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ABN 84 873 116 132

October 22, 2021

ORDINARY MEETING OF THE COUNCIL MEETING

TO BE HELD

WEDNESDAY, OCTOBER 27, 2021

SUPPLEMENTARY AGENDA NO. 1

RAZIJA NU'MAN
ACTING GENERAL MANAGER

FURTHER BUSINESS

1. BROKEN HILL CITY COUNCIL REPORT NO. 177/21 - DATED OCTOBER 21, 2021 - PUBLIC PRESENTATION OF 2020/2021 FINANCIAL STATEMENTS (19/74)..... 3

ORDINARY MEETING OF THE COUNCIL

October 21, 2021

ITEM 1**BROKEN HILL CITY COUNCIL REPORT NO. 177/21**

SUBJECT: **PUBLIC PRESENTATION OF 2020/2021 FINANCIAL STATEMENTS** **19/74**

Recommendation

1. That Broken Hill City Council Report No. 177/21 dated October 21, 2021, be received.
2. That Council adopt the financial statements and present the Annual Financial Statements inclusive of the Auditor's Reports for 2020/21 to the public.

Executive Summary:

Council has received the auditor's reports on the financial statements for the year ended 30 June 2021. At the Ordinary Council Meeting held on 29 September 2021, Council authorised for the General Manager to set the date for the Financial Statements and Auditors Reports to be presented to the public. This date has been set for 27 October 2021.

The financial statements were presented to Council's Audit, Risk & Improvement Committee on 20 October 2021 with the NSW Audit Office in attendance for questions and comments to be asked of the auditors. All Councillors were invited to attend this meeting.

Report:

Council's auditor, The NSW Audit Office, has completed the audit of Council's financial statements for the year ended 30 June 2021. The draft financial statements were submitted to Council on 29 September 2021 for Councillors and Management to sign.

The financial statements were presented to Council's Audit, Risk & Improvement Committee on 20 October 2021 with the NSW Audit Office in attendance for questions and comments to be asked of the auditors. All Councillors were invited to attend this meeting.

Under Section 418 (1) of the *Local Government Act 1993*, Council is required to fix a date for the meeting at which it proposes to present its audited financial statements, including auditor's reports, to the public and give notice of the date of the meeting.

The date set for the public meeting is Wednesday, 27 October 2021, commencing at 6:30pm in the Council Chambers. Notification of this public meeting will be advertised in accordance with the requirements of Section 418 (1)(b) of the *Local Government Act 1993*. The public meeting will also be advertised on Council's website.

Public submissions are invited in relation to the 2020/2021 Annual Financial Statements, with the closing date of Wednesday 3 November 2021. Submissions made to Council will be reported to Council at the next available Council meeting.

The Financial Statements including the Auditors reports were submitted to the Office of Local Government (OLG) on Thursday 21 November, 2021.

The full version of the audited Annual Financial Statements including the Auditor's Reports is attached (Attachment 1) and was available on Council's website from Wednesday 20 October 2021.

Strategic Direction:

Key Direction 4: Our Leadership
Objective 4.1: Openness and Transparency in Decision Making
Action 4.1.1 Support the organisation to operate in its legal framework

Relevant Legislation:

Local Government Act 1993

Financial Implications:

The recommendation has no financial impact.

Attachments

1. [↓](#) Annual Financial Statements

SIMON BROWN
ACTING CHIEF FINANCIAL OFFICER

RAZIJA NU'MAN
ACTING GENERAL MANAGER

Broken Hill City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

*A vibrant, prosperous and culturally rich Heritage City
shared with visitors from around the world.*



Broken Hill City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*A vibrant, prosperous and culturally rich Heritage City
shared with visitors from around the world.*



Broken Hill City Council**General Purpose Financial Statements**

for the year ended 30 June 2021

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Overview

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

240 Blende Street
Broken Hill NSW 2880

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.brokenhill.nsw.gov.au

Broken Hill City Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Broken Hill City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

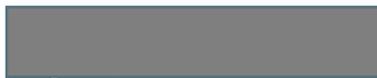
Signed in accordance with a resolution of Council made on 29 September 2021.



Darriea Turley AM
Mayor
29 September 2021



Christine Adams
Councillor
29 September 2021



Jay Nankivell
General Manager
29 September 2021



Simon Brown
Responsible Accounting Officer
29 September 2021

Broken Hill City Council | Income Statement | For the year ended 30 June 2021

Broken Hill City Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000	Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Income from continuing operations			
18,639	Rates and annual charges B2-1	19,013	18,473
2,686	User charges and fees B2-2	3,325	2,937
233	Other revenue B2-3	4,867	470
6,740	Grants and contributions provided for operating purposes B2-4	6,771	6,728
30,011	Grants and contributions provided for capital purposes B2-4	3,910	1,684
286	Interest and investment income B2-5	573	53
295	Other income B2-6	300	212
58,890	Total income from continuing operations	38,759	30,557
Expenses from continuing operations			
12,667	Employee benefits and on-costs B3-1	13,475	12,463
9,407	Materials and services B3-2	10,438	13,643
727	Borrowing costs B3-3	958	737
7,064	Depreciation, amortisation and impairment for non-financial assets B3-4	7,904	7,147
764	Other expenses B3-5	2,822	870
-	Net losses from the disposal of assets B4-1	503	131
30,629	Total expenses from continuing operations	36,100	34,991
28,261	Operating result from continuing operations	2,659	(4,434)
28,261	Net operating result for the year attributable to Council	2,659	(4,434)
(1,650)	Net operating result for the year before grants and contributions provided for capital purposes	(1,251)	(6,118)

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

Broken Hill City Council | Statement of Comprehensive Income | For the year ended 30 June 2021

Broken Hill City Council

Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Net operating result for the year – from Income Statement		2,659	(4,434)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	(944)	29,834
Total items which will not be reclassified subsequently to the operating result		(944)	29,834
Total other comprehensive income for the year		(944)	29,834
Total comprehensive income for the year attributable to Council		1,715	25,400

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

Broken Hill City Council | Statement of Financial Position | For the year ended 30 June 2021

Broken Hill City Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	25,747	13,527
Investments	C1-2	3,000	6,000
Receivables	C1-4	4,722	3,690
Inventories	C1-5	133	112
Current assets classified as 'held for sale'	C1-6	-	190
Other		406	673
Total current assets		34,008	24,192
Non-current assets			
Receivables	C1-4	-	16
Infrastructure, property, plant and equipment	C1-7	252,386	248,757
Investments accounted for using the equity method	D1-1	1,144	1,359
Total non-current assets		253,530	250,132
Total assets		287,538	274,324
LIABILITIES			
Current liabilities			
Payables	C3-1	3,779	3,456
Contract liabilities	C3-2	2,352	544
Borrowings	C3-3	1,443	535
Employee benefit provisions	C3-4	4,115	3,835
Total current liabilities		11,689	8,370
Non-current liabilities			
Borrowings	C3-3	19,794	11,957
Employee benefit provisions	C3-4	221	193
Provisions	C3-5	9,386	9,071
Total non-current liabilities		29,401	21,221
Total liabilities		41,090	29,591
Net assets		246,448	244,733
EQUITY			
Accumulated surplus	C4-1	108,741	106,082
IPPE revaluation reserve	C4-1	137,707	138,651
Council equity interest		246,448	244,733
Total equity		246,448	244,733

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

Broken Hill City Council

Statement of Changes in Equity

for the year ended 30 June 2021

	as at 30/06/21			as at 30/06/20		
	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July	106,082	138,651	244,733	111,884	108,817	220,701
Changes due to AASB 1058 and AASB 15 adoption	-	-	-	(1,368)	-	(1,368)
Restated opening balance	106,082	138,651	244,733	110,516	108,817	219,333
Net operating result for the year	2,659	-	2,659	(4,434)	-	(4,434)
Other comprehensive income						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	-	(944)	(944)	-	29,834	29,834
Other comprehensive income	-	(944)	(944)	-	29,834	29,834
Total comprehensive income	2,659	(944)	1,715	(4,434)	29,834	25,400
Closing balance at 30 June	108,741	137,707	246,448	106,082	138,651	244,733

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

Broken Hill City Council | Statement of Cash Flows | For the year ended 30 June 2021

Broken Hill City Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000	Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities			
<i>Receipts:</i>			
18,080	Rates and annual charges	18,813	18,072
2,920	User charges and fees	2,713	2,792
326	Investment and interest revenue received	482	35
36,751	Grants and contributions	12,489	9,955
–	Bonds, deposits and retention amounts received	14	–
295	Other	5,582	3,439
<i>Payments:</i>			
(12,326)	Employee benefits and on-costs	(13,133)	(12,562)
(9,064)	Materials and services	(12,274)	(14,943)
(727)	Borrowing costs	(645)	(581)
–	Bonds, deposits and retention amounts refunded	–	(22)
(764)	Other	(807)	(2,611)
35,491	Net cash flows from operating activities	13,234	3,574
Cash flows from investing activities			
<i>Receipts:</i>			
–	Sale of investment securities	13,000	3,000
–	Sale of infrastructure, property, plant and equipment	664	2
–	Deferred debtors receipts	31	61
<i>Payments:</i>			
(5,000)	Acquisition of term deposits	(10,000)	–
(40,296)	Purchase of infrastructure, property, plant and equipment	(13,454)	(7,983)
(45,296)	Net cash flows from investing activities	(9,759)	(4,920)
Cash flows from financing activities			
<i>Receipts:</i>			
10,000	Proceeds from borrowings	10,000	–
<i>Payments:</i>			
(1,471)	Repayment of borrowings	(1,255)	(600)
8,529	Net cash flows from financing activities	8,745	(600)
(1,276)	Net change in cash and cash equivalents	12,220	(1,946)
5,322	Cash and cash equivalents at beginning of year	13,527	15,473
4,046	Cash and cash equivalents at end of year	25,747	13,527
14,000	plus: Investments on hand at end of year	3,000	6,000
18,046	Total cash, cash equivalents and investments	28,747	19,527

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

Broken Hill City Council

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Broken Hill City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 29 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.

