Investments	C1-2	34,021	39,000
Receivables	C1-4	5,820	5,958
Inventories	C1-5	768	595
Total current assets		44,947	51,225
Non-current assets			
Investments	C1-2	12,000	10,000
Infrastructure, property, plant and equipment	C1-6	277,546	262,817
Total non-current assets		289,546	272,817
Total assets		334,493	324,042
LIABILITIES			
Current liabilities			
Payables	C3-1	1,447	1,262
Employee benefit provisions	C3-3	2,573	2,437
Total current liabilities		4,020	3,699
Non-current liabilities			
Payables	C3-1	8	8
Employee benefit provisions	C3-3	131	118
Total non-current liabilities		139	126
Total liabilities		4,159	3,825
Net assets		330,334	320,217
EQUITY			
Accumulated surplus	C4-1	95,176	95,030
IPPE revaluation reserve	C4-1	235,158	225,187
Council equity interest		330,334	320,217
Total equity		330,334	320,217

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

Goldenfields Water County Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		95,030	225,187	320,217	93,501	225,446	318,947
Net operating result for the year		146	–	146	1,529	–	1,529
Net operating result for the period		146	–	146	1,529	–	1,529
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	9,971	9,971	–	(259)	(259)
Other comprehensive income		–	9,971	9,971	–	(259)	(259)
Total comprehensive income		146	9,971	10,117	1,529	(259)	1,270
Closing balance at 30 June		95,176	235,158	330,334	95,030	225,187	320,217

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

Goldenfields Water County Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
5,211	Annual charges		5,592	5,835
16,276	User charges and fees		14,576	17,820
915	Investment and interest revenue received		1,295	1,513
1,544	Grants and contributions		2,389	1,558
138	Other		1,556	1,764
Payments:				
(6,685)	Employee benefits and on-costs		(7,071)	(6,847)
(4,045)	Materials and services		(9,729)	(5,098)
–	Bonds, deposits and retention amounts refunded		–	(28)
(5,218)	Other		147	(5,806)
8,136	Net cash flows from operating activities	F1-1	8,755	10,711
Cash flows from investing activities				
Receipts:				
6,027	Redemption of term deposits		2,979	–
–	Sale of infrastructure, property, plant and equipment		968	669
Payments:				
(14,663)	Purchase of infrastructure, property, plant and equipment		(14,036)	(7,596)
(8,636)	Net cash flows from investing activities		(10,089)	(6,927)
(500)	Net change in cash and cash equivalents		(1,334)	3,784
5,672	Cash and cash equivalents at beginning of year		5,672	1,888
5,172	Cash and cash equivalents at end of year	C1-1	4,338	5,672
43,376	plus: Investments on hand at end of year	C1-2	46,021	49,000
48,548	Total cash, cash equivalents and investments		50,359	54,672

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

Goldenfields Water County Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	13
B1 Functions or activities	13
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	14
B2 Sources of income	15
B2-1 Rates and annual charges	15
B2-2 User charges and fees	16
B2-3 Other revenue	17
B2-4 Grants and contributions	18
B2-5 Interest and investment income	20
B2-6 Other income	20
B3 Costs of providing services	21
B3-1 Employee benefits and on-costs	21
B3-2 Materials and services	22
B3-3 Depreciation, amortisation and impairment of non-financial assets	23
B3-4 Other expenses	23
B4 Gains or losses	24
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	24
B5 Performance against budget	25
B5-1 Material budget variations	25
C Financial position	27
C1 Assets we manage	27
C1-1 Cash and cash equivalents	27
C1-2 Financial investments	27
C1-3 Restricted cash, cash equivalents and investments	28
C1-4 Receivables	29
C1-5 Inventories	30
C1-6 Infrastructure, property, plant and equipment	31
C2 Leasing activities	34
C2-1 Council as a lessee	34
C2-2 Council as a lessor	34
C3 Liabilities of Council	36
C3-1 Payables	36
C3-2 Borrowings	36
C3-3 Employee benefit provisions	37
C4 Reserves	37
C4-1 Nature and purpose of reserves	37
D Risks and accounting uncertainties	38
D1-1 Risks relating to financial instruments held	38

Goldenfields Water County Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

D2 Fair value measurement	41
D3-1 Contingencies	43
E People and relationships	46
E1 Related party disclosures	46
E1 Key management personnel (KMP)	46
E1-2 Councillor and Mayoral fees and associated expenses	47
E2 Other relationships	47
E2-1 Audit fees	47
F Other matters	48
F1-1 Statement of Cash Flows information	48
F2-1 Commitments	49
F3-1 Events occurring after the reporting date	49
F4 Statement of performance measures	50
F4-1 Statement of performance measures – consolidated results	50

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 30 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 financial statements are set out below.

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) employee benefit provisions – refer Note C3-3.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables – refer Note C1-4
- (ii) Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income for Not-for-Profit Entities* - refer to Notes B2-2 - B2-3.

COVID-19 Impacts

During the 2021 financial year, COVID-19 (COVID) has continued to cause a disruption to Council's business practices with a number of staff working remotely from home when required. Whilst this has caused some inconveniences it has not resulted in significant additional costs.

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

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID. Fair value of the majority of Council's non-current assets is determined by replacement costs where there is no anticipated material change in value due to COVID. For assets where fair value is determined by market value Council has no evidence of material changes to these values.

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

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

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

General Purpose Operations (Water Services)

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Water supplies	23,272	26,089	23,126	24,560	146	1,529	2,388	1,559	334,493	324,042
Total functions and activities	23,272	26,089	23,126	24,560	146	1,529	2,388	1,559	334,493	324,042

B1-2 Components of functions or activities

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

Water supplies

Council is responsible for water supply functions within the Local Government areas of Bland, Coolamon, Junee, Temora and parts of Cootamundra-Gundagai and Narrandera.

Council also supplies bulk water to Hilltops and other parts of Cootamundra-Gundagai.

