

Gilgandra Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023



Gilgandra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



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Gilgandra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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 2023.

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.

Gilgandra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 19 September 2023.



Doug Batten

Mayor

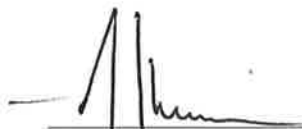
19 September 2023



Ash Walker

Councillor

19 September 2023



David Neeves

General Manager

19 September 2023



Guy McAnally-Elwin

Responsible Accounting Officer

19 September 2023

Gilgandra Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
6,899	Rates and annual charges	B2-1	7,015	6,809
16,490	User charges and fees	B2-2	18,165	17,103
787	Other revenues	B2-3	918	985
7,890	Grants and contributions provided for operating purposes	B2-4	15,240	9,857
7,935	Grants and contributions provided for capital purposes	B2-4	8,010	2,603
268	Interest and investment income	B2-5	1,024	185
–	Net gain from the disposal of assets	B4-1	223	92
40,269	Total income from continuing operations		50,595	37,634
	Expenses from continuing operations			
17,574	Employee benefits and on-costs	B3-1	18,484	17,685
9,066	Materials and services	B3-2	12,986	8,414
280	Borrowing costs	B3-3	595	185
5,691	Depreciation, amortisation and impairment of non-financial assets	B3-4	6,568	5,966
607	Other expenses	B3-5	585	529
33,218	Total expenses from continuing operations		39,218	32,779
7,051	Operating result from continuing operations		11,377	4,855
7,051	Net operating result for the year attributable to Council		11,377	4,855
(884)	Net operating result for the year before grants and contributions provided for capital purposes		3,367	2,252

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

Gilgandra Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		11,377	4,855
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	22,130	19,235
Total items which will not be reclassified subsequently to the operating result		22,130	19,235
Total other comprehensive income for the year		22,130	19,235
Total comprehensive income for the year attributable to Council		33,507	24,090

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

Gilgandra Shire Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	6,036	2,770
Investments	C1-2	28,000	25,000
Receivables	C1-4	5,836	4,816
Inventories	C1-5	195	189
Total current assets		40,067	32,775
Non-current assets			
Receivables	C1-4	607	547
Inventories	C1-5	225	225
Infrastructure, property, plant and equipment (IPPE)	C1-6	384,086	356,586
Right of use assets	C2-1	–	37
Total non-current assets		384,918	357,395
Total assets		424,985	390,170
LIABILITIES			
Current liabilities			
Payables	C3-1	16,259	15,045
Contract liabilities	C3-2	208	632
Lease liabilities	C2-1	–	37
Borrowings	C3-3	612	712
Employee benefit provisions	C3-4	3,807	3,914
Total current liabilities		20,886	20,340
Non-current liabilities			
Borrowings	C3-3	4,580	4,292
Employee benefit provisions	C3-4	270	238
Provisions	C3-5	1,188	746
Total non-current liabilities		6,038	5,276
Total liabilities		26,924	25,616
Net assets		398,061	364,554
EQUITY			
Accumulated surplus		128,197	116,820
IPPE revaluation reserve	C4-1	269,864	247,734
Council equity interest		398,061	364,554
Total equity		398,061	364,554

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

Gilgandra Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		116,820	247,734	364,554	111,965	228,499	340,464
Opening balance		116,820	247,734	364,554	111,965	228,499	340,464
Net operating result for the year		11,377	–	11,377	4,855	–	4,855
Net operating result for the period		11,377	–	11,377	4,855	–	4,855
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	22,130	22,130	–	19,235	19,235
Other comprehensive income		–	22,130	22,130	–	19,235	19,235
Total comprehensive income		11,377	22,130	33,507	4,855	19,235	24,090
Closing balance at 30 June		128,197	269,864	398,061	116,820	247,734	364,554

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

Gilgandra Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
Receipts:				
6,899	Rates and annual charges		6,890	6,817
16,490	User charges and fees		17,053	17,631
268	Interest received		687	183
15,826	Grants and contributions		23,643	10,618
–	Bonds, deposits and retentions received		735	–
787	Other		1,729	1,157
Payments:				
(17,574)	Payments to employees		(18,558)	(17,514)
(9,067)	Payments for materials and services		(14,568)	(8,773)
(280)	Borrowing costs		(581)	(151)
(607)	Other		(212)	(582)
12,742	Net cash flows from operating activities	G1-1	16,818	9,386
Cash flows from investing activities				
Receipts:				
1,019	Proceeds from sale of IPPE		314	255
Payments:				
–	Acquisition of term deposits		(3,000)	(2,000)
(8,881)	Payments for IPPE		(11,789)	(11,402)
(7,838)	Purchase of real estate assets		–	(225)
(15,700)	Net cash flows from investing activities		(14,475)	(13,372)
Cash flows from financing activities				
Receipts:				
3,500	Proceeds from borrowings		1,000	–
1,000	Proceeds from Retirement Complex Contributions		3,389	3,265
Payments:				
(949)	Repayment of borrowings		(812)	(688)
–	Principal component of lease payments		–	(40)
(1,000)	Repayment of Retirement Complex Contributions		(2,654)	(2,172)
2,551	Net cash flows from financing activities		923	365
(407)	Net change in cash and cash equivalents		3,266	(3,621)
–	Cash and cash equivalents at beginning of year		2,770	6,391
(407)	Cash and cash equivalents at end of year	C1-1	6,036	2,770
30,498	plus: Investments on hand at end of year	C1-2	28,000	25,000
30,091	Total cash, cash equivalents and investments		34,036	27,770

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

Gilgandra Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 17 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations

A1-1 Basis of preparation (continued)

- Water service
- Sewerage service
- Orana Living
- Carlinda Enterprises
- Cooe Villa Units
- Cooe Lodge Hostel
- Jack Towney Hostel

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.

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council relies on volunteers to perform duties within the community transport, meal on wheels and tourist information operational areas. If the services of volunteers were not available, Council would be required fill the void by utilising contracted operators or by employing additional staff. It is estimated that this would cost Council between \$200,000 and \$300,000 annually.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period.

Council has not applied any pronouncements before their operative dates in the annual reporting period beginning 1 July 2022.

Council's assessment of the impact of the new standards, and interpretations relevant to them, is set out below:

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 2023. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Governance	–	–	171	192	(171)	(192)	–	–	–	–
Administration	922	600	11,991	10,261	(11,069)	(9,661)	653	347	21,870	18,467
Public order and safety	670	834	711	672	(41)	162	1,293	814	3,360	3,449
Health	106	106	519	464	(413)	(358)	–	–	2,185	1,854
Environment	725	817	690	637	35	180	–	43	4,231	4,061
Community services and education	15,238	13,402	11,436	9,818	3,802	3,584	1,384	1,037	43,761	38,148
Housing and community amenities	1,775	433	406	445	1,369	(12)	1,518	122	4,721	5,498
Water supplies	1,126	1,034	1,078	1,080	48	(46)	4	76	21,210	19,979
Sewerage services	2,197	1,204	870	811	1,327	393	811	2	21,218	19,049
Recreation and culture	2,435	274	1,262	1,000	1,173	(726)	2,328	192	14,529	11,823
Mining, manufacturing and construction	29	37	–	66	29	(29)	–	–	–	–
Transport and communication	11,146	6,073	8,764	6,571	2,382	(498)	7,116	2,522	281,175	261,677
Economic affairs	1,972	1,961	1,320	762	652	1,199	1,674	1,758	6,725	6,165
General purpose revenues	12,254	10,859	–	–	12,254	10,859	6,469	5,547	–	–
Total functions and activities	50,595	37,634	39,218	32,779	11,377	4,855	23,250	12,460	424,985	390,170

B1-2 Components of functions or activities

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

Governance

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

Administration

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

Public order and safety

Includes fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control and medical centres.

Environment

Includes noxious plants and insect / vermin control, solid waste management (including domestic, commercial and other waste management), street cleaning and stormwater management.

Community services and education

Includes administration and education, social protection (welfare), aged and disabled persons services and children's services.

Housing and community amenities

Includes public cemeteries, public conveniences, street lighting, town planning and other community amenities including housing services.

Water supplies

Includes the provision of a water supply service to the town of Gilgandra and the village of Tooraweenah.

Sewerage services

Includes the provision of a sewerage service to the town of Gilgandra.

Recreation and culture

Includes public libraries, community centres and halls, other cultural services (heritage programs), sporting grounds and venues, swimming pools, parks and gardens and other sport and recreation services.

Mining, manufacturing and construction

Includes building control and gravel pits.

Transport and communication

Includes urban roads, sealed and unsealed rural roads, regional roads, bridges, parking areas, footpaths, aerodromes and other transport services including RMS contract works, rural addressing, road safety officer and kerb and gutter.