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment
- (ii) estimated tip remediation provisions
- (iii) employee benefit provisions

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Waste management operations
- Civic centre operations
- Airport operations

continued on next page ...

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A1-1 Basis of preparation (continued)

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council is committed to providing work experience and training opportunities to members of the Community. However, Council is equally committed to maintaining the highest possible employment levels.

Volunteers are therefore, not substitutes for paid employees but an acknowledged and valued addition to Council's community infrastructure

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 the first time at 30 June 2021.

Those newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Functions or activities										
Our Community	3,266	1,610	7,528	7,962	(4,262)	(6,352)	2,350	895	225,461	215,097
Our Economy	2,936	2,590	8,722	7,595	(5,786)	(5,005)	2,107	1,893	11,271	10,754
Our Environment	6,170	4,380	4,093	3,605	2,077	775	1,560	92	6,617	6,310
Our Leadership	26,387	21,977	15,757	15,829	10,630	6,148	4,664	5,532	44,189	42,163
Total functions and activities	38,759	30,557	36,100	34,991	2,659	(4,434)	10,681	8,412	287,538	274,324

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B1-2 Components of functions or activities

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

Our Community

Our Community is our people and how we can work together to ensure we position ourselves to retain our sense of identity, our health, wellbeing, social inclusion and connectedness.

Our Economy

In order to reduce our reliance on the mining industry, the community identified strategies that reflect a commitment and determination to expand our thinking and adapt to remain relevant in the world as it is today. This means building on existing economic platforms, like art, culture and tourism, and building on new opportunities such as technology, renewable energies and education.

Our Environment

Our environment relates to the conservation and preservation of the natural environment and the greater reduction of the human impact on the surrounding environment to ensure a sustainable and healthy community.

Our Leadership

Community leadership is essential to ensure the goal and objectives of the Broken Hill City Council's long term plan are achieved. Our leadership is a coordinated approach to add value and ownership of the Community Strategic Plan.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

	2021 \$ '000	2020 \$ '000
Ordinary rates		
Residential	10,224	9,924
Farmland	11	11
Mining	2,278	2,222
Business	3,747	3,692
Less: pensioner rebates (mandatory)	(417)	(431)
Less: pensioner rebates (Council policy)	(16)	(16)
Less: rates levied on council properties	(83)	(86)
Rates levied to ratepayers	15,744	15,316
Pensioner rate subsidies received	204	208
Total ordinary rates	15,948	15,524
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	3,136	2,989
Less: pensioner rebates (mandatory)	(150)	(148)
Annual charges levied	2,986	2,841
Pensioner subsidies received:		
– Domestic waste management	79	108
Total annual charges	3,065	2,949
Total rates and annual charges	19,013	18,473

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

Accounting policy

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

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Waste management services (non-domestic)	2	1,068	817
Total specific user charges		1,068	817
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	37	54
Private works – section 67	2	255	89
Regulatory/ statutory fees	2	140	154
Section 10.7 certificates (EP&A Act)	2	68	69
Section 603 certificates	2	37	30
Animal control	2	70	49
Total fees and charges – statutory/regulatory		607	445
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Parking fees	2	93	39
Waste disposal tipping fees	2	176	324
Art gallery	2	71	129
Airport	2	404	481
Burial fees	2	178	179
Rental income	2	89	–
Land development	2	–	89
Living desert fees	2	319	144
Museum	2	–	1
Public halls	2	55	7
Royalties	2	71	67
Swimming centre / pool	2	85	46
Other	2	17	51
Tourism and area promotion	2	92	118
Total fees and charges – other		1,650	1,675
Total user charges and fees		3,325	2,937
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		3,325	2,937
Total user charges and fees		3,325	2,937

Accounting policy

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

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Legal fees recovery – rates and charges (extra charges)	2	130	48
Legal fees recovery – other		1,025	–
Commissions and agency fees	2	45	24
Diesel rebate	2	48	138
Insurance claims recoveries	2	2,238	2
Sales – general	2	68	103
Sundry income	2	491	155
Legal Judgements		822	–
Total other revenue		4,867	470

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		4,867	470
Total other revenue		4,867	470

Accounting policy for other revenue

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

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B2-4 Grants and contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,213	2,196	–	–
Financial assistance – local roads component	2	253	252	–	–
Payment in advance - future year allocation					
Financial assistance	2	2,639	2,593	–	–
Amount recognised as income during current year					
		5,105	5,041	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Economic development	2	42	225	–	83
Heritage and cultural	2	27	21	173	683
Library	2	309	375	–	–
Noxious weeds	2	–	6	–	–
Recreation and culture	2	2	2	–	–
Art gallery	2	102	100	–	–
Parks and reserves and horticulture	2	–	–	1,522	56
Street lighting		124	–	–	–
Airport	1	–	–	793	20
Transport (roads to recovery)	2	466	466	–	–
Transport (other roads and bridges funding)	2	506	413	883	432
Other specific grants	1	16	9	539	410
Previously contributions:					
Heritage/cultural	2	7	12	–	–
Recreation and culture	2	39	30	–	–
Tourism	2	21	5	–	–
Other contributions	2	–	5	–	–
Total special purpose grants and non-developer contributions – cash					
		1,661	1,669	3,910	1,684
Total special purpose grants and non-developer contributions (tied)					
		1,661	1,669	3,910	1,684
Total grants and non-developer contributions					
		6,766	6,710	3,910	1,684
Comprising:					
– Commonwealth funding		5,105	5,109	1,693	20
– State funding		1,594	1,320	1,654	1,532
– Other funding		67	281	563	132
		6,766	6,710	3,910	1,684

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B2-4 Grants and contributions (continued)

Developer contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies	2	5	18	–	–
Total developer contributions – cash		5	18	–	–
Total developer contributions		5	18	–	–
Total contributions		5	18	–	–
Total grants and contributions		6,771	6,728	3,910	1,684
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)					
		–	–	–	–
Grants and contributions recognised at a point in time (2)					
		6,771	6,728	3,910	1,684
Total grants and contributions		6,771	6,728	3,910	1,684

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B2-4 Grants and contributions (continued)**Unspent grants and contributions**

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	632	296	544	480
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	284	-	4,351	-
Add: Funds received and not recognised as revenue in the current year	-	596	-	470
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(569)	-	(1,999)	-
Less: Funds received in prior year but revenue recognised and funds spent in current year	-	(260)	(544)	(406)
Unspent funds at 30 June	347	632	2,352	544
Contributions				
Unspent funds at 1 July	-	472	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	(472)	-	-
Unspent contributions at 30 June	-	-	-	-

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.

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

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

Capital grants

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

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

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

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B2-4 Grants and contributions (continued)**Developer contributions**

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	107	132
– Cash and investments	466	(79)
Total interest and investment income (losses)	573	53
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	107	132
General Council cash and investments ¹	466	(79)
Total interest and investment income	573	53

Accounting policy

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

(1) Interest returns were negative in 2020 due to market effects of the COVID-19 pandemic on managed funds.

B2-6 Other income

	2021 \$ '000	2020 \$ '000
	Notes	
Rental income		
Other lease income		
Rental income	300	212
Total Other lease income	300	212
Total rental income	C2-1 300	212
Total other income	300	212

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

	2021 \$ '000	2020 \$ '000
Salaries and wages	9,706	9,026
Employee termination costs (where material – other than vested leave paid)	32	78
Employee leave entitlements (ELE)	2,838	2,237
Superannuation	1,226	1,226
Workers' compensation insurance	409	246
Fringe benefit tax (FBT)	105	22
Total employee costs	14,316	12,835
Less: capitalised costs	(841)	(372)
Total employee costs expensed	13,475	12,463

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		1,784	1,716
Contractor and consultancy costs		3,771	3,413
Audit Fees	F2-1	136	71
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	219	220
Advertising		53	178
Bank charges		89	87
Electricity and heating		431	492
Insurance		435	441
Postage		54	58
Printing and stationery		95	84
Street lighting		380	408
Subscriptions and publications		223	220
Telephone and communications		91	61
Travel expenses		77	201
Investment fees		8	2
Internet access		69	305
Licenses and permits		42	38
Motor vehicles		59	23
Promotion		55	50
Training costs (other than salaries and wages)		174	166
Other expenses		359	297
Water charges and consumption		661	732
Legal expenses:			
– Legal expenses: debt recovery		70	63
– Legal expenses: other		1,103	4,317
Total materials and services		10,438	13,643
Total materials and services		10,438	13,643

Accounting policy

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

B3-3 Borrowing costs

	Notes	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs			
Interest on loans		643	574
Total interest bearing liability costs		643	574
Total interest bearing liability costs expensed		643	574
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	315	163
Total other borrowing costs		315	163
Total borrowing costs expensed		958	737

Accounting policy

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		947	636
Office equipment		122	89
Furniture and fittings		125	122
Infrastructure:	C1-7		
– Buildings – non-specialised		2,291	1,898
– Buildings – specialised		246	92
– Other structures		312	304
– Roads		2,829	2,994
– Footpaths		152	160
– Stormwater drainage		137	126
– Swimming pools		–	250
– Other open space/recreational assets		513	100
Reinstatement, rehabilitation and restoration assets:			
– Tip assets		230	376
Total gross depreciation and amortisation costs		7,904	7,147
Total depreciation and amortisation costs		7,904	7,147
Total depreciation, amortisation and impairment for non-financial assets		7,904	7,147