Council does not undertake any other functions.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
– Residential	1,637	1,618
– Non-residential	989	965
– Rural	1,482	1,460
– Bulk supplies to councils	1,437	1,477
Less: pensioner rebates (mandatory)	(156)	(158)
Annual charges levied	5,389	5,362
Pensioner subsidies received:		
– Water	84	85
Total annual charges	5,473	5,447
Total rates and annual charges	5,473	5,447

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Residential	2	4,175	5,155
Non residential	2	2,680	3,333
Rural	2	2,816	3,631
Bulk supplies to councils	2	3,988	5,104
Total specific user charges		13,659	17,223
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	3	1
Private works	2	2	4
Section 603 certificates	2	65	45
Tapping fees	2	137	132
Connection application fees	2	44	41
Special meter reading fee	2	7	3
Other	2	18	15
Total fees and charges – statutory/regulatory		276	241
Total user charges and fees		13,935	17,464
Timing of revenue recognition for user charges and fees			
User charges and fees recognised at a point in time (2)		13,935	17,464
Total user charges and fees		13,935	17,464

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. There is no material obligation for Council in relation to refunds or returns.

B2-3 Other revenue

\$ '000	Timing	2021	2020
Diesel rebate	2	12	9
Employment / training incentives	2	43	3
Data network access charges	2	34	18
Insurance rebates	2	6	8
Workers compensation rebate	2	37	23
Procurement rebate	2	1	—
Other	2	6	19
Water filling station commissions	2	89	—
Total other revenue		228	80

Timing of revenue recognition for other revenue

Other revenue recognised at a point in time (2)	228	80
Total other revenue	228	80

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Special purpose grants and non-developer contributions - cash					
Water supplies	2	–	–	10	–
Total special purpose grants and non-developer contributions – cash		–	–	10	–
Comprising:					
– Other funding		–	–	10	–
		–	–	10	–

Developer contributions

Developer contributions:
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):

Cash contributions

S 64 – water supply contributions	2	–	–	2,378	1,559
Total developer contributions		–	–	2,378	1,559
Total grants and contributions		–	–	2,388	1,559

Timing of revenue recognition for grants and contributions

Grants and contributions recognised at a point in time (2)

Total grants and contributions		–	–	2,388	1,559
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Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants and contributions

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

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

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

B2-4 Grants and contributions (continued)

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	21	44
– Cash and investments	1,024	1,327
Total interest and investment income (losses)	1,045	1,371

Interest and investment income is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	21	44
General Council cash and investments	1,024	1,327
Total interest and investment income	1,045	1,371

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Rental properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		60	74
Total Rental properties		60	74
Other lease income			
Leaseback fees - council vehicles		92	94
Total Other lease income		92	94
Total rental income	C2-2	152	168
Total other income		152	168

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	5,313	5,829
Employee termination costs (where material – other than vested leave paid)	24	61
Travel expenses	–	23
Employee leave entitlements (ELE)	1,153	822
Superannuation	885	811
Workers' compensation insurance	139	116
Fringe benefit tax (FBT)	138	182
Payroll tax	284	345
Training costs (other than salaries and wages)	161	131
Protective clothing	59	80
Recruitment costs	17	25
Other	8	129
Total employee costs	8,181	8,554
Less: capitalised costs	(1,038)	(1,113)
Total employee costs expensed	7,143	7,441

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 D3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		6,022	5,894
Contractor and consultancy costs		10,414	4,076
Audit Fees	E2-1	70	77
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	E1-2	104	107
Advertising		35	14
Bank charges		19	42
Cleaning		1	3
Computer software charges		237	358
Electricity and heating		2,294	2,971
Insurance		208	216
Printing, postage and stationery		92	85
Subscriptions and publications		278	141
Telephone and communications		311	329
Collection agencies		69	31
Other expenses		10	10
Council land rates		80	79
Early payment discount		–	51
Legal expenses		133	89
Expenses from short-term leases		–	5
Expenses from leases of low value assets	C2-1	54	3
Purchase of water		92	99
Total materials and services		20,523	14,680
Less: capitalised costs		(13,141)	(6,310)
Total materials and services		7,382	8,370

Accounting policy

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

B3-3 Depreciation, amortisation and impairment of non-financial assets

\$ '000	2021	2020
Depreciation and amortisation		
Plant and equipment	1,027	935
Office equipment	347	330
Furniture and fittings	12	11
Infrastructure:		
– Buildings – non-specialised	192	201
– Water mains	4,350	4,109
– Reservoirs	1,136	1,141
– Pumping stations and bores	677	693
– Treatment plants	620	694
Total gross depreciation and amortisation costs	8,361	8,114
Total depreciation and amortisation costs	8,361	8,114
Total depreciation, amortisation and impairment for non-financial assets	8,361	8,114

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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.

B3-4 Other expenses

\$ '000	2021	2020
Other		
Donations, contributions and assistance to other organisations (Section 356)	240	220
Total other	240	220
Total other expenses	240	220

Accounting policy

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

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		968	634
Less: carrying amount of plant and equipment assets sold/written off		(917)	(733)
Gain (or loss) on disposal		51	(99)
Office equipment	C1-6		
Proceeds from disposal – Office equipment		–	35
Less: carrying amount of Office equipment assets sold/written off		–	(178)
Gain (or loss) on disposal		–	(143)
Gain (or loss) on disposal of infrastructure	C1-6		
Less: carrying amount of infrastructure assets sold/written off		–	(173)
Gain (or loss) on disposal		–	(173)
Net gain (or loss) on disposal of assets		51	(415)

