

# Gilgandra Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

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# Gilgandra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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# Gilgandra Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2022

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# Gilgandra Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2022

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

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 2022

### Statement by Councillors and Management

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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 20 September 2022.**



Doug Batten

**Mayor**

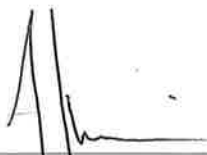
20 September 2022



Ash Walker

**Councillor**

20 September 2022



David Neeves

**General Manager**

20 September 2022



Guy McAnally-Elwin

**Responsible Accounting Officer**

20 September 2022



## Gilgandra Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
<b>Net operating result for the year – from Income Statement</b>		<b>4,855</b>	<b>4,789</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>19,235</u>	<u>1,159</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>19,235</b>	<b>1,159</b>
<b>Total other comprehensive income for the year</b>		<b>19,235</b>	<b>1,159</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>24,090</b>	<b>5,948</b>

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 2022

\$ '000	Notes	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	2,770	6,391
Investments	C1-2	25,000	23,000
Receivables	C1-4	4,816	3,199
Inventories	C1-5	189	145
<b>Total current assets</b>		<b>32,775</b>	<b>32,735</b>
<b>Non-current assets</b>			
Receivables	C1-4	547	479
Inventories	C1-5	225	901
Infrastructure, property, plant and equipment (IPPE)	C1-6	356,586	330,483
Right of use assets	C2-1	37	77
<b>Total non-current assets</b>		<b>357,395</b>	<b>331,940</b>
<b>Total assets</b>		<b>390,170</b>	<b>364,675</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	15,045	13,381
Contract liabilities	C3-2	632	458
Lease liabilities	C2-1	37	77
Borrowings	C3-3	712	688
Employee benefit provisions	C3-4	3,914	3,684
<b>Total current liabilities</b>		<b>20,340</b>	<b>18,288</b>
<b>Non-current liabilities</b>			
Borrowings	C3-3	4,292	5,004
Employee benefit provisions	C3-4	238	214
Provisions	C3-5	746	705
<b>Total non-current liabilities</b>		<b>5,276</b>	<b>5,923</b>
<b>Total liabilities</b>		<b>25,616</b>	<b>24,211</b>
<b>Net assets</b>		<b>364,554</b>	<b>340,464</b>
<b>EQUITY</b>			
Accumulated surplus		116,820	111,965
IPPE revaluation reserve	C4-1	247,734	228,499
<b>Council equity interest</b>		<b>364,554</b>	<b>340,464</b>
<b>Total equity</b>		<b>364,554</b>	<b>340,464</b>

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 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		111,965	228,499	340,464	107,176	227,340	334,516
<b>Opening balance</b>		<b>111,965</b>	<b>228,499</b>	<b>340,464</b>	<b>107,176</b>	<b>227,340</b>	<b>334,516</b>
Net operating result for the year		4,855	–	4,855	4,789	–	4,789
<b>Net operating result for the period</b>		<b>4,855</b>	<b>–</b>	<b>4,855</b>	<b>4,789</b>	<b>–</b>	<b>4,789</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	19,235	19,235	–	1,159	1,159
<b>Other comprehensive income</b>		<b>–</b>	<b>19,235</b>	<b>19,235</b>	<b>–</b>	<b>1,159</b>	<b>1,159</b>
<b>Total comprehensive income</b>		<b>4,855</b>	<b>19,235</b>	<b>24,090</b>	<b>4,789</b>	<b>1,159</b>	<b>5,948</b>
<b>Closing balance at 30 June</b>		<b>116,820</b>	<b>247,734</b>	<b>364,554</b>	<b>111,965</b>	<b>228,499</b>	<b>340,464</b>