Economic affairs

Includes camping areas and caravan parks, tourism and area promotion, real estate development, private works and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	1,011	982
Farmland	4,090	3,989
Business	269	265
Less: pensioner rebates	(83)	(85)
Rates levied to ratepayers	5,287	5,151
Pensioner rate subsidies received	46	46
Total ordinary rates	5,333	5,197
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	507	501
Stormwater management services	25	25
Water supply services	470	448
Sewerage services	591	550
Waste management services (non-domestic)	109	106
Less: pensioner rebates	(45)	(42)
Annual charges levied	1,657	1,588
Pensioner annual charges subsidies received:		
– Water	13	12
– Sewerage	12	12
Total annual charges	1,682	1,612
Total rates and annual charges	7,015	6,809

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.

B2-2 User charges and fees

\$ '000	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)		
Water supply services	560	503
Sewerage services	724	649
Total specific user charges	1,284	1,152
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		
Planning and building regulation	133	112
Private works – section 67	54	32
Total fees and charges – statutory/regulatory	187	144
(ii) Fees and charges – other (incl. general user charges (per s608))		
Aerodrome	65	65
Aged care	12,926	11,736
Caravan park	20	14
Cemeteries	64	63
Transport for NSW works (state roads not controlled by Council)	3,096	3,390
Swimming centres	28	31
Waste disposal tipping fees	84	141
Companion animals	24	12
Government access centre	3	9
Rent and hire of council properties	319	278
Other	65	68
Total fees and charges – other	16,694	15,807
Total other user charges and fees	16,881	15,951
Total user charges and fees	18,165	17,103
Timing of revenue recognition for user charges and fees		
User charges and fees recognised at a point in time	18,165	17,103
Total user charges and fees	18,165	17,103

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. 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.

B2-3 Other revenues

\$ '000	2023	2022
Legal fees recovery – rates and charges (extra charges)	5	13
Commissions and agency fees	178	178
Energy savings rebate	–	79
Insurance claims recoveries	244	196
Sales – general	214	99
Accommodation bonds retained	255	306
Tourism, promotion and economic development	–	68
Other	22	46
Total other revenue	918	985

Timing of revenue recognition for other revenue

Other revenue recognised at a point in time	1,836	985
Total other revenue	1,836	985

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.

B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance	6,469	5,547	–	–
Amount recognised as income during current year	6,469	5,547	–	–

Special purpose grants and non-developer contributions (tied)

Previously specific grants:

Pensioners' rates subsidies:

Water supplies	–	–	–	70
Sewerage services	–	–	810	–
Aged and disabled care	743	410	91	99
Bushfire and emergency services	238	140	502	674
Community Local Infrastructure Program	–	–	374	–
Economic development	482	–	–	–
Employment and training programs	342	522	–	–
Library	79	76	2,324	308
Local Infrastructure Renewal Scheme subsidy	9	22	–	–
Local Roads & Community Infrastructure	–	–	878	–
Recreation and culture	14	113	424	865
Parental leave	31	44	–	–
Youth services	356	198	–	–
Street lighting	43	42	–	–
Stronger Country Communities Fund	–	–	1,475	–
Town planning	–	80	–	–
Transport (roads and bridges funding)	5,972	2,237	646	–
Other specific grants	100	43	–	–

Previously contributions:

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Recreation and culture	–	–	–	3
Transport for NSW contributions (regional roads, block grant)	349	373	–	–
Water supplies (excl. section 64 contributions)	–	–	486	584
Education (pre school)	13	10	–	–
Total special purpose grants and non-developer contributions (tied)	8,771	4,310	8,010	2,603
Total grants and non-developer contributions	15,240	9,857	8,010	2,603
Comprising:				
– Commonwealth funding	11,810	7,031	2,585	215
– State funding	3,417	2,400	4,939	2,269
– Other funding	13	426	486	119
	15,240	9,857	8,010	2,603

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	813	655	1,356	2,158
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	432	158	2,492	483
Add: Funds received and not recognised as revenue in the current year	–	–	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(653)	–	(176)	(1,285)
Unspent funds at 30 June	592	813	3,672	1,356

The unspent capital grants total is made up of funding received for the Community Local Infrastructure Renewal Program (\$288,000), infrastructure projects (\$1,070,000), the Mill on Miller Street (\$307,000), the library project (\$76,000), the Local Roads & Community Infrastructure program (\$516,000), the Stronger Country Communities Fund (\$1,296,000) and Your High Street grant (\$119,000).

The unspent operating grants total is made up of funding received for crown reserve management (\$80,000), town planning (\$80,000), the Business Case & Strategy Development Fund (\$391,000), the Community Garden Club (\$31,000) and the PPP Blueprint 2.0 Development funding (\$10,000).

B2-4 Grants and contributions (continued)

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include construction timelines, inspection points, service obligations and reporting. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	41	32
– Cash and investments	983	153
Other – funds received from the sale of Southern Phone	–	–
Total interest and investment income (losses)	1,024	185

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	12,923	12,827
Travel expenses	10	105
Employee leave entitlements (ELE)	3,040	2,568
Superannuation	1,372	1,346
Workers' compensation insurance	955	802
Fringe benefits tax (FBT)	40	30
Training costs (other than salaries and wages)	317	244
Other	169	95
Total employee costs	18,826	18,017
Less: capitalised costs	(342)	(332)
Total employee costs expensed	18,484	17,685
Number of 'full-time equivalent' employees (FTE) at year end	219	197

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		11,173	6,718
Audit Fees	F2-1	64	64
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	172	192
Advertising		43	61
Bank charges		24	24
Electricity and heating		210	187
Insurance		499	460
Printing and stationery		53	47
Street lighting		109	86
Telephone and communications		354	229
Valuation fees		53	20
Community projects		–	–
Other expenses		200	295
Legal expenses:			
– Legal expenses: other		32	31
Total materials and services		12,986	8,414
Total materials and services		12,986	8,414

B3-3 Borrowing costs

\$ '000	Notes	2023	2022
(i) Interest bearing liability costs			
Interest on leases		–	–
Interest on loans		153	143
Charges relating to finance leases		–	1
Total interest bearing liability costs		153	144
Total interest bearing liability costs expensed		153	144
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	442	41
Total other borrowing costs		442	41
Total borrowing costs expensed		595	185

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		1,153	1,115
Office equipment		27	27
Furniture and fittings		37	36
Infrastructure:	C1-6		
– Buildings (non-specialised)		35	35
– Buildings (specialised)		773	628
– Other structures		362	313
– Roads, Bridges and Footpaths		3,091	2,703
– Stormwater drainage		77	72
– Water supply network		527	585
– Sewerage network		390	353
Right of use assets	C2-1	–	40
Other assets:			
– Library books		32	19
– Other		59	36
Reinstatement, rehabilitation and restoration assets:			
– Gravel Pit Assets		5	4
Total depreciation and amortisation costs		6,568	5,966
Total depreciation, amortisation and impairment for non-financial assets		6,568	5,966

Depreciation and amortisation

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

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

Impairment of non-financial assets

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

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

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

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

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

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

B3-5 Other expenses

\$ '000	2023	2022
Other		
Donations, contributions and assistance to other organisations (Section 356)	585	529
Total other expenses	585	529

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		–	(20)
Gain (or loss) on disposal		–	(20)
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		314	255
Less: carrying amount of plant and equipment assets sold/written off		(91)	(143)
Gain (or loss) on disposal		223	112
Net gain (or loss) from disposal of assets		223	92

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28 June 2022 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	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	6,899	7,015	116	2% F
User charges and fees	16,490	18,165	1,675	10% F
Council received a greater level of income than was expected from the contract with the State Government to provide disability services and TforNSW to provide contract works on the state highways.				
Other revenues	787	918	131	17% F
The higher than estimated income received was from the retained accommodation bonds from Cooeee Lodge and insurance claims.				
Operating grants and contributions	7,890	15,240	7,350	93% F
The majority of the unexpected increase in operating grants is due to funding received for roads in the form of Disaster Recovery and the Repair program. Council also received additional one off funding for other various projects.				
Capital grants and contributions	7,935	8,010	75	1% F
Interest and investment revenue	268	1,024	756	282% F
The interest revenue received far exceeded the original budget due to the increase in interest rates throughout the year.				
Net gains from disposal of assets	—	223	223	∞ F
Council does not budget for gains or losses on the disposal of assets as the full sale amount is included along with capital costs.				
Expenses				
Employee benefits and on-costs	17,574	18,484	(910)	(5)% U
Materials and services	9,066	12,986	(3,920)	(43)% U
The cost of materials and services was higher than estimated due to the increase in operating grants which required additional spending.				
Borrowing costs	280	595	(315)	(113)% U
Borrowing costs were less than expected due to the take up of planned loans not being required during the year as the cost was able to be funded through additional grant income.				
Depreciation, amortisation and impairment of non-financial assets	5,691	6,568	(877)	(15)% U
The increase in asset values from the revaluation process and indexation has attributed to the higher than expected costs of depreciation.				
Other expenses	607	585	22	4% F