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 24/06/2021 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	5,165	5,473	308	6% F
User charges and fees	16,010	13,935	(2,075)	(13)% U
Water usage was lower than original budget projections due to reduced demand following wet weather and low average temperatures.				
Other revenues	100	228	128	128% F
Higher than originally budgeted due to training incentives offered by the Federal Government when employing apprentices, as well as commissions from water filling stations.				
Capital grants and contributions	1,500	2,388	888	59% F
Higher number of developer applications than originally anticipated.				
Interest and investment revenue	830	1,045	215	26% F
Higher levels of cash on hand during most of the year than anticipated due to unexpended CAPEX expenditure, which has resulted in higher investment returns.				
Net gains from disposal of assets	–	51	51	∞ F
Other income	85	152	67	79% F
Variance due to difference in categorisation compared to budget.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	6,517	7,143	(626)	(10)% U
Increased staffing levels during the year to meet operational needs.				
Materials and services	4,188	7,382	(3,194)	(76)% U
Variance to budget due to difference in categorisation following the NSW Office of Local Government change to the Code of Accounting requirements, where most expenses formerly classified as Other Expenses are reclassified to Materials and Services.				
Depreciation, amortisation and impairment of non-financial assets	7,521	8,361	(840)	(11)% U
Revaluation of infrastructure assets resulted in higher depreciation expenditure than budgeted.				
Other expenses	5,217	240	4,977	95% F
Variance following categorisation change introduced by the NSW Office of Local Government in the Code of Accounting, that recategorised expenses formerly included in Other Expenses to Materials and Services.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	8,136	8,755	619	8% F
Cash flows from investing activities	(8,636)	(10,089)	(1,453)	17% U
Due to higher levels of cash and investments on hand during the year, less investments required redeeming than originally budgeted, which reduced sales of investments within the investing activity cash flows.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	837	1,417
Cash-equivalent assets		
– Deposits at call	3,501	4,255
Total cash and cash equivalents	4,338	5,672

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	4,338	5,672
Balance as per the Statement of Cash Flows	4,338	5,672

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	34,021	12,000	39,000	10,000
Total	34,021	12,000	39,000	10,000
Total financial investments	34,021	12,000	39,000	10,000
Total cash assets, cash equivalents and investments	38,359	12,000	44,672	10,000

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

continued on next page ...

C1-2 Financial investments (continued)

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

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

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

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

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

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	38,359	12,000	44,672	10,000
attributable to:				
Internal restrictions	16,491	12,000	29,799	10,000
Unrestricted	21,868	–	14,873	–
	38,359	12,000	44,672	10,000

\$ '000	2021	2020
	2021	2020

Details of restrictions

Internal restrictions

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

Plant and vehicle replacement	1,761	1,269
Infrastructure replacement	24,482	34,009
Employees leave entitlement	2,248	2,129
Sales fluctuation reserve	–	2,000
Property asset reserve	–	392
Total internal restrictions	28,491	39,799
Total restrictions	28,491	39,799

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Availability (access) charges	1,431	–	1,494	–
Interest and extra charges	75	–	93	–
User charges and fees	2,782	–	3,154	–
Accrued revenues				
– Interest on investments	283	–	515	–
Deferred developer contributions	689	–	488	–
Government grants and subsidies	84	–	85	–
Net GST receivable	468	–	80	–
Other debtors	8	–	49	–
Total	5,820	–	5,958	–
Total net receivables	5,820	–	5,958	–

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	–	15
– amounts already provided for and written off this year	–	(15)
Balance at the end of the year	–	–

Accounting policy

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

Impairment

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

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

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

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

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	768	–	595	–
Total inventories at cost	768	–	595	–
Total inventories	768	–	595	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	6,037	–	6,037	–	9,809	–	–	(1,196)	–	14,650	–	14,650
Plant and equipment	8,845	(3,272)	5,573	–	1,621	(917)	(1,027)	–	–	9,172	(3,922)	5,250
Office equipment	1,699	(748)	951	–	66	–	(347)	–	–	1,765	(1,095)	670
Furniture and fittings	110	(50)	60	–	–	–	(12)	–	–	110	(62)	48
Land:												
– Operational land	2,830	–	2,830	–	470	–	–	38	–	3,338	–	3,338
Infrastructure:												
– Buildings – non-specialised	7,094	(2,275)	4,819	133	–	–	(192)	14	–	7,241	(2,467)	4,774
– Water mains	323,070	(156,797)	166,273	167	145	–	(4,350)	52	4,933	333,870	(166,650)	167,220
– Reservoirs	83,599	(39,492)	44,107	285	–	–	(1,136)	50	4,551	83,966	(36,109)	47,857
– Pumping stations and bores	28,539	(14,248)	14,291	1,090	–	–	(677)	177	1,599	28,785	(12,305)	16,480
– Treatment plants	33,205	(15,329)	17,876	–	250	–	(620)	865	(1,112)	33,567	(16,308)	17,259
Total infrastructure, property, plant and equipment	495,028	(232,211)	262,817	1,675	12,361	(917)	(8,361)	–	9,971	516,464	(238,918)	277,546

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period						At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	3,714	–	3,714	–	3,775	–	–	(1,452)	–	6,037	–	6,037
Plant and equipment	9,328	(3,421)	5,907	–	1,334	(733)	(935)	–	–	8,845	(3,272)	5,573
Office equipment	2,042	(583)	1,459	–	–	(178)	(330)	–	–	1,699	(748)	951
Furniture and fittings	140	(69)	71	–	–	–	(11)	–	–	110	(50)	60
Land:												
– Operational land	2,807	–	2,807	–	–	–	–	–	23	2,830	–	2,830
Infrastructure:												
– Buildings – non-specialised	7,074	(2,074)	5,000	–	43	–	(201)	–	(23)	7,094	(2,275)	4,819
– Water supply network	295,011	(142,321)	152,690	41	1,010	(144)	(4,109)	1,278	15,507	323,070	(156,797)	166,273
– Reservoirs	85,552	(25,811)	59,741	45	–	–	(1,141)	9	(14,547)	83,599	(39,492)	44,107
– Pumping stations and bores	25,767	(8,993)	16,774	412	888	(30)	(693)	99	(3,159)	28,539	(14,248)	14,291
– Treatment plants	23,274	(6,759)	16,515	71	–	–	(694)	44	1,940	33,205	(15,329)	17,876
Total infrastructure, property, plant and equipment	454,709	(190,031)	264,678	569	7,050	(1,085)	(8,114)	(22)	(259)	495,028	(232,211)	262,817