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 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
6,675	Rates and annual charges		6,817	6,883
15,509	User charges and fees		17,631	16,687
395	Interest received		183	279
21,787	Grants and contributions		10,618	12,720
626	Other		1,157	1,259
<i>Payments:</i>				
(15,828)	Payments to employees		(17,514)	(16,778)
(12,879)	Payments for materials and services		(8,773)	(9,985)
(240)	Borrowing costs		(151)	(176)
(2,578)	Other		(582)	(773)
<u>13,467</u>	<b>Net cash flows from operating activities</b>	G1-1	<u>9,386</u>	<u>10,116</u>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of real estate assets		–	340
428	Proceeds from sale of IPPE		255	259
<i>Payments:</i>				
–	Acquisition of term deposits		(2,000)	(1,000)
(14,516)	Payments for IPPE		(11,402)	(11,128)
–	Purchase of real estate assets		(225)	–
<u>(14,088)</u>	<b>Net cash flows from investing activities</b>		<u>(13,372)</u>	<u>(11,529)</u>
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
300	Proceeds from borrowings		–	–
1,000	Proceeds from Retirement Complex Contributions		3,265	2,270
<i>Payments:</i>				
(872)	Repayment of borrowings		(688)	(662)
–	Principal component of lease payments		(40)	(52)
(1,000)	Repayment of Retirement Complex Contributions		(2,172)	(2,448)
<u>(572)</u>	<b>Net cash flows from financing activities</b>		<u>365</u>	<u>(892)</u>
<u>(1,193)</u>	<b>Net change in cash and cash equivalents</b>		<u>(3,621)</u>	<u>(2,305)</u>
4,497	Cash and cash equivalents at beginning of year		6,391	8,696
<u>3,304</u>	<b>Cash and cash equivalents at end of year</b>	C1-1	<u>2,770</u>	<u>6,391</u>
26,000	plus: Investments on hand at end of year	C1-2	25,000	23,000
<u>29,304</u>	<b>Total cash, cash equivalents and investments</b>		<u>27,770</u>	<u>29,391</u>

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

# Gilgandra Shire Council

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# Gilgandra Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 28 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### **Historical cost convention**

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

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) 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)

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- Water service
- Sewerage service
- Orana Living
- Carlinda Enterprises
- Cooee Villa Units
- Cooee 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 2022 reporting period.

Council has not to applied any pronouncements before their operative dates in the annual reporting period beginning 1 July 2021.

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 2022. 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Functions or activities</b>										
Governance	–	–	192	133	(192)	(133)	–	–	–	–
Administration	600	399	10,261	9,744	(9,661)	(9,345)	347	207	18,467	21,188
Public order and safety	834	380	672	749	162	(369)	814	852	3,449	2,731
Health	106	87	464	600	(358)	(513)	–	–	1,854	1,748
Environment	817	648	637	684	180	(36)	43	–	4,061	3,781
Community services and education	13,402	13,902	9,818	10,048	3,584	3,854	1,037	2,569	38,148	35,395
Housing and community amenities	433	325	445	438	(12)	(113)	122	92	5,498	5,195
Water supplies	1,034	1,189	1,080	1,054	(46)	135	76	232	19,979	18,835
Sewerage services	1,204	1,137	811	810	393	327	2	21	19,049	16,338
Recreation and culture	274	2,017	1,000	1,065	(726)	952	192	1,924	11,823	10,242
Mining, manufacturing and construction	37	31	66	5	(29)	26	–	–	–	–
Transport and communication	6,073	6,281	6,571	6,340	(498)	(59)	2,522	2,527	261,677	245,847
Economic affairs	1,961	1,857	762	1,211	1,199	646	1,758	923	6,165	3,375
General purpose revenues	10,859	9,417	–	–	10,859	9,417	5,547	4,227	–	–
<b>Total functions and activities</b>	<b>37,634</b>	<b>37,670</b>	<b>32,779</b>	<b>32,881</b>	<b>4,855</b>	<b>4,789</b>	<b>12,460</b>	<b>13,574</b>	<b>390,170</b>	<b>364,675</b>

## B1-2 Components of functions or activities

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

### Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, 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	2022	2021
<b>Ordinary rates</b>		
Residential	982	961
Farmland	3,989	3,894
Business	265	252
Less: pensioner rebates	(85)	(88)
<b>Rates levied to ratepayers</b>	<b>5,151</b>	<b>5,019</b>
Pensioner rate subsidies received	46	47
<b>Total ordinary rates</b>	<b>5,197</b>	<b>5,066</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	501	488
Stormwater management services	25	25
Water supply services	448	431
Sewerage services	550	507
Waste management services (non-domestic)	106	107
Less: pensioner rebates	(42)	(44)
<b>Annual charges levied</b>	<b>1,588</b>	<b>1,514</b>
Pensioner subsidies received:		
– Water	12	12
– Sewerage	12	12
<b>Total annual charges</b>	<b>1,612</b>	<b>1,538</b>
<b>Total rates and annual charges</b>	<b>6,809</b>	<b>6,604</b>