Accounting policy**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because 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 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
Other		1,781	23
Total impairment of receivables	C1-4	1,781	23
Net share of interests in joint ventures and associates using the equity method			
Joint arrangements		215	102
Total net share of interests in joint ventures and associates using the equity method	D1-1	215	102
Other			
Contributions/levies to other levels of government		613	512
Donations, contributions and assistance to other organisations (Section 356)		213	233
Total other		826	745
Total other expenses		2,822	870

Accounting policy

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

Impairment expenses are recognised when identified.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property (excl. investment property)		329	–
Less: carrying amount of property assets sold/written off		(280)	(43)
Gain (or loss) on disposal		49	(43)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		335	2
Less: carrying amount of plant and equipment assets sold/written off		(319)	(7)
Gain (or loss) on disposal		16	(5)
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(24)	(83)
Gain (or loss) on disposal		(24)	(83)
Gain (or loss) on disposal of WIP Assets			
Less: carrying amount of WIP assets sold/written off		(198)	–
Gain (or loss) on disposal		(198)	–
Gain (or loss) on disposal of other assets (artworks)			
Less: carrying amount of other assets (artworks) assets sold/written off		(346)	–
Gain (or loss) on disposal		(346)	–
Net gain (or loss) on disposal of assets		(503)	(131)

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.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B5 Performance against budget**B5-1 Material budget variations**

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

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
REVENUES					
Rates and annual charges	18,639	19,013	374	2%	F
User charges and fees	2,686	3,325	639	24%	F
Higher than anticipated revenue was received from Waste Facility user charges and the increase in local tourism prior to the June lockdowns provided higher than anticipated revenue for Council tourist facilities and the airport.					
Other revenues	233	4,867	4,634	1,989%	F
Higher than budgeted revenue due to insurance recoveries from damage to Council buildings in the 2016 hail storm that were not included in the original budget.					
Operating grants and contributions	6,740	6,771	31	0%	F
Capital grants and contributions	30,011	3,910	(26,101)	(87)%	U
Delays in receipt of grants for major projects including the Library, Archive and Cultural Precinct and the CBD Redevelopment.					
Interest and investment revenue	286	573	287	100%	F
The original budget did not anticipate as strong a market recovery from the pandemic as occurred in 2020-21.					
Other income	295	300	5	2%	F

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	12,667	13,475	(808)	(6)% U
Materials and services	9,407	10,438	(1,031)	(11)% U
Actual budget variations partly due to increased expenditure on projects and activities not included in the original budget include two heritage studies projects, digitisation of artworks, community strategic plan, "Streets as Shared Spaces" program, variations to the noxious weed control program, "Summer Break" program, "Combatting Illegal Dumping" program, assessment of flood mitigation issues at Mulga Creek Wetlands and road works contracted to third parties. Some of this additional expenditure was offset by state or federal grants and revenue earned on contracted road works.				
Other significant variations were due to employment of contract staff in key positions that could not be filled in a timely manner and additional legal expenses.				
Borrowing costs	727	958	(231)	(32)% U
Depreciation, amortisation and impairment of non-financial assets	7,064	7,904	(840)	(12)% U
The original budget did not anticipate the quantum of increase in asset values resulting from infrastructure asset revaluations for the 2019-20 financial statements.				
Other expenses	764	2,822	(2,058)	(269)% U
The major cause of the variance is an increase in the provision for bad and doubtful debts.				
Net losses from disposal of assets	-	503	(503)	∞ U
Assets for disposal were not identified at the time the original budget was drafted.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	35,491	13,234	(22,257)	(63)% U
Delays in receipt of grants for major projects including the Library, Archive and Cultural Precinct and the CBD Redevelopment, expenditure on projects and activities not included in the original budget, employment of contract staff in key positions that could not be filled in a timely manner and additional legal expenses				
Cash flows from investing activities	(45,296)	(9,759)	35,537	(78)% F
Delays in commencement of major projects including the Library, Archive and Cultural Precinct and the CBD Redevelopment.				
Cash flows from financing activities	8,529	8,745	216	3% F

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	6,816	2,518
Cash-equivalent assets		
– Managed funds	6,476	5,124
– Short-term deposits	12,455	5,885
Total cash and cash equivalents	25,747	13,527

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	25,747	13,527
Balance as per the Statement of Cash Flows	25,747	13,527

Accounting policy

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

C1-2 Financial investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Debt securities at amortised cost				
Long term deposits	3,000	–	6,000	–
Total	3,000	–	6,000	–
Total financial investments	3,000	–	6,000	–
Total cash assets, cash equivalents and investments	28,747	–	19,527	–

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

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C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, 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.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C1-3 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	28,747	–	19,527	–
attributable to:				
External restrictions	5,427	–	4,573	–
Internal restrictions	22,761	–	11,773	–
Unrestricted	559	–	3,181	–
	28,747	–	19,527	–

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

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	2,352	544
External restrictions – included in liabilities	2,352	544

External restrictions – other

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

Specific purpose unexpended grants (recognised as revenue) – general fund	347	632
Domestic waste management	2,006	2,715
Royalties	722	682
External restrictions – other	3,075	4,029

Total external restrictions

	5,427	4,573
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Internal restrictions

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

Employees leave entitlement	862	805
Security bonds, deposits and retentions	37	22
Plant purchase reserve	1,842	971
Other (innovation reserve)	500	500
Other (infrastructure replacement)	2,421	2,421
Other	1,629	1,054
Other (Cultural Precinct Reserve)	6,000	6,000
Other (TCorp Loan)	9,470	–
Total internal restrictions	22,761	11,773

Total restrictions

	28,188	16,346
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	3,192	-	2,848	-
Interest and extra charges	730	-	621	-
User charges and fees	840	-	272	-
Accrued revenues				
- Interest on investments	3	-	21	-
- Other income accruals	1,848	-	63	-
GST receivable	300	-	228	-
Deferred debtors	16	-	31	16
Total	6,929	-	4,084	16
Less: provision of impairment				
Rates and annual charges	(245)	-	(236)	-
User charges and fees	(114)	-	(158)	-
Legal Judgements Debtor	(1,848)	-	-	-
Total provision for impairment – receivables	(2,207)	-	(394)	-
Total net receivables	4,722	-	3,690	16
Externally restricted receivables				
Domestic waste management	881	-	-	-
Total external restrictions	881	-	-	-
Unrestricted receivables	3,841	-	3,690	16
Total net receivables	4,722	-	3,690	16
			2021	2020
			\$ '000	\$ '000
Movement in provision for impairment of receivables				
Balance at the beginning of the year (calculated in accordance with AASB 139)			394	384
+ new provisions recognised during the year			1,813	10
Balance at the end of the year			2,207	394

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C1-4 Receivables (continued)

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 3 years past due, whichever occurs first.

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

Rates and annual charges outstanding are secured against the property.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C1-5 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Trading stock	133	-	112	-
Total inventories at cost	133	-	112	-
Total inventories	133	-	112	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Non-current assets held for sale				
Land	-	-	190	-
Total non-current assets held for sale	-	-	190	-
Total non-current assets classified as held for sale	-	-	190	-

Reconciliation of non-current assets held for sale and disposal groups – i.e. discontinued operations

	2021 Assets 'held for sale' \$ '000	2020 Assets 'held for sale' \$ '000
Opening balance	190	-
Plus new transfers in:		
- Assets held for sale	(190)	190
Closing balance of held for sale non-current assets and operations	-	190

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount \$'000	Accumulated depreciation and impairment \$'000	Net carrying amount \$'000	Additions renewals ¹ \$'000	Additions new assets \$'000	Carrying value of disposals \$'000	Depreciation expense \$'000	WIP transfers \$'000	Adjustments and transfers \$'000	Tfrs from/(to) 'held for sale' category \$'000	Revaluation decrements to equity (ARR) \$'000	Gross carrying amount \$'000	Accumulated depreciation and impairment \$'000	Net carrying amount \$'000
Capital work in progress	6,332	-	6,332	7,801	66	(198)	-	(3,555)	(1)	-	-	10,445	-	10,445
Plant and equipment	13,521	(8,292)	5,229	1,357	-	(319)	(947)	10	-	-	-	13,373	(8,043)	5,330
Office equipment	1,933	(1,435)	498	200	-	-	(122)	20	-	-	-	2,153	(1,557)	596
Furniture and fittings	2,581	(1,471)	1,110	-	-	-	(125)	-	-	-	-	2,581	(1,596)	985
Land:														
- Operational land	3,152	-	3,152	-	-	(280)	-	-	-	190	-	3,062	-	3,062
- Community land	1,916	-	1,916	-	-	-	-	-	-	-	-	1,916	-	1,916
- Crown Land	910	-	910	-	-	-	-	-	-	-	-	910	-	910
Infrastructure:														
- Buildings - non-specialised	98,848	(52,046)	46,802	387	224	(24)	(2,291)	1,537	-	-	-	100,691	(54,056)	46,635
- Buildings - specialised	8,940	(4,501)	4,439	-	-	-	-	-	(4,439)	-	-	-	-	-
- Other structures	15,064	(10,707)	4,357	20	191	-	(558)	989	4,439	-	-	25,188	(15,750)	9,438
- Roads	195,990	(70,319)	125,671	2,724	-	-	(2,829)	763	-	-	-	199,477	(73,148)	126,329
- Footpaths	12,227	(4,945)	7,282	-	-	-	(152)	-	-	-	-	12,228	(5,098)	7,130
- Stormwater drainage	12,970	(5,444)	7,526	-	-	-	(137)	-	-	-	-	12,969	(5,580)	7,389
- Swimming pools	19,825	(4,808)	15,017	-	-	-	-	-	(15,017)	-	-	-	-	-
- Other open space/recreational assets	3,396	(1,777)	1,619	372	-	-	(513)	21	15,018	-	-	23,614	(7,097)	16,517
Other assets:														
- Library books	352	(352)	-	-	-	-	-	-	-	-	-	352	(352)	-
- Art	9,756	(51)	9,705	-	111	(346)	-	215	-	-	(944)	8,742	-	8,742
- Other	278	(227)	51	-	-	-	-	-	-	-	-	276	(225)	51
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
- Tip assets	12,799	(5,658)	7,141	-	-	-	(230)	-	-	-	-	12,799	(5,888)	6,911
Total infrastructure, property, plant and equipment	420,790	(172,033)	248,757	12,861	592	(1,167)	(7,904)	-	-	190	(944)	430,776	(178,390)	252,386