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	12,742	16,818	4,076	32% F
Operating cashflows were higher than expected due to the increase in operating grants received.				
Cash flows from investing activities	(15,700)	(14,475)	1,225	(8)% F
Cash flows from financing activities	2,551	923	(1,628)	(64)% U
The cash flows from financing activities were less than expected due to the reduced level of borrowings required during the year.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	6,036	1,716
Cash equivalent assets		
– Deposits at call	–	1,054
Total cash and cash equivalents	6,036	2,770

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	6,036	2,770
Balance as per the Statement of Cash Flows	6,036	2,770

Accounting policy

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

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Long term deposits	28,000	–	25,000	–
Total	28,000	–	25,000	–
Total financial investments	28,000	–	25,000	–
Total cash assets, cash equivalents and investments	34,036	–	27,770	–

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 or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

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

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

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

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	34,036	27,770
Less: Externally restricted cash, cash equivalents and investments	(11,245)	(8,012)
Cash, cash equivalents and investments not subject to external restrictions	22,791	19,758

External restrictions

External restrictions – included in liabilities

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

Specific purpose unexpended grants – general fund	208	208
External restrictions – included in liabilities	208	208

External restrictions – other

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

Specific purpose unexpended grants (recognised as revenue) – general fund	4,264	2,169
Water fund	3,298	2,985
Sewer fund	3,134	2,295
Domestic waste management	341	355
External restrictions – other	11,037	7,804
Total external restrictions	11,245	8,012

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2023	2022
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	22,791	19,758
Less: Internally restricted cash, cash equivalents and investments	(12,920)	(11,907)
Unrestricted and unallocated cash, cash equivalents and investments	9,871	7,851

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Employees leave entitlement	1,247	1,527
Carry over works	1,491	1,189

continued on next page ...

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

\$ '000	2023	2022
Community services	591	1,417
Financial assistance grant	5,081	3,361
Recreation facilities	185	107
Transport	2,366	2,366
Aged and disabled	632	700
Administration	1,230	666
Other	97	574
Total internal allocations	12,920	11,907

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

\$ '000	2023	2022
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	9,871	7,851

C1-4 Receivables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Rates and annual charges	394	275	332	205
Interest and extra charges	34	91	30	83
User charges and fees	3,462	241	1,996	192
Accrued revenues				
– Interest on investments	397	–	62	–
Government grants and subsidies	1,296	–	2,126	67
Other debtors	253	–	270	–
Total	5,836	607	4,816	547
Total net receivables	5,836	607	4,816	547

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Real estate for resale	–	225	–	225
Stores and materials	159	–	162	–
Trading stock	36	–	27	–
Total inventories at cost	195	225	189	225
Total inventories	195	225	189	225

(i) Other disclosures

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(a) Details for real estate development				
Industrial/commercial	–	225	–	225
Total real estate for resale	–	225	–	225

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

Represented by:

Development costs	–	225	–	225
Total costs	–	225	–	225
Total real estate for resale	–	225	–	225

Movements:

Real estate assets at beginning of the year	–	225	–	901
– Transfers in from (out to) Note C1-8	–	–	–	(901)
– Purchases and other costs	–	–	–	225
Total real estate for resale	–	225	–	225

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.

Land held for resale

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Plant and equipment	17,665	(11,425)	6,240	–	1,980	(91)	(1,153)	–	–	–	18,626	(11,650)	6,976
Office equipment	1,241	(1,117)	124	–	245	–	(27)	–	–	–	1,486	(1,144)	342
Furniture and fittings	816	(706)	110	–	4	–	(37)	–	–	–	820	(743)	77
Land:													
– Operational land	4,873	–	4,873	–	223	–	–	–	–	820	5,916	–	5,916
– Community land	2,063	–	2,063	–	–	–	–	–	(207)	–	1,856	–	1,856
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	–	–	185	–	185
Infrastructure:													
– Buildings – non-specialised	3,213	(144)	3,069	–	–	–	(35)	(1,247)	–	48	1,835	–	1,835
– Buildings – specialised	65,335	(17,302)	48,033	743	4,790	–	(773)	1,247	(2,749)	–	71,351	(20,060)	51,291
– Other structures	8,528	(4,127)	4,401	–	403	–	(362)	–	–	524	9,984	(5,018)	4,966
– Roads, bridges & footpaths	290,049	(39,142)	250,907	2,549	–	–	(3,091)	–	–	21,327	317,218	(45,526)	271,692
– Stormwater drainage	7,288	(4,567)	2,721	–	–	–	(77)	–	–	190	7,792	(4,958)	2,834
– Water supply network	29,557	(12,970)	16,587	266	–	–	(527)	–	–	1,160	31,873	(14,387)	17,486
– Sewerage network	26,403	(10,048)	16,355	342	–	–	(390)	–	–	1,145	28,584	(11,132)	17,452
Other assets:													
– Heritage collections	50	(50)	–	–	–	–	–	–	–	–	50	(50)	–
– Library books	291	(268)	23	–	25	–	(32)	–	–	–	316	(300)	16
– Other	1,351	(647)	704	–	458	–	(59)	–	–	–	1,809	(706)	1,103
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Gravel Pit Assets	272	(81)	191	–	–	–	(5)	–	(128)	–	86	(27)	59
Total infrastructure, property, plant and equipment	459,180	(102,594)	356,586	3,900	8,128	(91)	(6,568)	–	(3,084)	25,214	499,787	(115,701)	384,086

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

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense Restated	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Plant and equipment	17,122	(10,964)	6,158	–	1,339	(142)	(1,115)	–	–	17,665	(11,425)	6,240
Office equipment	1,253	(1,102)	151	–	–	–	(27)	–	–	1,241	(1,117)	124
Furniture and fittings	805	(670)	135	–	11	–	(36)	–	–	816	(706)	110
Land:												
– Operational land	3,940	–	3,940	–	52	(20)	–	901	–	4,873	–	4,873
– Community land	2,063	–	2,063	–	–	–	–	–	–	2,063	–	2,063
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	–	185	–	185
Infrastructure:												
– Buildings – non-specialised	2,100	(99)	2,001	–	891	–	(35)	–	212	3,213	(144)	3,069
– Buildings – specialised	57,933	(15,409)	42,524	911	1,970	–	(628)	–	3,256	65,335	(17,302)	48,033
– Other structures	7,691	(3,814)	3,877	166	671	–	(313)	–	–	8,528	(4,127)	4,401
– Roads, bridges & footpaths ²	271,426	(34,673)	236,753	4,758	–	–	(2,703)	–	12,099	290,049	(39,142)	250,907
– Stormwater drainage	6,874	(4,285)	2,589	–	–	–	(72)	–	204	7,288	(4,567)	2,721
– Water supply network	31,774	(16,099)	15,675	170	–	–	(585)	–	1,327	29,557	(12,970)	16,587
– Sewerage network	25,528	(11,455)	14,073	498	–	–	(353)	–	2,137	26,403	(10,048)	16,355
Other assets:												
– Heritage collections	50	(50)	–	–	–	–	–	–	–	50	(50)	–
– Library books	267	(249)	18	–	24	–	(19)	–	–	291	(268)	23
– Other	757	(611)	146	–	594	–	(36)	–	–	1,351	(647)	704
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Gravel Pit Assets	272	(77)	195	–	–	–	(4)	–	–	272	(81)	191
Total infrastructure, property, plant and equipment	430,040	(99,557)	330,483	6,503	5,552	(162)	(5,926)	901	19,235	459,180	(102,594)	356,586

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

(2) These values have been restated.

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

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	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
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	80	Swimming pools	50
Unsealed roads	20	Kerb and gutter	100
Bridge: concrete	100	Footpaths	20
Bridge: other	100	Other open space / recreational assets	20
Sealed road pavements	80	Other infrastructure	20
Unsealed road pavements	20		

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.

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases a building for the operations of Community Care and Transport; the lease is for 3 years with no renewal option.

The lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Office and IT equipment

Council has a numbers of lease agreements in place for phone systems in various locations. The leases are for 5 years with no renewal option and the payments are fixed.

(a) Right of use assets

\$ '000	Office & IT Equipment	Buildings	Total
2023			
Opening balance at 1 July	37	–	37
Adoption of AASB 16 at 1 July 2021 – first time lease recognition	–	–	–
Other movement	(37)	–	(37)
Balance at 30 June	–	–	–
2022			
Opening balance at 1 July	76	1	77
Adoption of AASB 16 at 1 July 2021 – first time lease recognition	–	–	–
Depreciation charge	(39)	(1)	(40)
Balance at 30 June	37	–	37

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	–	–	37	–
Total lease liabilities	–	–	37	–

continued on next page ...