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

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

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

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

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

Plant and equipment	Years	Buildings	Years
Office equipment	5 to 10	Buildings: masonry	50 to 60
Office furniture	10 to 20	Buildings: other	25 to 40
Computer equipment	5		
Vehicles	6.25		
Heavy plant	8 to 20		
Other plant and equipment	5 to 15		
Water assets			
Reservoirs	40 to 90		
Bores	30 to 80		
Reticulation pipes: PVC	50 to 80		
Reticulation pipes: other	50 to 90		
Pumps and telemetry	10 to 40		

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

C2 Leasing activities

C2-1 Council as a lessee

Income Statement

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

\$ '000	2021	2020
Expenses relating to short-term leases	–	5
Expenses relating to low-value leases	54	3
	54	8

Accounting policy

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

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

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

Exceptions to lease accounting

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of residential properties to staff as well as access to Council owned sites to other utilities and leaseback vehicles to staff; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position.

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

\$ '000	2021	2020
(i) Assets held as rental property		
Lease income (excluding variable lease payments not dependent on an index or rate)	60	74
Total income relating to operating leases for rental property assets	60	74
(ii) Repairs and maintenance: property		
Other	18	19
Total repairs and maintenance: property	18	19
(ii) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	92	94
Total income relating to operating leases for Council assets	92	94

C2-2 Council as a lessor (continued)

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.

If the lease contains lease and non-lease components then 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.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	3	–	184	–
Prepaid rates and charges	510	–	454	–
Accrued expenses:				
- Salaries and wages	84	–	161	–
- Employee expense on-costs	163	8	159	8
- Other expenditure accruals	684	–	304	–
Other	3	–	–	–
Total payables	1,447	8	1,262	8
Total payables	1,447	8	1,262	8

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs.

The financial liabilities of the Council comprise trade payables.

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 Borrowings

Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	65	100
Total financing arrangements	565	600
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	48	90
Total undrawn financing arrangements	548	590

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

C3-3 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	787	–	791	–
Long service leave	1,741	131	1,567	118
Accrued leave	45	–	79	–
Total employee benefit provisions	2,573	131	2,437	118

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,122	2,117
	2,122	2,117

Accounting policy

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	4,338	5,672	4,338	5,672
Receivables	5,820	5,958	5,820	5,958
Investments				
– Debt securities at amortised cost	46,021	49,000	46,021	49,000
Total financial assets	56,179	60,630	56,179	60,630
Financial liabilities				
Payables	1,455	1,270	1,455	1,270
Total financial liabilities	1,455	1,270	1,455	1,270

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value
- **Held-to-maturity investments** – 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.

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

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

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

The risks associated with the instruments held are:

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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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	482	532
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(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.

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	1,090	193	62	70	16	1,431
2020						
Gross carrying amount	1,059	435	–	–	–	1,494

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	3,531	1	217	71	569	4,389
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	3,090	460	115	40	759	4,464
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

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

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

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

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 and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	–	253	–	–	253	945
Total financial liabilities		–	253	–	–	253	945
2020							
Trade/other payables	0.00%	–	1,270	–	–	1,270	1,270
Total financial liabilities		–	1,270	–	–	1,270	1,270

D2 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-6								
Plant and Equipment		30/06/21	30/06/20	—	—	5,250	5,573	5,250	5,573
Office Equipment		30/06/21	30/06/20	—	—	670	951	670	951
Furniture and Fittings		30/06/21	30/06/20	—	—	48	60	48	60
Operational Land		30/06/18	30/06/18	3,338	2,830	—	—	3,338	2,830
Buildings – Non Specialised		30/06/18	30/06/18	4,774	4,819	—	—	4,774	4,819
Water Mains		30/06/21	30/06/20	—	—	167,220	166,273	167,220	166,273
Reservoirs		30/06/21	30/06/20	—	—	47,857	44,107	47,857	44,107
Pumping Stations and Bores		30/06/21	30/06/20	—	—	16,480	14,291	16,480	14,291
Treatment Plants		30/06/21	30/06/20	—	—	17,259	17,876	17,259	17,876
Total infrastructure, property, plant and equipment				8,112	7,649	254,784	249,131	262,896	256,780

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant and Equipment, Office Equipment and Furniture and Fittings

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at depreciated historical cost.

The carrying amount of these assets approximates fair value due to the nature of the items. Council values Plant and Equipment, Office Equipment and Furniture and Fittings using unobservable level 3 inputs including gross historical cost, estimated useful life of the asset and residual value.

Land - Operational

This asset class comprises of all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Land was revalued as at 30 June 2018 by Asset Val Pty Ltd.

Fair value is based on sales of land in the locality and principles of the direct comparison method for individual parcels. Where there is a lack of comparable sales, closest comparable sales of properties with similar characteristics is used.

D2 Fair value measurement (continued)

Direct comparison method is considered a level 2 input, involves the analysis of sales evidence and comparisons of the subject land, taking into account matters such as area, location and other general site characteristics. The valuation techniques used maximise the use of observable data where it is available.

Buildings - Non Specialised

Buildings were valued at 30 June 2018 by Asset Val Pty Ltd.

Fair value is determined using a sales based market value approach. A market approach is based on available sales evidence using either the direct comparison, summation or income approaches. Where a market value approach is not suitable, an alternative replacement cost approach is used. The cost approach may not be suitable for assets of a specialised nature where there is a lack of market evidence.

Market approach valuation is deemed to be a level 2 input. The valuation techniques used maximise the use of observable data where it is available.

Water Infrastructure

This comprises of water mains, reservoirs, bores, pumping stations and treatment plants.