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount \$'000	Accumulated depreciation and impairment \$'000	Net carrying amount \$'000	Additions renewals ¹ \$'000	Additions new assets \$'000	Carrying value of disposals \$'000	Depreciation expense \$'000	WIP transfers \$'000	Adjustments and transfers \$'000	Tfrs from/(to) 'held for sale' category \$'000	Revaluation increments / (decrements) to equity (ARR) \$'000	Gross carrying amount \$'000	Accumulated depreciation and impairment \$'000	Net carrying amount \$'000
Capital work in progress	3,990	-	3,990	2,845	1,109	-	-	(1,612)	-	-	-	6,332	-	6,332
Plant and equipment	11,701	(7,462)	4,239	184	322	(7)	(636)	-	1,127	-	-	13,521	(8,292)	5,229
Office equipment	1,609	(1,288)	321	60	6	-	(89)	51	149	-	-	1,933	(1,435)	498
Furniture and fittings	2,464	(1,346)	1,118	74	-	-	(122)	16	24	-	-	2,581	(1,471)	1,110
Land:														
- Operational land	3,370	-	3,370	-	63	-	-	21	21	(190)	(133)	3,152	-	3,152
- Community land	2,522	-	2,522	-	-	(43)	-	-	(4)	-	(559)	1,916	-	1,916
- Crown Land	1,022	-	1,022	-	-	-	-	-	-	-	(112)	910	-	910
Infrastructure:														
- Buildings – non-specialised	103,641	(61,103)	42,538	190	458	-	(1,898)	282	204	-	5,028	98,848	(52,046)	46,802
- Buildings – specialised	7,953	(5,388)	2,565	234	597	-	(92)	1,050	60	-	27	8,940	(4,501)	4,439
- Other structures	14,133	(10,716)	3,417	5	280	-	(304)	-	615	-	344	15,064	(10,707)	4,357
- Roads	196,604	(92,709)	103,895	735	9	(83)	(2,994)	145	-	-	23,964	195,990	(70,319)	125,671
- Footpaths	12,817	(6,295)	6,522	125	-	-	(160)	-	-	-	795	12,227	(4,945)	7,282
- Stormwater drainage	13,518	(5,417)	8,101	-	-	-	(126)	-	22	-	(471)	12,970	(5,444)	7,526
- Swimming pools	17,930	(4,045)	13,885	211	-	-	(250)	47	-	-	1,124	19,825	(4,808)	15,017
- Other open space/recreational assets	5,709	(2,178)	3,531	-	101	-	(100)	-	(1,740)	-	(173)	3,396	(1,777)	1,619
Other assets:														
- Library books	352	(352)	-	-	-	-	-	-	-	-	-	352	(352)	-
- Other	9,756	(51)	9,705	-	-	-	-	-	-	-	-	9,756	(51)	9,705
- Art	278	(227)	51	-	-	-	-	-	-	-	-	278	(227)	51
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
- Tip assets	12,423	(4,805)	7,618	377	-	-	(376)	-	(478)	-	-	12,799	(5,658)	7,141
Total infrastructure, property, plant and equipment	421,792	(203,382)	218,410	5,040	2,945	(133)	(7,147)	-	-	(190)	29,834	420,790	(172,033)	248,757

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

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

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

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	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 35	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	25	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	80		
Kerb, gutter and footpaths	80		
Stormwater assets			
Drains	80 to 100		
Culverts	50 to 80		
Flood control structures	80 to 100		

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

Land under roads

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

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

Crown reserves

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C2 Leasing activities**C2-1 Council as a lessor**

Operating leases

	2021 \$ '000	2020 \$ '000
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Operating lease expenses

Rental income	28	36
Total expenses relating to operating leases	28	36

Repairs and maintenance: investment property**(ii) Assets held as property, plant and equipment**

Council provides operating leases on Council buildings to community groups, the table below relates to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)	300	212
Total income relating to operating leases for Council assets	300	212

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

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

< 1 year	-	155
1-2 years	-	50
Total undiscounted lease payments to be received	-	205

Accounting policy

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

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

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Goods and services – operating expenditure	1,705	–	1,356	–
Accrued expenses:				
– Borrowings	94	–	96	–
– Salaries and wages	410	–	335	–
– Other expenditure accruals	322	–	570	–
Security bonds, deposits and retentions	38	–	24	–
Prepaid rates	1,210	–	1,075	–
Total payables	3,779	–	3,456	–
Total payables	3,779	–	3,456	–

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total payables relating to unrestricted assets	3,779	–	3,456	–
Total payables	3,779	–	3,456	–

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	2,352	–	544	–
Total grants received in advance		2,352	–	544	–
Total contract liabilities		2,352	–	544	–

Notes

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

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C3-2 Contract Liabilities (continued)

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,352	-	544	-
Contract liabilities relating to externally restricted assets	2,352	-	544	-
Total contract liabilities relating to restricted assets	2,352	-	544	-
Total contract liabilities	2,352	-	544	-

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C3-2 Contract Liabilities (continued)**Revenue recognised that was included in the contract liability balance at the beginning of the period**

	2021 \$ '000	2020 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	544	406
Total revenue recognised that was included in the contract liability balance at the beginning of the period	544	406

Accounting policy

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

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	1,443	19,794	535	11,957
Total borrowings	1,443	19,794	535	11,957

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

Borrowings relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total borrowings relating to unrestricted assets	1,443	19,794	535	11,957
Total borrowings	1,443	19,794	535	11,957

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

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

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	12,492	(1,255)	10,000	–	–	–	21,237
Total liabilities from financing activities	12,492	(1,255)	10,000	–	–	–	21,237

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	13,092	(600)	–	–	–	–	12,492
Total liabilities from financing activities	13,092	(600)	–	–	–	–	12,492

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Credit cards/purchase cards	90	90
Loans – secured	21,237	12,492
Total financing arrangements	21,327	12,582
Drawn facilities		
– Credit cards/purchase cards	31	9
– Loans – secured	21,237	12,492
Total drawn financing arrangements	21,268	12,501
Undrawn facilities		
– Credit cards/purchase cards	59	81
Total undrawn financing arrangements	59	81

Accounting policy

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

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	1,569	-	1,449	-
Sick leave	142	-	117	-
Long service leave	2,404	221	2,269	193
Total employee benefit provisions	4,115	221	3,835	193
Total employee benefit provisions relating to unrestricted assets	4,115	221	3,835	193
Total employee benefit provisions	4,115	221	3,835	193

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C3-4 Employee benefit provisions (continued)**Current employee benefit provisions not anticipated to be settled within the next twelve months**

	2021	2020
	\$ '000	\$ '000

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

Provisions – employees benefits	2,616	2,404
	2,616	2,404

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	
2021				
At beginning of year	1,449	117	2,462	4,028
Additional provisions	120	25	163	308
Total ELE provisions at end of year	1,569	142	2,625	4,336
2020				
At beginning of year	1,411	133	2,713	4,257
Additional provisions	38	(16)	(251)	(229)
Total ELE provisions at end of year	1,449	117	2,462	4,028

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.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

C3-5 Provisions

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	9,386	–	9,071
Sub-total – asset remediation/restoration	–	9,386	–	9,071
Total provisions	–	9,386	–	9,071

Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Net carrying amount \$ '000
2021		
At beginning of year	9,071	9,071
Unwinding of discount	315	315
Total other provisions at end of year	9,386	9,386
2020		
At beginning of year	8,532	8,532
Unwinding of discount	163	163
Additional provisions	376	376
Total other provisions at end of year	9,071	9,071

Nature and purpose of provisions**Asset remediation**

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

Accounting policy

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

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

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

Asset remediation – tips and quarries**Restoration**

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

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C3-5 Provisions (continued)

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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.

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D Council structure**D1 Interests in other entities**

	Council's share of net assets	
	2021 \$ '000	2020 \$ '000
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint arrangements	1,144	1,359
Total net share of interests in joint ventures and associates using the equity method – assets	1,144	1,359
Total Council's share of net assets	1,144	1,359

D1-1 Interests in joint arrangements**Net carrying amounts – Council's share**

	2021 \$ '000	2020 \$ '000
Far Southwest Joint Organisation	1,144	1,359
Total carrying amounts – material joint ventures	1,144	1,359

(i) Joint arrangements

The following information is provided for joint arrangements that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Council is a member of the Far South West Joint Organisation (FSWJO) which includes Balranald Shire Council, Central Darling Shire Council, and Wentworth Shire Council. Details of Council's membership and participation are as follows:

Legal status of Joint Organisation

The Far South West Joint Organisation is a body corporate proclaimed under the Local Government Act 1993 (the Act) with the legal capacity and powers of an individual.

While the principal functions of the joint organisation are provided for in the Act and through this Charter, powers are also conferred on the joint organisation as a statutory corporation under section 50 of the Interpretation Act 1987. Other functions may be conferred on a joint organisation by legislation and may be delegated to a joint organisation by one or more member councils.