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	10	27	–	37	37

(ii) Lease liabilities relating to restricted assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Total lease liabilities relating to unrestricted assets	–	–	37	–
Total lease liabilities	–	–	37	–

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	–	1
Depreciation of right of use assets	–	40
	–	41

(e) Statement of Cash Flows

Total cash outflow for leases	–	40
	–	40

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

Accounting policy

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

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

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

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

C2-1 Council as a lessee (continued)

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services	2,505	–	2,075	–
Accrued expenses:				
– Borrowings	25	–	24	–
– Salaries and wages	214	–	173	–
Retirement complex contributions	13,141	–	12,406	–
Prepaid rates and charges	374	–	367	–
Total payables	16,259	–	15,045	–

Payables relating to restricted assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Externally restricted assets				
Water	326	–	105	–
Sewer	86	–	368	–
Payables relating to externally restricted assets	412	–	473	–
Total payables relating to restricted assets	412	–	473	–
Total payables	16,259	–	15,045	–

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	11,827	11,165
Total payables	11,827	11,165

Accounting policy

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

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	208	–	632	–
Total grants received in advance		208	–	632	–
Total contract liabilities		208	–	632	–

Notes

(i) Council has received funding to upgrade assets including the Cooeee Heritage Centre and local roads. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

Contract liabilities relating to restricted assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	208	–	208	–
Contract liabilities relating to externally restricted assets	208	–	208	–
Total contract liabilities relating to restricted assets	208	–	208	–
Total contract liabilities relating to unrestricted assets	–	–	424	–
Total contract liabilities	208	–	632	–

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

\$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	–	308
Operating grants (received prior to performance obligation being satisfied)	208	324
Total revenue recognised that was included in the contract liability balance at the beginning of the period	208	632

Significant changes in contract liabilities

No change from the previous year with funding for road maintenance works still held.

Accounting policy

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

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured ¹	612	4,580	712	4,292
Total borrowings	612	4,580	712	4,292

(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 E1-1.

Borrowings relating to restricted assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Externally restricted assets				
Water	116	54	58	85
Sewer	34	42	17	38
Borrowings relating to externally restricted assets	150	96	75	123
Total borrowings relating to restricted assets	150	96	75	123
Total borrowings relating to unrestricted assets	462	4,484	637	4,169
Total borrowings	612	4,580	712	4,292

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,004	188	–	–	–	–	5,192
Lease liability (Note C2-1b)	37	–	–	–	–	(37)	–
Total liabilities from financing activities	5,041	188	–	–	–	(37)	5,192

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,692	(688)	–	–	–	–	5,004
Lease liability (Note C2-1b)	77	(40)	–	–	–	–	37
Total liabilities from financing activities	5,769	(728)	–	–	–	–	5,041

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Credit cards/purchase cards	75	75
Total financing arrangements	75	75
Undrawn facilities		
– Credit cards/purchase cards	75	75
Total undrawn financing arrangements	75	75

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	1,891	–	1,912	–
Long service leave	1,762	270	1,890	238
Other leave	154	–	112	–
Total employee benefit provisions	3,807	270	3,914	238

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	915	920
	915	920

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2023				
At beginning of year	1,912	2,128	112	4,152
Additional provisions	868	353	120	1,341
Amounts used (payments)	(1,169)	(423)	(100)	(1,692)
Remeasurement effects	280	(30)	23	273
Total ELE provisions at end of year	1,891	2,032	154	4,077

2022

continued on next page ...

C3-4 Employee benefit provisions (continued)

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	1,859	1,905	134	3,898
Additional provisions	787	316	57	1,160
Amounts used (payments)	(1,001)	(87)	(93)	(1,181)
Remeasurement effects	267	(6)	14	275
Total ELE provisions at end of year	1,912	2,128	112	4,152

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,188	–	746
Sub-total – asset remediation/restoration	–	1,188	–	746
Total provisions	–	1,188	–	746
Provisions relating to restricted assets				
Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	–	1,188	–	746
Total provisions	–	1,188	–	746

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

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

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2023		
At beginning of year	746	746
Changes to provision:		
– Revised costs	(510)	(510)
Unwinding of discount	13	13
Total other provisions at end of year	1,188	1,188
2022		
At beginning of year	705	705
Unwinding of discount	41	41
Total other provisions at end of year	746	746

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

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

C3-5 Provisions (continued)

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	5,879	507	629
User charges and fees	16,760	692	713
Interest and investment revenue	842	101	81
Other revenues	869	4	45
Grants and contributions provided for operating purposes	15,210	16	14
Grants and contributions provided for capital purposes	7,200	—	810
Net gains from disposal of assets	223	—	—
Total income from continuing operations	46,983	1,320	2,292
Expenses from continuing operations			
Employee benefits and on-costs	17,910	284	290
Materials and services	12,366	324	296
Borrowing costs	588	5	2
Depreciation, amortisation and impairment of non-financial assets	5,644	534	390
Other expenses	364	132	89
Total expenses from continuing operations	36,872	1,279	1,067
Operating result from continuing operations	10,111	41	1,225
Net operating result for the year	10,111	41	1,225
Net operating result attributable to each council fund	10,111	41	1,225
Net operating result for the year before grants and contributions provided for capital purposes	2,911	41	415

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	4,604	298	1,134
Investments	23,000	3,000	2,000
Receivables	5,527	183	126
Inventories	195	—	—
Total current assets	33,326	3,481	3,260

Non-current assets

Receivables	420	96	91
Inventories	225	—	—
Infrastructure, property, plant and equipment	348,594	17,637	17,855
Total non-current assets	349,239	17,733	17,946

Total assets

382,565	21,214	21,206
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LIABILITIES

Current liabilities

Payables	16,145	71	43
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D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2023	Water 2023	Sewer 2023
Income received in advance	(92)	92	–
Contract liabilities	208	–	–
Borrowings	537	58	17
Employee benefit provision	3,807	–	–
Total current liabilities	20,605	221	60
Non-current liabilities			
Borrowings	4,532	27	21
Employee benefit provision	270	–	–
Provisions	1,188	–	–
Total non-current liabilities	5,990	27	21
Total liabilities	26,595	248	81
Net assets	355,970	20,966	21,125
EQUITY			
Accumulated surplus	109,110	11,130	7,957
Revaluation reserves	246,860	9,836	13,168
Council equity interest	355,970	20,966	21,125
Total equity	355,970	20,966	21,125

D2 Interests in other entities

D2-1 Subsidiaries

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

D2-2 Interests in joint arrangements

Material joint ventures

Council acknowledges a 25% interest in a joint venture with the North West Library, however, this joint venture has not been included in the financial statements due to the value of the operations and Council's equity in the joint venture not deemed to be of a material nature.

(i) Unconsolidated structured entities

County Councils as joint ventures:

Council is a member of the Castlereagh-Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to administer and control noxious weeds in the district. Council is one of five constituent councils and does not have significant influence over the County Council.

Accordingly, the County Council has not been consolidated in the financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2023	Carrying value 2022	Fair value 2023	Fair value 2022
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,036	2,770	6,036	2,770
Receivables	6,443	5,363	6,443	5,363
Investments				
– Debt securities at amortised cost	28,000	25,000	28,000	25,000
Total financial assets	40,479	33,133	40,479	33,133
Financial liabilities				
Payables	16,259	15,045	15,885	14,678
Loans/advances	5,192	5,004	5,192	5,004
Total financial liabilities	21,451	20,049	21,077	19,682

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
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	349	343
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(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.

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2023				
Gross carrying amount	–	669	–	669

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	—	537	—	537

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2023						
Gross carrying amount	4,042	289	83	1,136	224	5,774
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—
2022						
Gross carrying amount	4,224	73	10	2	517	4,826
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

(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.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2023							
Payables	0.00%	16,259	—	—	—	16,259	16,259
Borrowings	2.75%	—	759	2,814	2,530	6,103	5,192
Total financial liabilities		16,259	759	2,814	2,530	22,362	21,451
2022							
Payables	0.00%	15,045	—	—	—	15,045	15,045
Borrowings	3.21%	—	838	2,639	2,064	5,541	5,004
Total financial liabilities		15,045	838	2,639	2,064	20,586	20,049

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).

E2-1 Fair value measurement (continued)

		Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Recurring fair value measurements											
Infrastructure, property, plant and equipment	C1-6										
Plant & equipment		at cost	at cost	6,976	6,240	—	—	—	—	6,976	6,240
Office equipment		at cost	at cost	—	—	—	—	342	124	342	124
Furniture & fittings		at cost	at cost	—	—	—	—	77	110	77	110
Land		30/06/23	30/06/18	—	—	7,957	6,220	—	—	7,957	6,220
Buildings		30/06/23	30/06/18	—	—	1,835	3,069	51,291	48,033	53,126	51,102
Other structures		at cost	at cost	—	—	—	—	4,966	4,401	4,966	4,401
Roads, bridges & footpaths		30/06/20	30/06/20	—	—	—	—	271,692	250,907	271,692	250,907
Stormwater drainage		30/06/21	30/06/21	—	—	—	—	2,834	2,721	2,834	2,721
Water supply		30/06/22	30/06/22	—	—	—	—	17,486	16,587	17,486	16,587
Sewerage services		30/06/22	30/06/22	—	—	—	—	17,452	16,355	17,452	16,355
Other assets		at cost	at cost	—	—	—	—	1,119	727	1,119	727
Gravel pits		30/06/23	30/06/19	—	—	—	—	59	191	59	191
Total infrastructure, property, plant and equipment				6,976	6,240	9,792	9,289	367,318	340,156	384,086	355,685

E2-1 Fair value measurement (continued)

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Council engaged the services of professional valuers to provide valuations for land and buildings this year (22/23) and also the water supply and sewerage services infrastructure assets revalued in 21/22. The values used for other infrastructure assets (roads, bridges and footpaths and stormwater drainage) have been determined by qualified Council staff by using known constructions costs, current condition assessments, current renewal practices and known construction dates. The values of the remaining asset classes (plant and equipment, office equipment, furniture and fittings, other structures and other assets) have been determined by deeming that the transaction price equals the fair value at initial recognition.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Buildings

Council engaged APV Valuers and Asset Management to conduct a revaluation of its buildings this year (22/23). The majority of the buildings were valued using a depreciated replacement cost method however there was a small portion where a market value approach was used. The market value portion was considered to be minor compared to the total value of the building assets.