These asset classes were indexed as at 30 June 2021 by the NSW Water Supply & Sewerage Construction Cost Index from the NSW Reference Rates Manual. A hierarchy review was undertaken at 1 July 2020 which resulted in this asset class being revalued. These asset classes were revalued as at 30 June 2020 by engineering staff at council utilising the cost approach. This method is based on determining the replacement cost of the modern equivalent and then adjusting for the level of consumed future economic benefit and impairment to arrive at the current replacement cost.

Replacement costs are based on the use of relevant unit rates based on component design, specification and material used, further adjusted for any location, geographical or other adjustments. All assets are split into the components used for asset management planning purposes.

Physical inspections were undertaken during 2019/20 on above ground infrastructure to confirm condition. Some assets such as underground pipes are not able to be inspected due to their nature. For these assets, reliance is placed on asset management and GIS system data based from day-to-day operations to manage these assets.

This approach is deemed to be a level 3 input due to the use of data that is unobservable in the market.

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	IPP&E	
	2021	2020
Opening balance	249,131	253,157
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	9,971	(259)
Other movements		
Purchases (GBV)	4,768	5,231
Disposals (WDV)	(917)	(1,085)
Depreciation and impairment	(8,169)	(7,913)
Closing balance	254,784	249,131

Highest and best use

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

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

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 2020 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. 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.

D3-1 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 \$31,816. The last valuation of the Scheme was performed by Fund Actuary, Richard Boyfield FIAA and covers the period ended 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$105,073.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$75,300 as at 30 June 2021.

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

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

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

* Plus promotional increases

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

(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.

(iv) Other guarantees

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

D3-1 Contingencies (continued)

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.

E People and relationships

E1 Related party disclosures

E1 Key management personnel (KMP)

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	970	881
Post-employment benefits	112	101
Other long-term benefits	23	22
Total	1,105	1,004

Other transactions with KMP and their related parties

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
2021						
Supply and Service of Council vehicles	1	726	–		–	–
Rental of Council Owned Properties	2	17	–		–	–
Supply of Legal Services	3	5	–		–	–
2020						
Supply and Service of Council vehicles	1	395	–		–	–
Rental of Council Owned Properties	2	21	–		–	–

- 1 Council purchased vehicles during the year from a company which has a member of Council's KMP as a director. The contract of supply of Council vehicles was awarded through a competitive tender process. Amounts were due payable under normal payment terms following procurement processes.
- 2 Council owned properties rented to KMP.
- 3 Council engaged legal services provided by a related party of a KMP.

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Members expenses – chairperson’s fee	16	16
Members expenses – members fees	79	78
Members expenses (incl. chairperson) – other (excluding fees above)	9	13
Total	104	107

E2 Other relationships

E2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	30	29
Remuneration for audit and other assurance services	30	29
Total Auditor-General remuneration	30	29
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal Audit costs	40	48
Remuneration for audit and other assurance services	40	48
Total remuneration of non NSW Auditor-General audit firms	40	48
Total audit fees	70	77

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	146	1,529
Adjust for non-cash items:		
Depreciation and amortisation	8,361	8,114
Net losses/(gains) on disposal of assets	(51)	415
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	138	763
Increase/(decrease) in provision for impairment of receivables	–	(15)
Decrease/(increase) in inventories	(173)	(47)
Increase/(decrease) in payables	(181)	(725)
Increase/(decrease) in other accrued expenses payable	303	(40)
Increase/(decrease) in other liabilities	63	39
Increase/(decrease) in provision for employee benefits	149	678
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	8,755	10,711

F2-1 Commitments

Capital commitments (exclusive of GST)

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

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Water infrastructure	5,180	799
Total commitments	5,180	799

These expenditures are payable as follows:

Within the next year	5,180	799
Total payable	5,180	799

Sources for funding of capital commitments:

Unrestricted general funds	5,180	799
Total sources of funding	5,180	799

Details of capital commitments

Oura HV Design \$9k
 Jugiong Plan \$22k
 Thanowring Rd Design \$6k
 Oura HV Construction \$1.907m
 Old Jugiong WTP Demolition \$63k
 Rosehill to Harden Pipeline \$1.669m
 Oura HV Equipment Supply \$1.228m
 Service - Electrical Switchboards \$170k
 Rosehill to Young Plan \$106k

F3-1 Events occurring after the reporting date

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

F4 Statement of performance measures

F4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,293)	(11.01)%	1.57%	8.35%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	20,833				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	20,833	89.72%	94.02%	96.15%	> 60.00%
Total continuing operating revenue ¹	23,221				
3. Unrestricted current ratio					
Current assets less all external restrictions	44,947	23.68x	32.03x	13.10x	> 1.50x
Current liabilities less specific purpose liabilities	1,898				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,068	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,506	21.27%	22.64%	22.71%	< 10.00%
Rates and annual charges collectable	7,081				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	50,359	36.29	36.90	37.95	> 3.00
Monthly payments from cash flow of operating and financing activities	1,388	mths	mths	mths	mths

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Goldenfields Water County Council

To the Councillors of the Goldenfields Water County Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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
- 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.



Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2021
SYDNEY



Cr Dennis Palmer
Chairperson
Goldenfields Water County Council
PO Box 220
TEMORA NSW 2666

Contact: Nirupama Mani
Phone no: 02 9275 7111
Our ref: D2118107/1819

30 September 2021

Dear Cr Palmer

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Goldenfields Water County Council**






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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 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.

INCOME STATEMENT

Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	5.473	5.447	0.5 
User charges and fees	13.935	17.464	20.2 
Grants and contributions revenue	2.388	1.559	53.2 
Operating result from continuing operations	0.146	1.529	90 
Net operating result before capital grants and contributions	(2.242)	(0.030)	7373 

Rates and annual charges revenue increased by \$0.26 million (0.5 per cent) to \$5.47 million. Council's customers increased by 0.7 per cent which is consistent with the movement in rates and annual charges revenue.