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

What the Joint Organisation does

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

- Establish strategic regional priorities for the joint organisation area and develop strategies and plans for delivering these priorities
- Provide regional leadership for the joint organisation area and to be an advocate for strategic regional priorities
- Identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

Joint Organisation participants

The percentage ownership interest held is equivalent to the percentage voting rights for all associates as follows: FSWJO comprises the Councils of the Shires of Central Darling, Wentworth, Balranald and the City of Broken Hill. The Board of the FSWJO comprises 4 voting members being the Mayors of the four member Councils, and non voting members being the General Managers of four member councils, as well as 2 appointed members from the State Government and Cabinet (non-voting).

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

D1-1 Interests in joint arrangements (continued)**Council's powers of control or influence over the Joint Organisation**

Broken Hill City Council, as a member of the FSWJO, has a one quarter voting right in respect to the decisions of the Board.

Council's financial obligations to the Joint Organisation

In accordance with the Charter of the FSWJO the annual financial contribution required to be made by each Associate Member is to be based on a methodology adopted by the Board. The contribution made by Broken Hill City Council in 2018/2019 was nil.

Council's liability obligations in relation to the Joint Organisation

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

Liability for operational losses or winding up of the FSWJO

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

(b) Summarised financial information for joint organisations

	Far Southwest Joint Organisation	
	2021	2020
	\$ '000	\$ '000
Statement of financial position		
Current assets		
Cash and cash equivalents	4,511	5,371
Other current assets	110	24
Non-current assets	–	35
Current liabilities		
Other current liabilities	60	(6)
Net assets	4,561	5,436
Share of income – Council (%)	25.0%	25.0%
Profit/(loss) – Council (\$)	(215)	(102)
Total comprehensive income – Council (\$)	(215)	(102)
Summarised Statement of cash flows		
Cash flows from operating activities	(893)	(406)
Cash flows from investing activities	33	(592)
Net increase (decrease) in cash and cash equivalents	(860)	(998)
Reconciliation of the carrying amount		
Opening net assets (1 July)	5,420	5,844
Profit/(loss) for the period	(859)	(408)
Closing net assets	4,561	5,436
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	1,144	1,359

Accounting policy

The council has determined that it has only joint operations

Joint operations:

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

D1-1 Interests in joint arrangements (continued)

- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

E Risks and accounting uncertainties**E1-1 Risks relating to financial instruments held**

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

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

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

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

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.

	Carrying value 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	25,747	13,527	25,747	13,527
Receivables	4,722	3,706	4,722	3,706
Investments				
– Debt securities at amortised cost	3,000	6,000	3,000	6,000
Total financial assets	33,469	23,233	33,469	23,233
Financial liabilities				
Payables	3,779	3,456	3,779	3,456
Loans/advances	21,237	12,492	21,237	12,492
Total financial liabilities	25,016	15,948	25,016	15,948

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the instruments held are:

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

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

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

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

(a) Market risk – interest rate and price risk

	2021 \$ '000	2020 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	287	195

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile**Receivables – rates and annual charges**

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	–	199	193	564	2,236	3,192
2020						
Gross carrying amount	–	161	163	460	2,064	2,848

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	498	22	138	319	2,760	3,737
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	71.07%	52.49%
ECL provision	-	-	-	-	1,962	1,962
2020						
Gross carrying amount	539	(4)	3	13	701	1,252
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	22.54%	12.62%
ECL provision	-	-	-	-	158	158

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in: 1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021							
Trade/other payables	0.00%	38	2,531	-	-	2,569	2,569
Loans and advances	3.10%	-	1,817	8,337	18,558	28,712	21,237
Total financial liabilities		38	4,348	8,337	18,558	31,281	23,806
2020							
Trade/other payables	0.00%	24	2,357	-	-	2,381	2,381
Loans and advances	4.48%	-	1,101	4,061	12,945	18,107	12,492
Total financial liabilities		24	3,458	4,061	12,945	20,488	14,873

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Infrastructure, property, plant and equipment	C1-7								
Operational land	30/06/20	30/06/20	692	972	2,370	2,180	3,062	3,152	
Community land	30/06/20	30/06/20	–	–	1,916	1,916	1,916	1,916	
Crown land	30/06/20	30/06/20	–	–	910	910	910	910	
Buildings – non-specialised	30/06/20	30/06/20	–	–	46,635	46,802	46,635	46,802	
Buildings – specialised	30/06/20	30/06/20	–	–	–	4,439	–	4,439	
Other structures	30/06/20	30/06/20	–	–	9,438	4,357	9,438	4,357	
Roads	30/06/20	30/06/20	–	–	126,329	125,671	126,329	125,671	
Footpaths	30/06/20	30/06/20	–	–	7,130	7,282	7,130	7,282	
Stormwater drainage	30/06/20	30/06/20	–	–	7,389	7,526	7,389	7,526	
Swimming pools	30/06/20	30/06/20	–	–	–	15,017	–	15,017	
Open spaces and other recreation	30/06/20	30/06/20	–	–	16,517	1,619	16,517	1,619	
Art	30/06/21	30/06/17	8,742	2,852	–	6,853	8,742	9,705	
Other	30/06/20	30/06/20	–	–	51	51	51	51	
Tip remediation	30/06/20	30/06/20	–	–	6,911	7,141	6,911	7,141	
Total infrastructure, property, plant and equipment			9,434	3,824	225,596	231,764	235,030	235,588	

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:

Financial assets

Council has invested in financial assets including term deposits.

Council values these assets at fair value based on valuations provided at the end of each month and year end that are prepared by external industry experts in the finance field.

Although there are markets for these financial assets, they have been deemed by Council to be inactive and as such these assets have been classified as level 3. Valuation techniques remained the same for the reporting period.

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E2-1 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

Community land

Assets within the "Community Land" class are:

- Council owned land and
- Care Control Management land [Crown] of which Council derives current and future economic benefits arising from the use of the land asset.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General.

Currently all Council assets in this asset class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Operational land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993. Asset Val Pty Ltd revalued all Operational Land as at 30 June 2020.

Council's operational land is valued using a modelled market based valuation process.

The majority of land is subject to directly observable comparable local market evidence, hence these assets are considered level 2. However there is land that is not subject to directly observable local market evidence as well as, if Council obtains an asset in the future for which this valuation process is not available, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing these assets in in Level 3. Valuation techniques remained the same for this reporting period.

Stormwater drainage

The Stormwater Drainage asset class consists of Council's pits and Culverts. Assetval Pty Ltd completed the valuation of these assets using replacement cost approach and the last valuation was completed in June 2020.

Replacement costs (unit rates) and useful lives for Stormwater Drainage assets were determined through professional judgement on behalf of Australis, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Other structure

Council's other structure assets comprise of fences, flagpoles, monuments and the like.

Council engaged Assetval Pty Ltd to value all buildings, structures and shelters in 2020.

The valuation methodology adopted was based on current replacement cost of the asset.

Replacement costs (unit rate) and useful lives of Council's other structure assets were determined using technical knowledge from council staff (engineers and asset management) and external valuers. Other significant inputs considered in the valuation of these assets are condition rating, remaining useful life, pattern of consumption, dimensions, components and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Buildings – non specialised and specialised

Council engaged Assetval Pty Lt to value all buildings and shelters in 2020. The valuation methodology adopted was based on current replacement cost of the asset.

The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. Since most of these inputs require judgement and are unobservable, the asset class has been classified as Level 3. Valuation techniques remained the same for this reporting period.

Roads

Council's roads are componentised into the pavement, surface and formation and further separated into segments for inspection and valuation. The revaluation of road assets is undertaken annually.

The valuation, which is completed by Assetval Pty Ltd, was completed in June 2020.

The current replacement cost approach was adopted to value Council roads. The replacement costs (based on unit rates), useful lives and conditions were determined by technical information provided by Council's asset planners and professional judgement on behalf of Australis.

Some of the other significant inputs considered in the valuation of these assets are remaining useful life, dimensions, components, residual value and type of road.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

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E2-1 Fair value measurement (continued)

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area.

Assetval Pty Ltd completed the valuation of the Footpath assets in 2020.

Replacement costs (unit rates) and useful lives of Council's footpaths were determined using technical knowledge Australis's professional judgement. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, dimensions, components and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Open space / recreational assets

Council's recreational facilities includes assets within our sports fields and park locations. This includes but is not limited to, playing courts, playgrounds, and cricket nets. Assetval Pty Ltd was engaged in 2020 for the valuation of these assets. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management) and AVS's professional judgement. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Swimming pool

The swimming pool includes all assets located within the facility.

Assetval Pty Ltd valued the building components of the swimming pool in June 2020 as part of the building revaluation and other substantial components of the pool are valued using replacement cost method. Replacement costs were determined using square metre rates and other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, components, dimensions and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Plant and equipment, office equipment, and furniture and fittings

This asset category includes:

Plant & Equipment – Motor vehicles, trucks, mowers, buses, earthmoving equipment

Office Equipment – Computer equipment

Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are valued at cost in Council's books and reported at Fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library books and other assets

This asset category comprises of assets such as library books, journals, magazines, Cd's and Dvd's.

The library books are reported at Fair value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market making it a Level 3 asset. Valuation techniques remain the same for this reporting period.

Artwork

Council engaged APV Valuers and Asset Management (AVS) to value all artwork in 2021.

This information was updated into Council's asset register.

The valuation was completed using the replacement cost approach and market value in accordance with AASB 116.

The replacement value for artworks was determined by the price at which the items could be purchased from a reputable dealer, gallery or retail outlet.

Where the fair value of an asset could not be determined by sale on the open market, a depreciable replacement cost has been adopted. Other significant inputs considered in the valuation are the condition of the asset, pattern of consumption and remaining useful life. This asset class is categorised as Level 2 & 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Tip remediation

Council operates a landfilling operation as well as a range of waste services, including recycled and reclaimed products. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site. Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

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E2-1 Fair value measurement (continued)

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. Geolyse Pty Ltd. were engaged in the 2018 financial year to perform a valuation of the estimated cost for the Tip Remediation based on current data and TIP consumption as at 30 June 2018.