Roads, Bridges & Footpaths

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the road network including bridges and footpaths, then the advice and opinions of those experts should be used. A revaluation was performed in 2019/20 and the process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried out to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition rating were then used to calculate a value based on the current depreciated replacement cost of the assets. The asset values for 2022/23 have been indexed by applying the applicable CPI rate of 10.80%.

Stormwater Drainage

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the stormwater network, then the advice and opinions of those experts should be used. A revaluation was performed in 2020/21 and the process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets. The asset values for 2022/23 have been indexed by applying the applicable CPI rate of 10.00%.

Water Supply

Council engaged APV Valuers and Asset Management to undertake the revaluation of the Water Supply infrastructure assets in 2021/22. The assets were valued using the depreciated replacement cost method. The revaluation process was undertaken as part of a group engagement with other central western Councils. The asset values for 2022/23 have been indexed by applying the applicable CPI rate of 10.00%.

Sewerage Services

Council engaged APV Valuers and Asset Management to undertake the revaluation of the Sewerage Services infrastructure assets in 2021/22. The assets were valued using the depreciated replacement cost method. The revaluation process was undertaken as part of a group engagement with other central western Councils. The asset values for 2022/23 have been indexed by applying the applicable CPI rate of 10.00%.

Other Structures

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the

E2-1 Fair value measurement (continued)

asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Other Assets

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Gravel Pits

Council management determined that as Council's engineering staff are experts available who can provide informed values of the rehabilitation costs of a gravel pit, then the advice and opinions of those experts should be used. A review of the pits was undertaken during 2022/23 and it was determined that the majority of the pits had been rehabilitated through normal operations. As a result, the number of gravel pits to be valued and in use was reduced from 79 to 24. The cost to rehabilitate these 24 gravel pits was determined, this cost was then inflated out by 3% per year until 2064 when it was determined the gravel pits would need to be rehabilitated. To determine the cost at a present value, the inflated cost is then discounted back to the current year using the bond rate at the time.

Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/23) 2023	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Buildings	53,126	Independent valuation.	Depreciated replacement cost & market value.
Roads, bridges, etc.	271,692	In house valuation.	Depreciated replacement cost.
Stormwater drainage	2,834	In house valuation.	Depreciated replacement cost.
Water supply	17,486	Independent valuation.	Depreciated replacement cost.
Sewerage services	17,452	Independent valuation.	Depreciated replacement cost.
Other structures	4,442	Transaction price.	Purchase price of asset used.
Other assets	1,119	Transaction price.	Purchase price of asset used.
Gravel pits	59	In house valuation.	Depreciated replacement cost.

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

\$ '000	Roads, bridges and footpaths		Stormwater drainage		Water supply network		Sewerage services	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	250,907	236,753	2,721	2,589	16,587	15,675	16,355	14,073
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	21,327	12,099	190	204	1,160	1,327	1,145	2,137
Other movements								
Purchases (GBV)	2,549	4,758	–	–	266	170	342	498
Depreciation and impairment	(3,091)	(2,703)	(77)	(72)	(527)	(585)	(390)	(353)
Closing balance	271,692	250,907	2,834	2,721	17,486	16,587	17,452	16,355

\$ '000	Other structures		Other assets		Gravel pits		Total	
	2023	2022	2023	2022	2023	2022	2023	2022

E2-1 Fair value measurement (continued)

\$ '000	Other structures		Other assets		Gravel pits		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	4,401	3,877	727	164	191	195	291,889	273,326
Recognised in other comprehensive income – revaluation surplus	524	–	–	–	(128)	–	24,218	15,767
Purchases (GBV)	403	837	483	618	–	–	4,043	6,881
Depreciation and impairment	(362)	(313)	(91)	(55)	(5)	(4)	(4,543)	(4,085)
Closing balance	4,966	4,401	1,119	727	58	191	315,607	291,889

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

Information relating to the transfers

There were no transfers into or out of the Level 3 hierarchy as listed in the tables above.

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

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 standard employer contribution rates are:

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

E3-1 Contingencies (continued)

* For 180 Point Members, employers are required to contribute 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% 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 contributions for each pooled employer is a share of the total past contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past 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 entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

As stated 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.

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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

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 2023 was \$28,688.14. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2022. Council's expected contribution to the plan for the next annual reporting period is \$23,009.52.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

Defined Benefit reserves only	\$millions	Asset Coverage
*		
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

* excluding other accumulation accounts and reserves in both assets and liabilities.

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

* 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 will be completed around by December 2022.

(ii) Statewide Limited

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

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

E3-1 Contingencies (continued)

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

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:

\$ '000	2023	2022
Compensation:		
Short-term benefits	1,243	1,074
Other long-term benefits	478	536
Total	1,721	1,610

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2023						
Local newspaper.	1	58	–	7 day invoice.	–	–
Function costs.	2	–	–	7 day invoice.	–	–
Cabinet making works.	3	146	–	7 day invoice.	–	–
2022						
Local newspaper.	1	–	–	7 day invoice.	–	–
Function costs.	2	1	–	7 day invoice.	–	–
Cabinet making works.	3	51	–	7 day invoice.	–	–

1 Council uses the local newspaper to advertise and provide information to the public. The business owner is related to a KMP. All transactions are at arms length

2 Council uses a country hall for functions and activities. The hall is operated by a committee of which a KMP is a member. All transactions are at arms length.

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

- 3 Council contracted a local business to provide cabinet making services. The business is owned by a related party to a KMP. All transactions are at arms length.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	26	27
Councillors' fees	114	100
Other Councillors' expenses (including Mayor)	32	23
Total	172	150

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
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	64	64
Remuneration for audit and other assurance services	64	64
Total Auditor-General remuneration	64	64
Total audit fees	64	64

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	11,377	4,855
Add / (less) non-cash items:		
Depreciation and amortisation	6,568	5,966
(Gain) / loss on disposal of assets	(223)	(92)
Non-cash capital grants and contributions	(240)	(654)
Unwinding of discount rates on reinstatement provisions	13	41
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(1,080)	(1,685)
(Increase) / decrease of inventories	(6)	(44)
Increase / (decrease) in payables	430	526
Increase / (decrease) in accrued interest payable	1	(7)
Increase / (decrease) in other accrued expenses payable	41	41
Increase / (decrease) in other liabilities	7	11
Increase / (decrease) in contract liabilities	(424)	174
Increase / (decrease) in employee benefit provision	(75)	254
Increase / (decrease) in other provisions	429	—

G1-1 Statement of Cash Flows information (continued)

Net cash flows from operating activities	16,818	9,386
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\$ '000	2023	2022
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(b) Non-cash investing and financing activities

Rural Fire Service vehicle purchases	240	654
Total non-cash investing and financing activities	240	654

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	1,305	4,462
Plant and equipment	97	573
Infrastructure	7,504	3,228
Total commitments	8,906	8,263

These expenditures are payable as follows:

Within the next year	4,925	3,330
Later than one year and not later than 5 years	3,491	1,572
Later than 5 years	490	3,361
Total payable	8,906	8,263

Details of capital commitments

Council is committed to spending on the above capital items with all having been included in previous year's budgets and carried forward to the 2022/23 year as well as ongoing years as detailed in the Long Term Financial Plan. Contractual arrangements are in place for these commitments with funding allocated and placed in internal reserves as at 30 June 2023.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2023

Council currently has no S94 developer contribution plans or S94 funds on hand from prior years.

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,144	7.42%	6.18%	0.96%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	42,362				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	27,122	53.84%	66.81%	63.97%	> 60.00%
Total continuing operating revenue ¹	50,372				
3. Unrestricted current ratio					
Current assets less all external restrictions	28,291	3.84x	3.28x	3.86x	> 1.50x
Current liabilities less specific purpose liabilities	7,374				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,307	7.33x	9.10x	7.00x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,407				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	794	10.30%	8.68%	8.55%	< 10.00%
Rates and annual charges collectable	7,711				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	34,036	10.93	11.14	11.42	> 3.00
Monthly payments from cash flow of operating and financing activities	3,115	months	months	months	months

(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.