User charges and fees decreased by \$3.53 million (20 per cent) to \$13.93 million. The decrease can be attributed to the wet weather which resulted in lower water sales (specific actual use charges) and bulk water sales to Councils compared to the previous year.

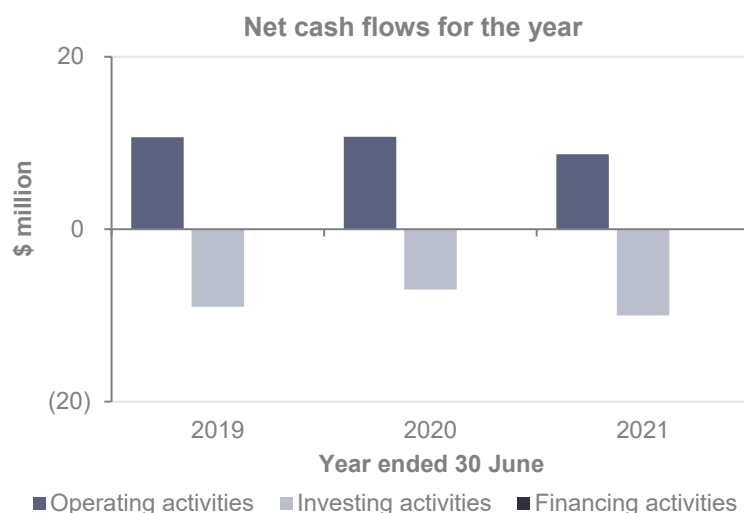
Grants and contributions revenue (\$2.38 million) increased by \$0.83 million (53.2 per cent) in 2020-21 due to additional water supply contributions received for headworks.

The Council's operating result from continuing operations (\$0.15 million including depreciation and amortisation expense of \$8.36 million) was \$1.38 million lower than the 2019-20 result. The decrease of 90 per cent is consistent with the decrease in user charges and fees.

The net operating result before capital grants and contributions (-\$2.24 million) was \$2.21 million lower than the 2020-2019 result. The decrease of 7373 per cent is mainly due to the decrease in user charges and fees.

STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$1.33 million at 30 June 2021 (net increase of \$3.78 million at 30 June 2020).
- Net cash provided by operating activities amounted to \$8.75 million. Council recorded cash receipts from user fees and charges of \$14.58 million, annual charges of \$5.59 million, grants and contributions of \$2.39 million and investment and interest revenue of \$1.29 million. Council recorded cash payments for employee benefits and on-costs of \$7.07 million and materials and contributions of \$9.73 million.
- Net cash used in investing activities amounted to \$10.09 million. This is largely due to the net cash outflow of \$14.04 million for the purchase of infrastructure, property, plant and equipment during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	50.359	54.672	<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 works and any forward plans identified by Council. The movement in the internally restricted cash balance is predominately due to a decrease in infrastructure replacement restrictions and a decrease of the Sales Fluctuation Reserve due to the reduction in water sales following wet weather conditions during the year. • Unrestricted cash has increased due to the decrease in internal restrictions from the prior year explained above.
Restricted cash and investments:			
• External restrictions	-	-	
• Internal restrictions	28.491	39.799	
• Unrestricted	21.686	14.873	

Debt

Council's approved overdraft facility for Commonwealth Bank Australia (CBA) is \$0.50 million. This remains unused at the end of the financial year.

PERFORMANCE

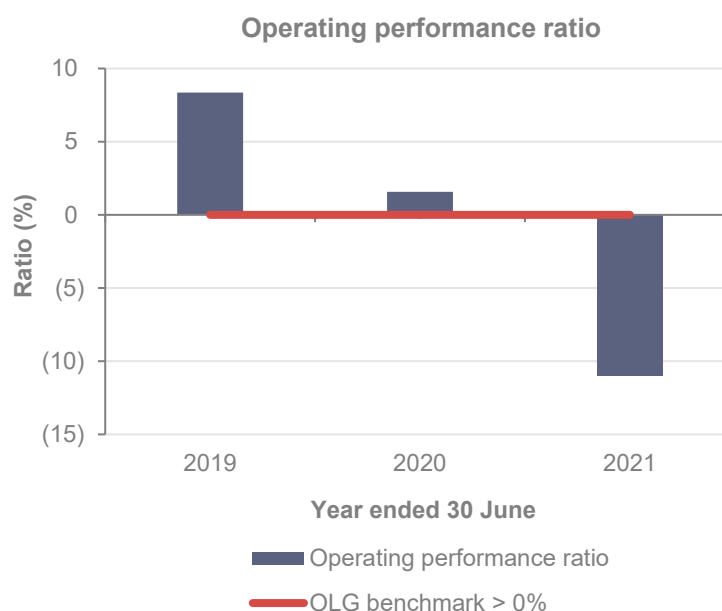
Performance measures

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. This is largely due to the reduction of operating revenue of \$2.8 million (impacted by the decline in water sales following wet weather conditions during the year).



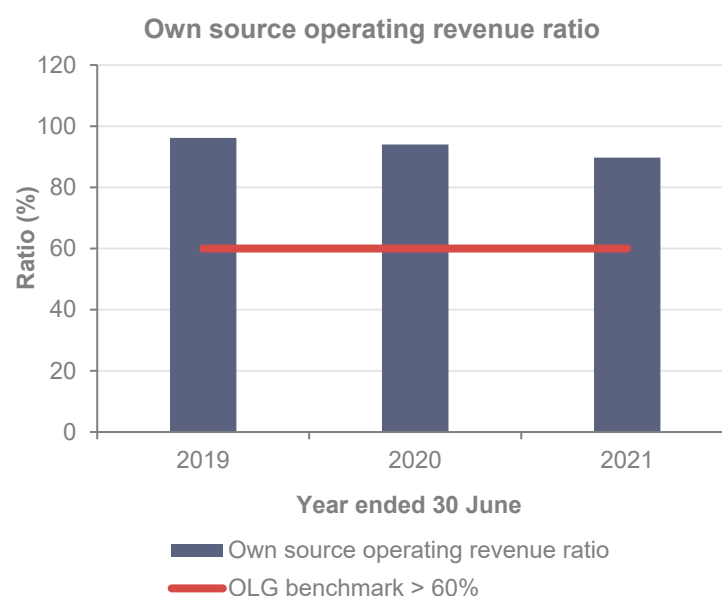
Own source operating revenue ratio

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 exceeded the OLG benchmark for the current reporting period.