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:

	Crown Land		Operational Land		Community Land		Buildings non-specialised	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	910	1,022	2,180	3,370	1,916	2,522	46,802	42,538
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	(112)	–	(133)	–	(559)	–	5,028
Other movements								
Transfers from/(to) level 2 FV hierarchy	–	–	–	(972)	–	–	–	–
Transfers from/(to) another asset class	–	–	190	(169)	–	(4)	–	204
Purchases (GBV)	–	–	–	84	–	–	2,148	930
Disposals (WDV)	–	–	–	–	–	(43)	(24)	–
Depreciation and impairment	–	–	–	–	–	–	(2,291)	(1,898)
Closing balance	910	910	2,370	2,180	1,916	1,916	46,635	46,802

	Building specialised		Other structures		Roads		Footpaths	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	4,439	2,565	4,357	3,417	125,671	103,895	7,282	6,522
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	27	–	344	–	23,964	–	795
Other movements								
Transfers from/(to) another asset class	(4,439)	60	4,439	615	–	–	–	–
Purchases (GBV)	–	1,879	1,200	285	3,487	889	–	125
Disposals (WDV)	–	–	–	–	–	(83)	–	–
Depreciation and impairment	–	(92)	(558)	(304)	(2,829)	(2,994)	(152)	(160)
Closing balance	–	4,439	9,438	4,357	126,329	125,671	7,130	7,282

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E2-1 Fair value measurement (continued)

	Stormwater drainage		Swimming pools		Open space/other recreational assets		Art	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	7,526	8,101	15,017	13,885	1,619	3,531	6,853	9,705
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	(471)	–	1,124	–	(173)	(944)	–
Other movements								
Transfers from/(to) level 2 FV hierarchy	–	–	–	–	–	–	(5,889)	(2,852)
Transfers from/(to) another asset class	–	22	(15,017)	–	15,018	(1,740)	–	–
Purchases (GBV)	–	–	–	258	393	101	326	–
Disposals (WDV)	–	–	–	–	–	–	(346)	–
Depreciation and impairment	(137)	(126)	–	(250)	(513)	(100)	–	–
Closing balance	7,389	7,526	–	15,017	16,517	1,619	–	6,853

	Other		Tip remediation		Total	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	51	51	7,141	7,618	231,764	208,742
Recognised in other comprehensive income – revaluation surplus	–	–	–	(376)	(944)	29,458
Transfers from/(to) level 2 FV hierarchy	–	–	–	–	(5,889)	(3,824)
Transfers from/(to) another asset class	–	–	–	(478)	191	(1,490)
Purchases (GBV)	–	–	–	377	7,554	4,928
Disposals (WDV)	–	–	–	–	(370)	(126)
Depreciation and impairment	–	–	(230)	–	(6,710)	(5,924)
Closing balance	51	51	6,911	7,141	225,596	231,764

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

continued on next page ...

Page 58 of 78

E3-1 Contingencies (continued)

– The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

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

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 \$ 151,981.26. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA on 30 June 2020.

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

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

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

The share of any funding surplus/ deficit that is broadly attributed to Council is estimated to be 0.33% 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.

continued on next page ...

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E3-1 Contingencies (continued)

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

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

* Plus promotional increases

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

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

(ii) 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.

(iii) Other guarantees

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

2. Other liabilities**(i) Third party claims**

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

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

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

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

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

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

ASSETS NOT RECOGNISED**(i) Land under roads**

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

(ii) Infringement notices/fines

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

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

continued on next page ...

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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

E3-1 Contingencies (continued)

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

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

(iii) Refurbishment Project litigation

Litigation is ongoing for a compensation claim against the party (parties) involved with a refurbishment project. The Council are of the opinion that the compensation claim will be successful. The amount is not yet quantifiable.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	1,104	1,016
Post-employment benefits	76	75
Other long-term benefits	78	20
Total	1,258	1,111

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

F1-2 Councillor and Mayoral fees and associated expenses

	2021	2020
	\$ '000	\$ '000

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

Mayoral fee	38	39
Councillors' fees	181	181
Total	219	220

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

	2021	2020
	\$ '000	\$ '000

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

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

Audit and review of financial statements	81	71
Remuneration for audit and other assurance services	81	71

Total Auditor-General remuneration

	81	71
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(i) Audit and other assurance services

Internal Audit	55	-
Remuneration for audit and other assurance services	55	-

Total audit fees

	136	71
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Broken Hill City Council | Notes to the Financial Statements 30 June 2021

G Other matters**G1-1 Statement of Cash Flows information****Reconciliation of net operating result to cash provided from operating activities**

	2021 \$ '000	2020 \$ '000
Net operating result from Income Statement	2,659	(4,434)
Adjust for non-cash items:		
Depreciation and amortisation	7,904	7,147
Net losses/(gains) on disposal of assets	503	131
Adoption of AASB 15/1058	-	(1,368)
Unwinding of discount rates on reinstatement provisions	315	163
Share of net (profits)/losses of associates/joint ventures using the equity method	215	102
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(2,860)	1,581
Increase/(decrease) in provision for impairment of receivables	1,813	10
Decrease/(increase) in inventories	(21)	10
Decrease/(increase) in other current assets	267	(122)
Increase/(decrease) in payables	349	(1,412)
Increase/(decrease) in accrued interest payable	(2)	(7)
Increase/(decrease) in other accrued expenses payable	(173)	158
Increase/(decrease) in other liabilities	149	924
Increase/(decrease) in contract liabilities	1,808	544
Increase/(decrease) in provision for employee benefits	308	(229)
Increase/(decrease) in other provisions	-	376
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	13,234	3,574

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

G2-1 Commitments**Capital commitments (exclusive of GST)**

	2021	2020
	\$ '000	\$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Infrastructure	34,630	6,621
Plant and equipment	3,380	940
Total commitments	38,010	7,561
These expenditures are payable as follows:		
Within the next year	38,010	7,561
Total payable	38,010	7,561
Sources for funding of capital commitments:		
Internally restricted reserves	38,010	7,561
Total sources of funding	38,010	7,561

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements**G4-1 Changes in accounting policy****Voluntary changes in accounting policies**

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

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

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

Broken Hill City Council | Notes to the Financial Statements 30 June 2021

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

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(533)	(1.53)%	(20.38)%	(1.52)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	34,849				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	28,078	72.44%	72.47%	77.55%	> 60.00%
Total continuing operating revenue ¹	38,759				
3. Unrestricted current ratio					
Current assets less all external restrictions	27,700	4.12x	3.62x	4.29x	> 1.50x
Current liabilities less specific purpose liabilities	6,721				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,329	3.76x	1.50x	5.11x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,213				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,677	16.35%	15.23%	12.47%	< 10.00%
Rates and annual charges collectable	22,483				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	28,747	12.27	7.48	8.49	> 3.00
Monthly payments from cash flow of operating and financing activities	2,343	mths	mths	mths	mths

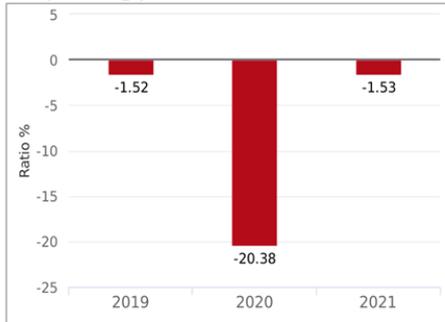
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(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

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (1.53)%

Councils operating performance improved in 2020-21 due to recovery from the effects of Covid19 restrictions in 2019-20 and insurance reimbursement for repairs to buildings damaged in the 2016 hailstorm.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark
Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 72.44%

The own source operating revenue ratio is above the industry benchmark and indicates a stable revenue stream for Council. A focus to increase our user fees and charges in future will be required to maintain this benchmark.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark
Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 4.12x

The unrestricted current ratio is above the industry benchmark and indicates Councils ability to repay its current obligations. A balanced approach to cash flows in future years will be required to ensure the ratio is maintained whilst increasing the quantity of capital expenditure.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

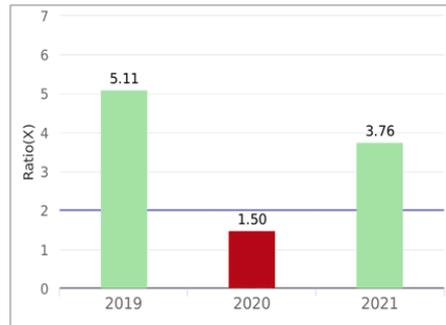
Ratio achieves benchmark
Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 3.76x

The ratio improved in 2021 as a result of recovery from the effects of Covid 19 restrictions and additional revenue from insurance reimbursement of the cost of repairs to buildings damaged in the 2016 hailstorm.

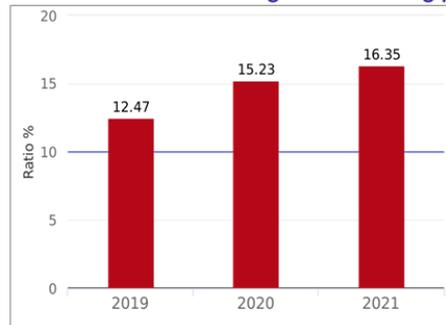
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 16.35%

Rates outstanding percentage increased by 1.26 percentage points in 2021. Reasons for the increase include suspension of debt recovery due to Covid-19 for part of the year, and ratepayers ability to pay during the pandemic. Council will work towards meeting the industry benchmark percentage through a focus on recovery actions and undertaking a sale of land for unpaid rates in future years.