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	6.79%	6.36%	3.11%	(14.34)%	28.00%	19.67%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	52.07%	64.74%	98.79%	92.67%	64.05%	98.92%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.84x	3.28x	15.75x	19.13x	54.33x	6.09x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.37x	8.05x	116.00x	54.63x	403.50x	304.50x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	9.96%	8.42%	12.23%	10.71%	11.88%	9.52%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.47	10.42	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months					months

(1) - (2) Refer to Notes at Note 27(a) above.

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

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

15 Warren Road
Gilgandra NSW 2827

Contact details

Mailing address:

PO Box 23
Gilgandra NSW 2827

Telephone: 02 68178800

Facsimile: 02 68472521

Opening hours:

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

Internet: www.gilgandra.nsw.gov.au

Email: council@gilgandra.nsw.gov.au

Officers

General Manager

David Neeves

Responsible Accounting Officer

Guy McAnally-Elwin

Public Officer

Neil Alchin

Auditors

Auditor General
Audit Office of NSW
Level 19, 201 Sussex Street
Sydney NSW 2000

Elected members

Mayor

Doug Batten

Councillors

Ash Walker (Deputy Mayor)
Gail Babbage (commenced 4th December 2021)
Sue Baker (retired 4th December 2021)
Amber Bunter (commenced 4th December 2021)
Ian Freeth (commenced 4th December 2021)
Paul Mann (commenced 4th December 2021)
Brian Mockler
Noel Mudford
Deirdre Naden (retired 4th December 2021)
Greg Peart
Noel Wrigley (retired 4th December 2021)

Other information

ABN: 47 979 060 715



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Gilgandra Shire Council

To the Councillors of Gilgandra Shire Council

Opinion

I have audited the accompanying financial statements of Gilgandra Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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 2023, 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).

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

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 2023 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.

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long horizontal stroke extending to the right.

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

27 October 2023
SYDNEY



Clr Doug Batten
Mayor
Gilgandra Shire Council
PO Box 23
GILGANDRA NSW 2827

Contact: Unaib Jeoffrey
Phone no: 02 9275 7450
Our ref: R008-16585809-46213

27 October 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
Gilgandra Shire Council**

I have audited the general purpose financial statements (GPFS) of the Gilgandra Shire Council (the Council) for the year ended 30 June 2023 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 2023 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

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	7.0	6.8	3.0
Grants and contributions revenue	23.3	12.5	86.4
Operating result from continuing operations	11.4	4.9	132.6
Net operating result before capital grants and contributions	3.4	2.3	48.0

Rates and annual charges revenue (\$7.0 million) increased by \$0.2 million (3 per cent) in 2022–23 due to Council's approved Special Rate Variation, which increased general rates revenue by 2.0 per cent in 2022–23.

Grants and contributions revenue (\$23.3 million) increased by \$10.8 million (86.4 per cent) in 2022–23, the increase is mainly attributable to \$10 million increase in Commonwealth and State funding grants recognised. The Council's operating result from continuing operations (\$11.3 million including depreciation and amortisation expense of \$6.5 million) was \$6.5 million higher than the 2021–22 result. This relates primarily to a \$4.5 million increase in materials and services expense, whilst employee benefits increased by \$0.8 million.

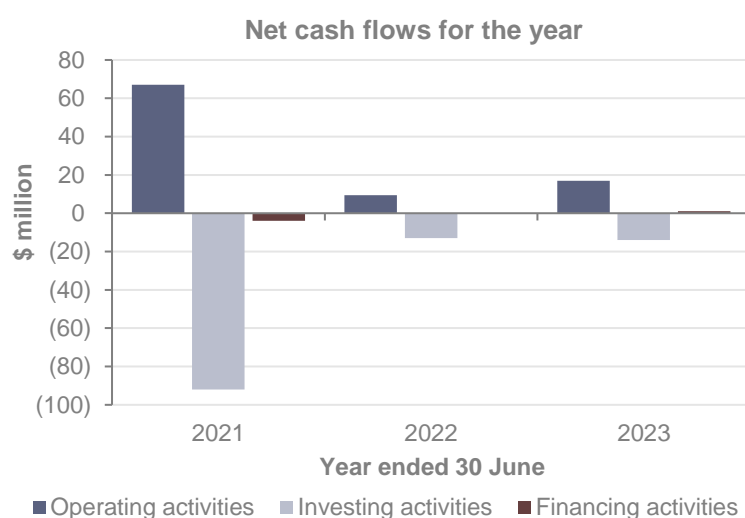
The net operating result before capital grants and contributions (\$3.4 million) was \$1 million higher than the 2021–22 result. The difference to the prior year was predominantly due to an increase in user charges and fees.

STATEMENT OF CASH FLOWS

Cash inflows from operating activities increased due to increase in rates and annual charges received during the year as well as an increase in grants received during the year.

Cash outflows from investing activities increased due to additional investments purchased during the year and payments for acquisition of infrastructure, property, plant and equipment.

Cashflows consists mainly of repayments contributions received from the Council's retirement complex and proceeds from borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	34.0	27.8	External restrictions predominantly include specific purpose unexpended grants and water supply and sewerage service funds.
Restricted and allocated cash, cash equivalents and investments:			Internal restrictions increased during the year. These mostly include the financial assistance grants, funds for the aged and disabled, and employee's leave entitlement.
• External restrictions	11.2	8.0	
• Internal allocations	12.9	11.9	

PERFORMANCE

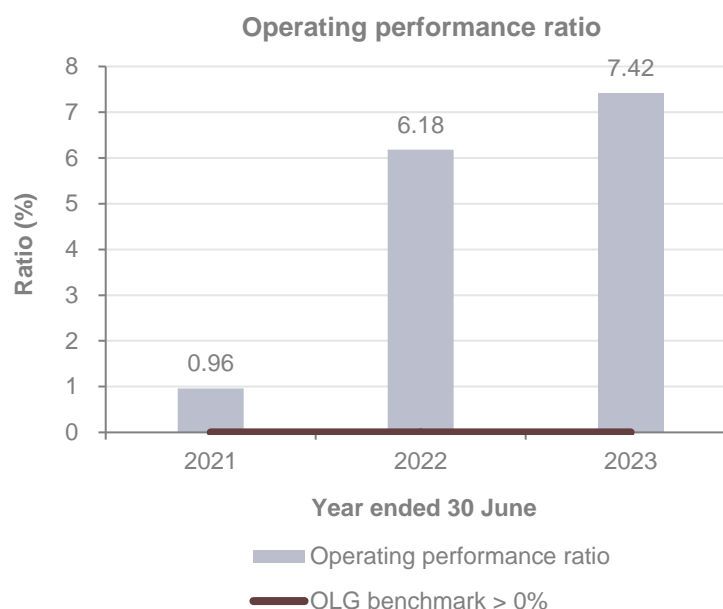
Performance measures

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 and Environment.

Operating performance ratio

The Council met the benchmark for the current reporting period.

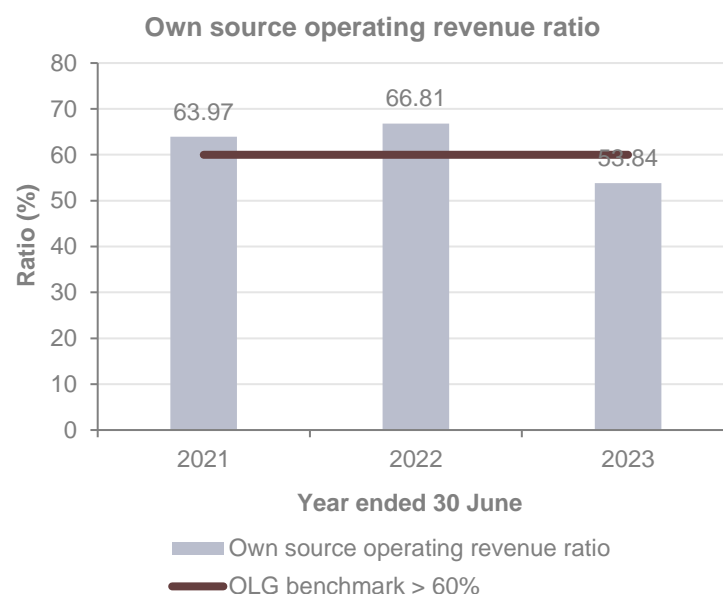
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