The Council's own source operating revenue ratio of 89.72% is above the industry benchmark of 60%. Council has met this benchmark as its main source of income is from water sales, rather than reliance on operating grants and contributions.

The Council's own source operating revenue ratio has decreased by 4.3% due to the decline in water sales.



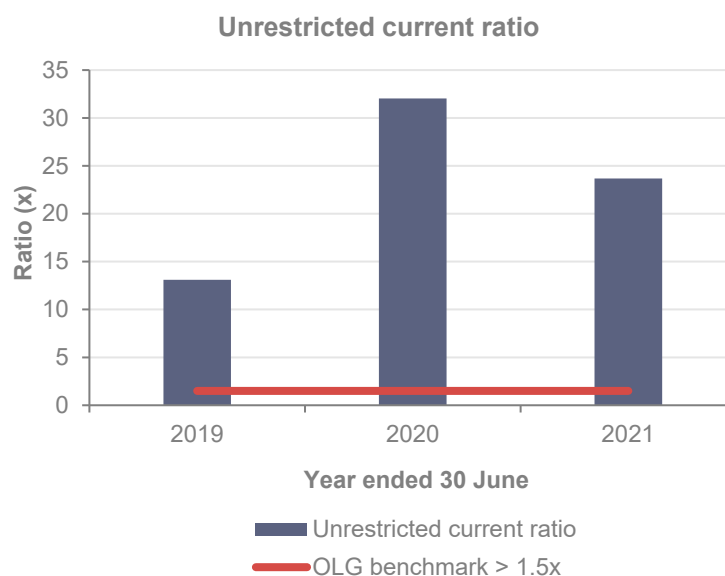
Unrestricted current ratio

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.

The Council's unrestricted current ratio of 23.7 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

The Council's unrestricted current ratio has decreased due to the reduction in current assets and an increase in current liabilities.



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.

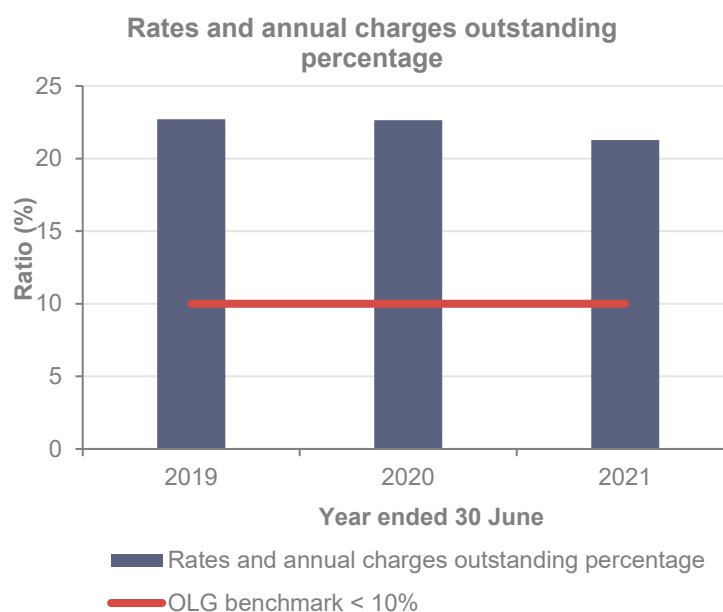
The Council exceeded the OLG benchmark for the current reporting period.

The Council's rates and annual charges outstanding percentage of 21.27 per cent is outside the industry benchmark of less than 10 per cent for rural councils.

The rates and annual charges outstanding percentage has remained steady across the financial years presented.

Council continues to exceed this benchmark due to the rolling quarterly billing arrangements.

The billing cycle of water county councils need to be considered when assessing this performance against other general councils.

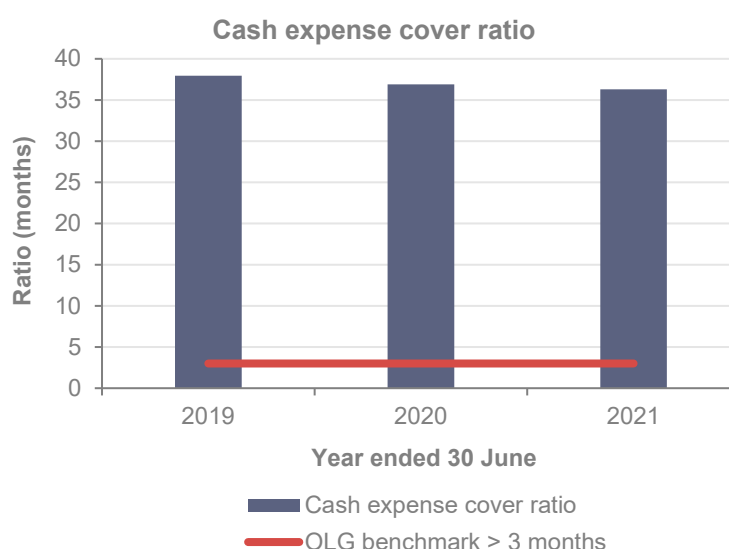


Cash expense cover ratio

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

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

The Council's cash expense cover ratio was 36.29 months, which is above the industry benchmark of greater than 3 months. This indicates that Council has the capacity to cover 36.29 months of cash expenditure without additional cash inflows at 30 June 2021.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$1.67 million of assets in the 2020-21 financial year, compared to \$0.57 million of assets in the 2019-20 financial year. The decrease is primarily due to the transfer of work in progress renewals on completion of project works.