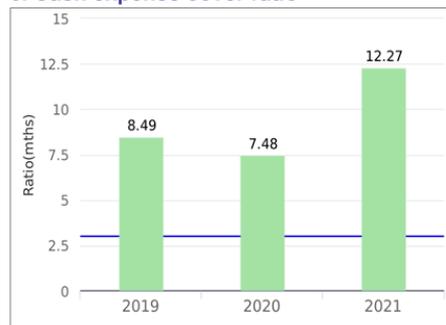
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 12.27 mths

This ratio is above the industry benchmark and shows Council has strong ability to pay for its immediate expenses. The ratio improved in 2021 as a result of recovery from the effects of Covid 19 restrictions and additional revenue from insurance reimbursement of the cost of repairs to buildings damaged in the 2016 hailstorm.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

240 Blende st
Broken Hill
NSW 2880

Mailing Address:

PO Box 448
Broken Hill
NSW 2880

Telephone: 08 8080 3300**Facsimile:** 08 8080 3424**Opening hours:**

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

Internet: www.brokenhill.nsw.gov.au**Email:** council@brokenhill.nsw.gov.au**Officers****General Manager**
Jay Nankivell**Responsible Accounting Officer**

Simon Brown

Public Officer

Razija Nu'Man

Auditors

Auditor General of NSW

Elected members**Mayor**

Darriea Turley AM

Councillors

Marion Browne

Jim Nolan

Branko Licul

David Gallagher

Ron Page

Bob Algate

Tom Kennedy

Maureen Clark

Christine Adams

Other information**ABN:** 84 873 116 132



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Broken Hill City Council

To the Councillors of the Broken Hill City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

21 October 2021
SYDNEY



Cr Darriea Turley
Mayor
Broken Hill City Council
PO BOX 448
BROKEN HILL NSW 2880

Contact: Manuel Moncada
Phone no: 02 9275 7333
Our ref: D2121937/1701

21 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Broken Hill City Council**

I have audited the general purpose financial statements (GPFS) of the Broken Hill City 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	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	19.0	18.5	↑ 2.7
Grants and contributions revenue	10.7	8.4	↑ 27.4
Operating result from continuing operations	2.7	(4.4)	↑ 161.4
Net operating result before capital grants and contributions	(1.3)	(6.1)	↑ 78.7

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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Council's operating result (\$2.7 million including the effect of depreciation and amortisation expense of \$7.9 million) was \$7.1 million higher than the 2019–20 result. This was mainly due to increased revenue including grants and contributions, and insurance recoveries.

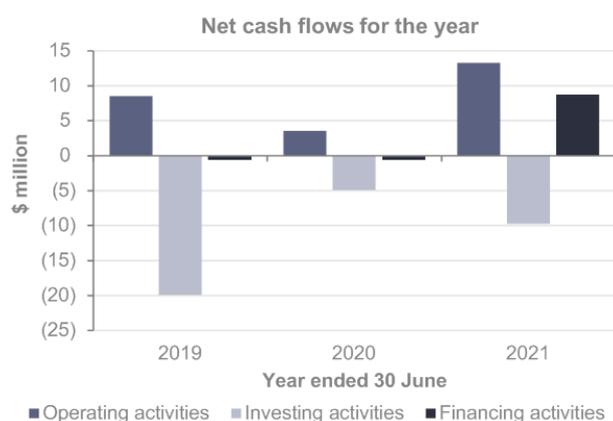
The net operating result before capital grants and contributions (a deficit of \$1.3 million) improved by \$4.8 million from the 2019–20 result. This was mainly due to increased revenue from rates, user charges and fees, interest, and insurance recoveries.

Rates and annual charges revenue (\$19 million) increased by \$0.5 million (2.7 per cent) in 2020–2021.

Grants and contributions revenue (\$10.7 million) increased by \$2.3 million (27.4 per cent) in 2020–2021 due to the recognition of additional funding for capital projects.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$12.2 million to \$25.7 million at the close of the year.
- The increase is mainly due to the receipt of loan funds of \$10 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	28.7	19.5	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants and domestic waste management charges, and royalties.
Restricted cash and investments:			<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program.
• External restrictions	5.4	4.6	
• Internal restrictions	22.8	11.8	

Debt

After repaying principal and interest of \$2.2 million and taking up new borrowings of \$10 million, total debt as at 30 June 2021 was \$12.5 million (2020: \$21.2 million).

PERFORMANCE

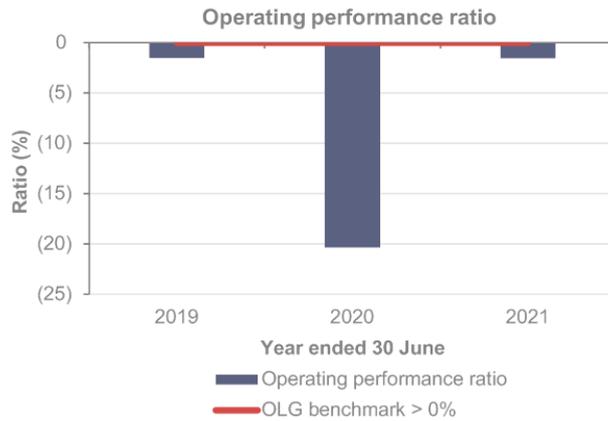
Performance measures

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

Operating performance ratio

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

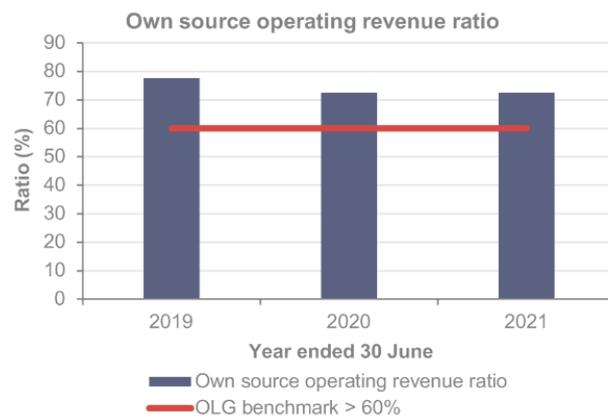
The Council did not meet the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

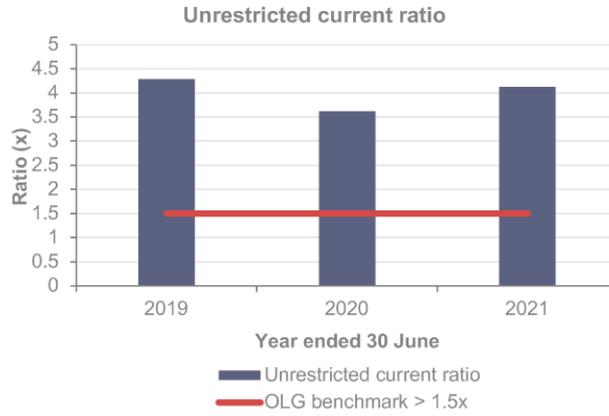
The Council exceeded the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

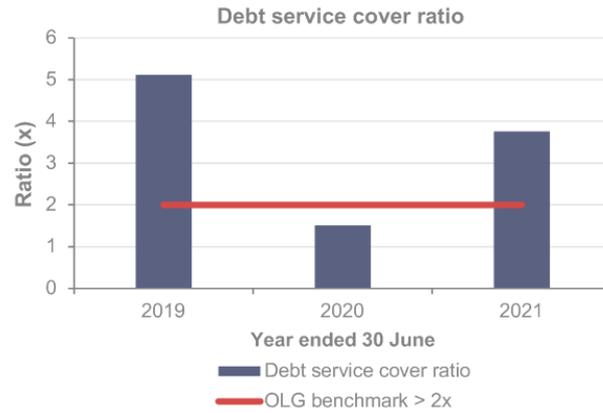
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

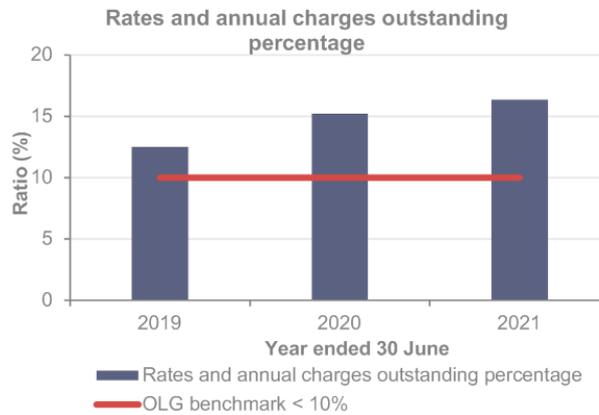
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

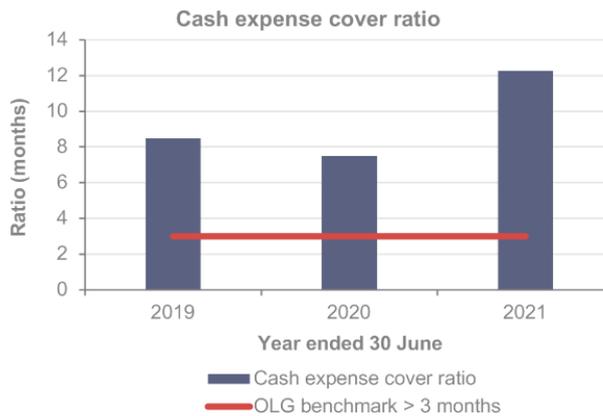
The Council did not meet the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$12.9 million compared \$5 million for the prior year
- The level of asset renewals during the year represented 163 percent of the total depreciation expense (\$7.9 million) for the year.