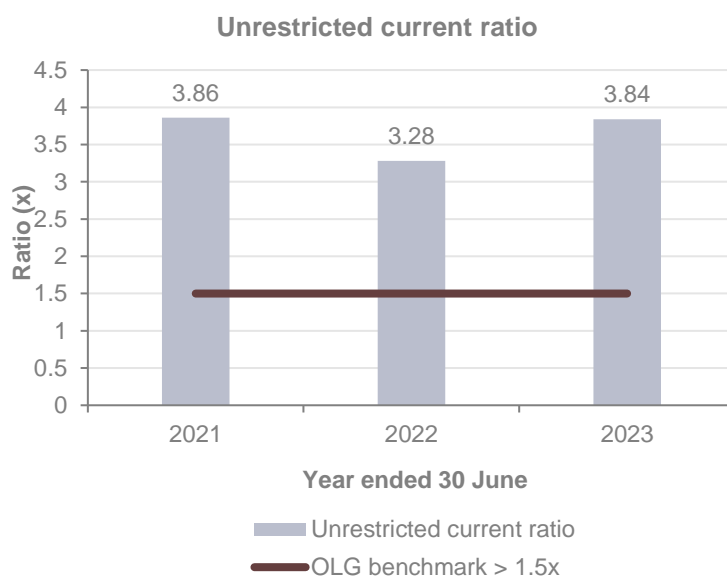
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

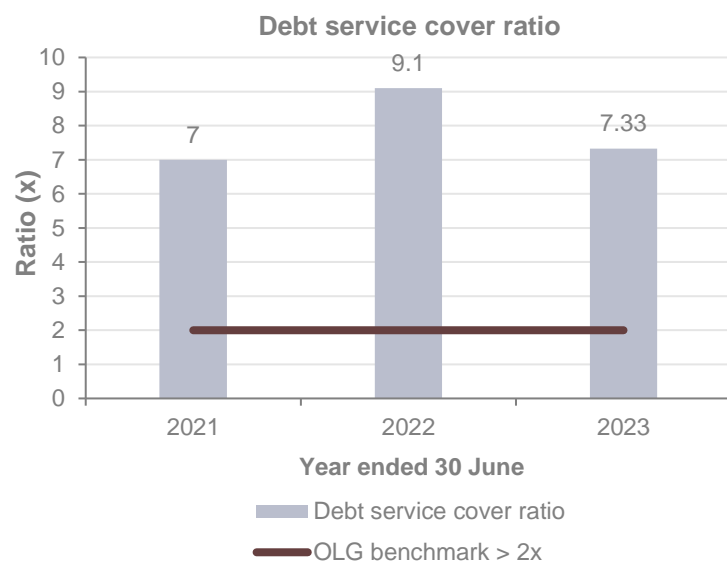
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

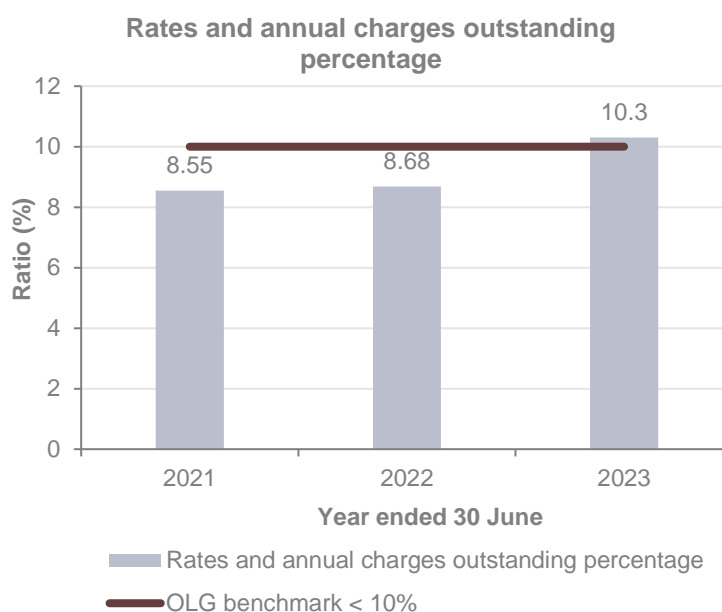
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

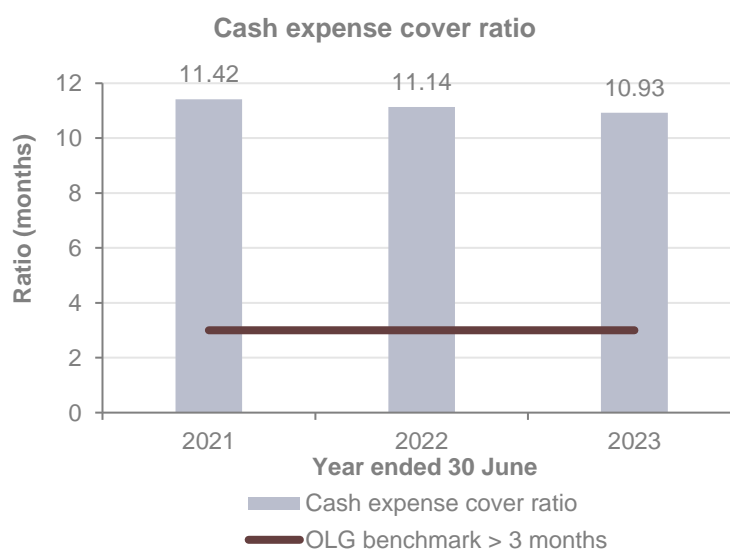
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$3.9 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads, footpaths and buildings. A further \$8.1 million was spent on new assets across most asset classes.

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 that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long horizontal stroke extending to the right.

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

Gilgandra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



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Gilgandra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

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

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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

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

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

Signed in accordance with a resolution of Council made on 19 September 2023.



Doug Batten

Mayor

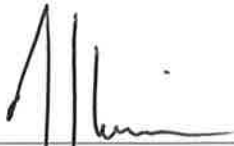
19 September 2023



Ash Walker

Councillor

19 September 2023



David Neeves

General Manager

19 September 2023



Guy McAnally-Elwin

Responsible Accounting Officer

19 September 2023

Gilgandra Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	507	484
User charges	692	605
Interest and investment income	101	16
Grants and contributions provided for operating purposes	16	18
Other income	4	7
Total income from continuing operations	1,320	1,130
Expenses from continuing operations		
Employee benefits and on-costs	284	257
Borrowing costs	5	8
Materials and services	324	292
Depreciation, amortisation and impairment	534	591
Other expenses	132	144
Total expenses from continuing operations	1,279	1,292
Surplus (deficit) from continuing operations before capital amounts	41	(162)
Grants and contributions provided for capital purposes	–	70
Surplus (deficit) from continuing operations after capital amounts	41	(92)
Surplus (deficit) from all operations before tax	41	(92)
Less: corporate taxation equivalent (25%) [based on result before capital]	(10)	–
Surplus (deficit) after tax	31	(92)
Plus opening accumulated surplus	19,732	18,497
Plus/less: other adjustments (revaluations)	1,193	1,327
– Corporate taxation equivalent	10	–
Closing accumulated surplus	20,966	19,732
Return on capital %	0.3%	(0.9)%
Subsidy from Council	663	766
Calculation of dividend payable:		
Surplus (deficit) after tax	31	(92)
Less: capital grants and contributions (excluding developer contributions)	–	(70)
Surplus for dividend calculation purposes	31	–
Potential dividend calculated from surplus	15	–

Gilgandra Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	629	587
User charges	694	639
Liquid trade waste charges	19	24
Interest and investment income	81	12
Grants and contributions provided for operating purposes	14	14
Other income	45	15
Total income from continuing operations	1,482	1,291
Expenses from continuing operations		
Employee benefits and on-costs	290	262
Borrowing costs	2	2
Materials and services	296	328
Depreciation, amortisation and impairment	390	353
Other expenses	89	92
Total expenses from continuing operations	1,067	1,037
Surplus (deficit) from continuing operations before capital amounts	415	254
Grants and contributions provided for capital purposes	810	—
Surplus (deficit) from continuing operations after capital amounts	1,225	254
Surplus (deficit) from all operations before tax	1,225	254
Less: corporate taxation equivalent (25%) [based on result before capital]	(104)	(64)
Surplus (deficit) after tax	1,121	190
Plus opening accumulated surplus	18,626	16,235
Plus/less: other adjustments (revaluations)	1,274	2,137
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	104	64
Closing accumulated surplus	21,125	18,626
Return on capital %	2.3%	1.5%
Subsidy from Council	301	352
Calculation of dividend payable:		
Surplus (deficit) after tax	1,121	190
Less: capital grants and contributions (excluding developer contributions)	(810)	—
Surplus for dividend calculation purposes	311	190
Potential dividend calculated from surplus	156	95

Gilgandra Shire Council

Income Statement of Carlginda Enterprises

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	276	206
Other income	281	265
Total income from continuing operations	557	471
Expenses from continuing operations		
Employee benefits and on-costs	434	431
Materials and services	60	68
Depreciation, amortisation and impairment	16	13
Other expenses	6	6
Total expenses from continuing operations	516	518
Surplus (deficit) from continuing operations before capital amounts	41	(47)
Surplus (deficit) from continuing operations after capital amounts	41	(47)
Surplus (deficit) from all operations before tax	41	(47)
Less: corporate taxation equivalent (25%) [based on result before capital]	(10)	—
Surplus (deficit) after tax	31	(47)
Plus accumulated surplus	615	662
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	10	—
Closing accumulated surplus	656	615
Return on capital %	42.7%	(66.2)%
Subsidy from Council	—	50
Calculation of dividend payable:		
Surplus (deficit) after tax	30	—
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	30	—
Potential dividend calculated from surplus	—	—