OTHER MATTERS

Legislative compliance

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

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

The Council's:

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

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Aaron Drenovski, General Manager
Mr Peter McLean, Chair of the Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Goldenfields Water County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To be innovative leaders in the supply and distribution of
water through regional efficiency, technical excellence and
customer service.*



Goldenfields Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Statement of Financial Position of water supply business activity	5
Note – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	8

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).

Goldenfields Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 August 2021.



Clr Dennis Palmer

Chairperson

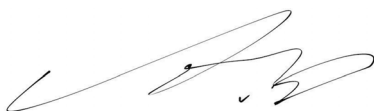
24 August 2021



Clr David McCann

Deputy Chairperson

24 August 2021



Aaron Drenovski

General Manager

24 August 2021



Michele Curran

Responsible Accounting Officer

24 August 2021

Goldenfields Water County Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	5,473	5,447
User charges	13,935	17,223
Fees	228	338
Interest	1,045	1,371
Profit from the sale of assets	51	–
Other income	152	150
Total income from continuing operations	20,884	24,529
Expenses from continuing operations		
Employee benefits and on-costs	7,143	7,441
Materials and services	7,290	8,270
Depreciation, amortisation and impairment	8,361	8,114
Water purchase charges	92	99
Loss on sale of assets	–	415
Calculated taxation equivalents	41	34
Other expenses	240	220
Total expenses from continuing operations	23,167	24,593
Surplus (deficit) from continuing operations before capital amounts	(2,283)	(64)
Grants and contributions provided for capital purposes	2,388	1,559
Surplus (deficit) from continuing operations after capital amounts	105	1,495
Surplus (deficit) from all operations before tax	105	1,495
Surplus (deficit) after tax	105	1,495
Plus accumulated surplus	95,030	93,501
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	41	34
Closing accumulated surplus	95,176	95,030
Return on capital %	(0.8)%	0.0%
Subsidy from Council	6,418	2,377
Calculation of dividend payable:		
Surplus (deficit) after tax	105	1,495
Less: capital grants and contributions (excluding developer contributions)	(2,388)	(1,559)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Goldenfields Water County Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	4,338	5,672
Investments	34,021	39,000
Receivables	5,820	5,958
Inventories	768	595
Total current assets	44,947	51,225
Non-current assets		
Investments	12,000	10,000
Infrastructure, property, plant and equipment	277,546	262,817
Total non-current assets	289,546	272,817
Total assets	334,493	324,042
LIABILITIES		
Current liabilities		
Payables	1,447	1,262
Employee benefit provisions	2,573	2,437
Total current liabilities	4,020	3,699
Non-current liabilities		
Payables	8	8
Employee benefit provisions	131	118
Total non-current liabilities	139	126
Total liabilities	4,159	3,825
Net assets	330,334	320,217
EQUITY		
Accumulated surplus	95,176	95,030
Revaluation reserves	235,158	225,187
Total equity	330,334	320,217

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)

Goldenfields Water County Council (whole of Council operation)

Water supply within the Local Government areas of Bland, Coolamon, Junee, Temora and parts of Cootamundra-Gundagai, Hilltops and Narrandera. Bulk water is supplied to Hilltops and Cootamundra-Gundagai Councils.

Taxation equivalent charges

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

Notional rate applied (%)

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

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

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

Note – Significant Accounting Policies (continued)

Income tax

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

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

Accordingly, there is no need for disclosure of internal charges in the SPFS.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply assessments at 30/06/2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to DPIE - Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Goldenfields Water County Council

To the Councillors of the Goldenfields Water County Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in dark ink, reading "Nirupama Mani". The signature is written in a cursive style with a small flourish at the end.

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2021
SYDNEY

Goldenfields Water County Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*To be innovative leaders in the supply and distribution of
water through regional efficiency, technical excellence and
customer service.*



Goldenfields Water County Council

Special Schedules

for the year ended 30 June 2021

Contents

Page

Special Schedules:

Report on infrastructure assets as at 30 June 2021

3

Goldenfields Water County 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	Council Office	—	—	29	9	1,399	1,857	95.0%	0.0%	5.0%	0.0%	0.0%
	Council Works Depots	—	—	32	51	1,976	2,655	91.0%	3.0%	3.0%	3.0%	0.0%
	Council Houses	—	—	11	18	1,399	2,729	37.0%	28.0%	35.0%	0.0%	0.0%
	Sub-total	—	—	72	78	4,774	7,241	71.7%	11.7%	15.6%	1.1%	0.0%
Water supply network	Mains	12,205	32,498	1,718	2,154	167,220	333,870	52.0%	1.9%	24.0%	19.8%	2.4%
	Reservoirs	1,605	2,187	230	670	47,857	83,966	45.9%	43.7%	6.1%	1.8%	2.5%
	Pumping Stations & Bores	391	879	1,044	606	16,480	28,785	42.6%	43.6%	6.8%	6.0%	1.1%
	Treatment	1,552	2,615	1,120	763	17,259	33,567	33.2%	36.6%	7.4%	18.9%	3.9%
	Sub-total	15,753	38,179	4,112	4,193	248,816	480,188	49.1%	14.1%	18.7%	15.7%	2.4%
Total – all assets		15,753	38,179	4,184	4,271	253,590	487,429	49.4%	14.1%	18.6%	15.5%	2.4%

(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

Goldenfields Water County Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	287	6.32%	8.32%	85.23%	>= 100.00%
Depreciation, amortisation and impairment	4,542				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	15,753	8.44%	16.32%	11.55%	< 2.00%
Net carrying amount of infrastructure assets	186,644				
Asset maintenance ratio					
Actual asset maintenance	4,271	102.08%	93.28%	78.97%	> 100.00%
Required asset maintenance	4,184				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	38,179	7.83%	9.95%	6.93%	
Gross replacement cost	487,429				

(*) 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.