OTHER MATTERS

Legislative compliance

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

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

The Council's:

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



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

cc: Jay Nankivell, General Manager
Jim Mitchell, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Broken Hill City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*A vibrant, prosperous and culturally rich Heritage City
shared with visitors from around the world.*



Broken Hill City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Broken Hill City Council
Special Purpose Financial Statements
for the year ended 30 June 2021

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

These financial statements have been prepared in accordance with the NSW Government Policy Statement on the Division of Local Government Guidelines, the Local Government Accounting Practice and Financial Reporting Code of Practice and the NSW Office of Environment and Heritage Statement of Intent to Present Fairly the Operating Result and Financial Position for each of Council's declared business activities for the year, and in accordance with Council's accounting and other records. Council has presented overhead reallocation charges to the water and sewerage businesses as fair and reasonable. These financial statements are not a matter of opinion and are prepared in accordance with the Local Government Accounting Practice and Financial Reporting Code of Practice, 9 September 2021.



Darriea Turley AM
Mayor
29 September 2021



Christine Adams
Councillor
29 September 2021



Jay Nankivell
General Manager
29 September 2021



Simon Brown
Deputy Accounting Officer
29 September 2021

Broken Hill City Council | Income Statement of Airport | For the year ended 30 June 2021

Broken Hill City Council

Income Statement of Airport
for the year ended 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
Income from continuing operations		
User charges	466	555
Total income from continuing operations	466	555
Expenses from continuing operations		
Employee benefits and on-costs	312	289
Materials and services	228	93
Depreciation, amortisation and impairment	484	220
Other expenses	2	90
Total expenses from continuing operations	1,026	692
Surplus (deficit) from continuing operations before capital amounts	(560)	(137)
Surplus (deficit) from continuing operations after capital amounts	(560)	(137)
Surplus (deficit) from all operations before tax	(560)	(137)
Surplus (deficit) after tax	(560)	(137)
Plus accumulated surplus	(2,590)	(819)
Add:		
– Subsidy paid/contribution to operations	(7)	(1,634)
Closing accumulated surplus	(3,157)	(2,590)
Return on capital %	(3.7)%	(0.9)%
Subsidy from Council	785	275

Broken Hill City Council | Income Statement of Civic Centre (Entertainment centre) | For the year ended 30 June 2021

Broken Hill City Council

Income Statement of Civic Centre (Entertainment centre)
for the year ended 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
Income from continuing operations		
User charges	185	120
Total income from continuing operations	185	120
Expenses from continuing operations		
Employee benefits and on-costs	164	166
Materials and services	59	61
Depreciation, amortisation and impairment	523	656
Other expenses	18	30
Total expenses from continuing operations	764	913
Surplus (deficit) from continuing operations before capital amounts	(579)	(793)
Surplus (deficit) from continuing operations after capital amounts	(579)	(793)
Surplus (deficit) from all operations before tax	(579)	(793)
Surplus (deficit) after tax	(579)	(793)
Plus accumulated surplus	15,146	15,164
Closing accumulated surplus	14,567	14,371
Return on capital %	(3.4)%	(4.7)%
Subsidy from Council	832	941

Broken Hill City Council | Income Statement of Commercial waste | For the year ended 30 June 2021

Broken Hill City Council

Income Statement of Commercial waste

for the year ended 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
Income from continuing operations		
User charges	1,438	1,220
Total income from continuing operations	1,438	1,220
Expenses from continuing operations		
Employee benefits and on-costs	630	322
Materials and services	130	82
Depreciation, amortisation and impairment	169	134
Other expenses	127	61
Total expenses from continuing operations	1,056	599
Surplus (deficit) from continuing operations before capital amounts	382	621
Surplus (deficit) from continuing operations after capital amounts	382	621
Surplus (deficit) from all operations before tax	382	621
Less: corporate taxation equivalent [based on result before capital]	(99)	(171)
Surplus (deficit) after tax	283	450
Plus accumulated surplus	1,068	468
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	99	171
Closing accumulated surplus	1,450	1,089
Return on capital %	13.4%	22.1%

Broken Hill City Council | Statement of Financial Position of Airport | For the year ended 30 June 2021

Broken Hill City Council**Statement of Financial Position of Airport**

as at 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	15,074	15,641
Total non-current assets	15,074	15,641
Total assets	15,074	15,641
Net assets	15,074	15,641
EQUITY		
Accumulated surplus	(3,157)	(2,590)
Revaluation reserves	18,231	18,231
Total equity	15,074	15,641

Broken Hill City Council | Statement of Financial Position of Civic Centre (Entertainment centre) | For the year ended 30 June 2021

Broken Hill City Council**Statement of Financial Position of Civic Centre (Entertainment centre)**

as at 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	16,969	16,773
Total non-current assets	16,969	16,773
Total assets	16,969	16,773
Net assets	16,969	16,773
EQUITY		
Accumulated surplus	14,567	14,371
Revaluation reserves	2,402	2,402
Total equity	16,969	16,773

Broken Hill City Council | Statement of Financial Position of Commercial waste | For the year ended 30 June 2021

Broken Hill City Council

Statement of Financial Position of Commercial waste

as at 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
ASSETS		
Current assets		
Receivables	329	70
Total current assets	329	70
Non-current assets		
Infrastructure, property, plant and equipment	2,849	2,804
Total non-current assets	2,849	2,804
Total assets	3,178	2,874
LIABILITIES		
Current liabilities		
Provisions	1,728	1,785
Total current liabilities	1,728	1,785
Total liabilities	1,728	1,785
Net assets	1,450	1,089
EQUITY		
Accumulated surplus	1,450	1,089
Total equity	1,450	1,089

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 (NSW), the *Local Government (General) Regulation 2005*, 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, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

a. Civic Centre (Entertainment Centre)

Venue for the conduct of shows, festivals, civic activities & significant events

b. Broken Hill Airport

Facility for aircraft arrivals & departures, aircraft accommodation, workshop & associated activities.

c. Commercial Garbage Service

Garbage collection & disposal service provided to the business & commercial sector.

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.

continued on next page ...

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Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 26%

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26%.

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

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

The rate applied of 26% is/ the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

continued on next page ...

Page 11 of 15

Broken Hill City Council | Special Purpose Financial Statements 2021

Note – Significant Accounting Policies (continued)

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.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Broken Hill City Council

To the Councillors of the Broken Hill City Council

Opinion

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

The Declared Business Activities of the Council are:

- Civic Centre (Entertainment Centre)
- Airport
- Commercial Waste.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

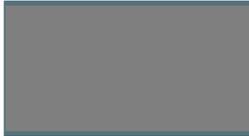
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

21 October 2021
SYDNEY

Broken Hill City Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*A vibrant, prosperous and culturally rich Heritage City
shared with visitors from around the world.*



Broken Hill City Council**Special Schedules**

for the year ended 30 June 2021

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Broken Hill City Council | Permissible income for general rates | For the year ended 30 June 2021

Broken Hill City Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	15,799	16,269
Plus or minus adjustments ²	b	89	(14)
Notional general income	c = a + b	15,888	16,255
Permissible income calculation			
Special variation percentage ³	d	0.00%	0.00%
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	413	325
Sub-total	k = (c + g + h + i + j)	16,301	16,580
Plus (or minus) last year's carry forward total	l	30	32
Sub-total	n = (l + m)	30	32
Total permissible income	o = k + n	16,331	16,612
Less notional general income yield	p	16,269	16,689
Catch-up or (excess) result	q = o - p	62	(77)
Plus income lost due to valuation objections claimed ⁴	r	-	2
Less unused catch-up ⁵	s	(30)	-
Carry forward to next year ⁶	t = q + r + s	32	(75)

Notes

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



Broken Hill City Council | Special Schedules 2021

INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Broken Hill City Council

To the Councillors of Broken Hill City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Manuel Moncada

Delegate of the Auditor-General for New South Wales

21 October 2021
SYDNEY

Broken Hill City 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	\$ '000	1	2	3	4	5
Other structures	Other structures	2,689	2,689	663	–	9,438	25,192	46.0%	3.0%	13.0%	24.0%	14.0%	
	Sub-total	2,689	2,689	663	–	9,438	25,192	46.0%	3.0%	13.0%	24.0%	14.0%	
Roads	Sealed roads	819	819	1,564	1,964	93,120	146,205	24.0%	19.0%	55.0%	1.0%	1.0%	
	Unsealed roads	–	–	28	–	2,072	2,628	45.0%	53.0%	2.0%	0.0%	0.0%	
	Footpaths	–	–	92	199	7,130	12,227	1.0%	46.0%	53.0%	0.0%	0.0%	
	Other road assets	489	489	542	468	31,137	50,643	11.0%	55.0%	23.0%	10.0%	1.0%	
	Sub-total	1,308	1,308	2,226	2,631	133,459	211,703	19.8%	29.6%	46.6%	3.1%	0.9%	
Stormwater drainage	Other	102	102	78	3	7,389	12,970	8.0%	61.0%	25.0%	6.0%	0.0%	
	Sub-total	102	102	78	3	7,389	12,970	8.0%	61.0%	25.0%	6.0%	0.0%	
Open space / recreational assets	Swimming pools	1,800	1,800	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other	–	–	1,499	1,683	16,517	23,614	23.0%	62.0%	4.0%	10.0%	1.0%	
	Sub-total	1,800	1,800	1,499	1,683	16,517	23,614	23.0%	62.0%	4.0%	10.0%	1.0%	
	Total – all assets	17,535	17,535	6,379	5,673	213,438	374,170	22.0%	23.5%	40.5%	12.0%	2.1%	

(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

Broken Hill City Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

Broken Hill City Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	<u>11,304</u>	174.44%	41.44%	175.48%	>= 100.00%
Depreciation, amortisation and impairment	<u>6,480</u>				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>17,535</u>	7.83%	7.74%	3.40%	< 2.00%
Net carrying amount of infrastructure assets	<u>223,883</u>				
Asset maintenance ratio					
Actual asset maintenance	<u>5,673</u>	88.93%	84.39%	107.81%	> 100.00%
Required asset maintenance	<u>6,379</u>				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>17,535</u>	4.69%	4.63%	1.68%	
Gross replacement cost	<u>374,170</u>				

(*) 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.