Gilgandra Shire Council

Income Statement of Cooee Villa Units

for the year ended 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
Income from continuing operations		
User charges	398	348
Interest and investment income	76	10
Other income	262	308
Total income from continuing operations	736	666
Expenses from continuing operations		
Employee benefits and on-costs	120	157
Borrowing costs	4	6
Materials and services	230	172
Depreciation, amortisation and impairment	245	231
Other expenses	68	55
Total expenses from continuing operations	667	621
Surplus (deficit) from continuing operations before capital amounts	69	45
Surplus (deficit) from continuing operations after capital amounts	69	45
Surplus (deficit) from all operations before tax	69	45
Less: corporate taxation equivalent (25%) [based on result before capital]	(17)	(11)
Surplus (deficit) after tax	52	34
Plus accumulated surplus	6,471	5,471
Plus/less: other adjustments (revaluations)	2,638	955
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	17	11
Closing accumulated surplus	9,178	6,471
Return on capital %	0.5%	0.4%
Subsidy from Council	530	408
Calculation of dividend payable:		
Surplus (deficit) after tax	52	–
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	52	–
Potential dividend calculated from surplus	–	–

Gilgandra Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	298	985
Investments	3,000	2,000
Receivables	183	134
Total current assets	3,481	3,119
Non-current assets		
Receivables	96	148
Infrastructure, property, plant and equipment	17,637	16,712
Total non-current assets	17,733	16,860
Total assets	21,214	19,979
LIABILITIES		
Current liabilities		
Payables	71	13
Income received in advance	92	92
Borrowings	58	58
Total current liabilities	221	163
Non-current liabilities		
Borrowings	27	85
Total non-current liabilities	27	85
Total liabilities	248	248
Net assets	20,966	19,731
EQUITY		
Accumulated surplus	11,130	11,089
Revaluation reserves	9,836	8,642
Total equity	20,966	19,731

Gilgandra Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	1,134	795
Investments	2,000	1,500
Receivables	126	51
Total current assets	3,260	2,346
Non-current assets		
Receivables	91	82
Infrastructure, property, plant and equipment	17,855	16,621
Total non-current assets	17,946	16,703
Total assets	21,206	19,049
LIABILITIES		
Current liabilities		
Payables	43	368
Borrowings	17	17
Total current liabilities	60	385
Non-current liabilities		
Borrowings	21	38
Total non-current liabilities	21	38
Total liabilities	81	423
Net assets	21,125	18,626
EQUITY		
Accumulated surplus	7,957	6,732
Revaluation reserves	13,168	11,894
Total equity	21,125	18,626

Gilgandra Shire Council

Statement of Financial Position of Carlginda Enterprises

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	544	526
Receivables	12	3
Inventories	11	16
Total current assets	567	545
Non-current assets		
Infrastructure, property, plant and equipment	96	71
Total non-current assets	96	71
Total assets	663	616
LIABILITIES		
Current liabilities		
Payables	7	1
Total current liabilities	7	1
Total liabilities	7	1
Net assets	656	615
EQUITY		
Accumulated surplus	656	615
Total equity	656	615

Gilgandra Shire Council

Statement of Financial Position of Cooee Villa Units

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	1,269	1,090
Investments	1,000	1,000
Receivables	21	15
Total current assets	2,290	2,105
Non-current assets		
Infrastructure, property, plant and equipment	15,004	12,535
Total non-current assets	15,004	12,535
Total assets	17,294	14,640
LIABILITIES		
Current liabilities		
Payables	8,023	8,031
Borrowings	44	44
Total current liabilities	8,067	8,075
Non-current liabilities		
Borrowings	49	93
Total non-current liabilities	49	93
Total liabilities	8,116	8,168
Net assets	9,178	6,472
EQUITY		
Accumulated surplus	1,579	1,510
Revaluation reserves	7,599	4,962
Total equity	9,178	6,472

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2021* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

There are no business activities under this heading

Category 2

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

a. Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the town of Gilgandra and the village of Tooraweenah and is established as a separate fund.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage service system servicing the town of Gilgandra and is established as a separate fund.

c. Carlginda Enterprises

Comprising the whole of the operations and assets of Carlginda Enterprises which is carried out by Council in its own name. Carlginda Enterprises provides employment opportunities to people with intellectual and physical disabilities through collection and sale of recyclable waste.

d. Cooee Villa Units

Comprising the whole of the operations and assets of Cooee Villa Units which is carried out by Council in its own name. Cooee Villa Units provides 61 self contained units where residents live independently within a secure environment.

Note – Significant Accounting Policies (continued)

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a

Note – Significant Accounting Policies (continued)

range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

(iii) Dividends

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

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

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

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

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

Gilgandra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Gilgandra Shire Council

To the Councillors of Gilgandra Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Gilgandra Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply business activity
- Sewerage business activity
- Carlginda Enterprises
- Cooe Villa Units.

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 2023, 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 2022–23 (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).

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

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 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:


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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping horizontal stroke extending to the right.

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

27 October 2023
SYDNEY

Gilgandra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



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Gilgandra Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	5,322	5,460
Plus or minus adjustments ²	b	—	4
Notional general income	$c = a + b$	5,322	5,464
Permissible income calculation			
Or rate peg percentage	e	2.50%	3.70%
Or plus rate peg amount	$i = e \times (c + g)$	133	202
Sub-total	$k = (c + g + h + i + j)$	5,455	5,666
Plus (or minus) last year's carry forward total	l	16	10
Less valuation objections claimed in the previous year	m	(2)	(1)
Sub-total	$n = (l + m)$	14	9
Total permissible income	$o = k + n$	5,469	5,675
Less notional general income yield	p	5,460	5,670
Catch-up or (excess) result	$q = o - p$	9	5
Plus income lost due to valuation objections claimed ³	r	1	—
Carry forward to next year ⁴	$t = q + r + s$	10	5

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 (NSW)*.
- (3) 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.
- (4) 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.

Gilgandra Shire Council

Report on infrastructure assets as at 30 June 2023

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	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	All buildings	—	—	733	864	53,126	73,186	15.0%	73.0%	12.0%	0.0%	0.0%
	Sub-total	—	—	733	864	53,126	73,186	15.0%	73.0%	12.0%	0.0%	0.0%
Other structures	All other structures	—	—	645	392	4,966	8,931	40.0%	20.0%	40.0%	0.0%	0.0%
	Sub-total	—	—	645	392	4,966	8,931	40.0%	20.0%	40.0%	0.0%	0.0%
Roads	All roads	3,398	3,398	3,442	3,100	271,692	317,218	47.0%	12.0%	28.0%	11.0%	2.0%
	Sub-total	3,398	3,398	3,442	3,100	271,692	317,218	47.0%	12.0%	28.0%	11.0%	2.0%
Water supply network	All water supply network	1,300	25,000	328	378	17,486	31,873	3.0%	96.0%	0.0%	1.0%	0.0%
	Sub-total	1,300	25,000	328	378	17,486	31,873	3.0%	96.0%	0.0%	1.0%	0.0%
Sewerage network	All sewerage network	300	17,000	206	309	17,452	28,584	0.0%	0.0%	89.0%	11.0%	0.0%
	Sub-total	300	17,000	206	309	17,452	28,584	0.0%	0.0%	89.0%	11.0%	0.0%
Stormwater drainage	All stormwater drainage	420	420	75	7	2,834	7,792	86.0%	2.0%	7.0%	3.0%	2.0%
	Sub-total	420	420	75	7	2,834	7,792	86.0%	2.0%	7.0%	3.0%	2.0%
Total – all assets		5,418	45,818	5,429	5,050	367,556	467,584	36.6%	26.5%	27.2%	8.3%	1.4%

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

Infrastructure asset condition assessment 'key'

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

Gilgandra Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	3,900	74.22%	138.69%	147.73%	> 100.00%
Depreciation, amortisation and impairment	5,255				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	5,418	1.47%	2.22%	1.89%	< 2.00%
Net carrying amount of infrastructure assets	367,556				
Asset maintenance ratio					
Actual asset maintenance	5,050	93.02%	105.53%	105.66%	> 100.00%
Required asset maintenance	5,429				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	45,818	9.80%	12.23%	2.08%	
Gross replacement cost	467,584				

(*) 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.

Gilgandra Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	75.89%	155.56%	50.47%	29.06%	87.69%	141.08%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.15%	1.98%	7.43%	6.74%	1.72%	2.16%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	89.13%	101.61%	115.24%	101.25%	150.00%	205.00%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.94%	1.64%	78.44%	101.50%	59.47%	62.49%	

(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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Gilgandra Shire Council

To the Councillors of Gilgandra Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Gilgandra Shire Council (the Council) for the year ending 30 June 2024.

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 2022–23 (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).

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

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 2023 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 2023'.

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.



Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

27 October 2023
SYDNEY