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

#### Accounting policy

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

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

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

## B2-2 User charges and fees

\$ '000	2022	2021
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	503	517
Sewerage services	649	604
<b>Total specific user charges</b>	<b>1,152</b>	<b>1,121</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	112	102
Private works – section 67	32	735
<b>Total fees and charges – statutory/regulatory</b>	<b>144</b>	<b>837</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	65	65
Aged care	11,736	10,588
Caravan park	14	18
Cemeteries	63	66
Transport for NSW works (state roads not controlled by Council)	3,390	3,200
Swimming centres	31	37
Waste disposal tipping fees	141	27
Companion animals	12	28
Government access centre	9	8
Rent and hire of council properties	278	278
Other	68	36
<b>Total fees and charges – other</b>	<b>15,807</b>	<b>14,351</b>
<b>Total other user charges and fees</b>	<b>15,951</b>	<b>15,188</b>
<b>Total user charges and fees</b>	<b>17,103</b>	<b>16,309</b>
<b>Timing of revenue recognition for user charges and fees</b>		
User charges and fees recognised at a point in time	17,103	16,309
<b>Total user charges and fees</b>	<b>17,103</b>	<b>16,309</b>

### Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. 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	2022	2021
Legal fees recovery – rates and charges (extra charges)	13	10
Commissions and agency fees	178	176
Energy savings rebate	79	–
Insurance claims recoveries	196	140
Sales – general	99	124
Payroll tax reimbursement	–	126
Accommodation bonds retained	306	260
Tourism, promotion and economic development	68	72
Other	46	38
<b>Total other revenue</b>	<b>985</b>	<b>946</b>
<b>Timing of revenue recognition for other revenue</b>		
Other revenue recognised at a point in time	985	946
<b>Total other revenue</b>	<b>985</b>	<b>946</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	5,547	4,227	–	–
<b>Amount recognised as income during current year</b>	<b>5,547</b>	<b>4,227</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Previously specific grants:</b>				
<b>Pensioners' rates subsidies:</b>				
Water supplies	–	–	70	224
Sewerage services	–	–	–	19
Aged and disabled care	410	695	99	–
Bushfire and emergency services	140	105	674	247
Employment and training programs	522	254	–	–
Library	76	77	308	300
Local Infrastructure Renewal Scheme subsidy	22	34	–	–
Local Roads & Community Infrastructure	–	–	–	788
Recreation and culture	113	910	865	957
Parental leave	44	33	–	–
Youth services	198	132	–	–
Street lighting	42	42	–	–
Town planning	80	50	–	–
Transport (roads and bridges funding)	2,237	1,484	–	583
Other specific grants	43	34	–	1,414
<b>Previously contributions:</b>				
Recreation and culture	–	–	3	33
Transport for NSW contributions (regional roads, block grant)	373	337	–	–

continued on next page ...

## B2-4 Grants and contributions (continued)

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Water supplies (excl. section 64 contributions)	–	–	584	–
Education (pre school)	10	595	–	–
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>4,310</b>	<b>4,782</b>	<b>2,603</b>	<b>4,565</b>
<b>Total grants and non-developer contributions</b>	<b>9,857</b>	<b>9,009</b>	<b>2,603</b>	<b>4,565</b>
<b>Comprising:</b>				
– Commonwealth funding	7,031	6,195	215	–
– State funding	2,400	2,219	2,269	4,532
– Other funding	426	595	119	33
	<b>9,857</b>	<b>9,009</b>	<b>2,603</b>	<b>4,565</b>

### 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 2022	Operating 2021	Capital 2022	Capital 2021
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	655	706	2,158	472
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	158	–	483	–
<b>Add:</b> Funds received and not recognised as revenue in the current year	–	–	–	1,786
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	–	(51)	(1,285)	(100)
<b>Unspent funds at 30 June</b>	<b>813</b>	<b>655</b>	<b>1,356</b>	<b>2,158</b>

The unspent capital grants total is made up of funding received for community projects (\$302,000), electronic signage (\$30,000), infrastructure projects (\$631,000) and the Mill on Miller Street (\$393,000).

The unspent operating grants total is made up of funding received for crown reserve management (\$80,000), road maintenance (\$500,000), the library (\$75,000), community projects (\$78,000) and town planning (\$80,000).

### 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.

## B2-4 Grants and contributions (continued)

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	2022	2021
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	32	22
– Cash and investments	153	215
<b>Other – funds received from the sale of Southern Phone</b>	–	–
<b>Total interest and investment income (losses)</b>	<b>185</b>	<b>237</b>

### 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	2022	2021
Salaries and wages	12,827	12,697
Travel expenses	105	10
Employee leave entitlements (ELE)	2,568	2,257
Superannuation	1,346	1,245
Workers' compensation insurance	802	709
Fringe benefits tax (FBT)	30	56
Training costs (other than salaries and wages)	244	206
Other	95	121
<b>Total employee costs</b>	<b>18,017</b>	<b>17,301</b>
Less: capitalised costs	(332)	(294)
<b>Total employee costs expensed</b>	<b>17,685</b>	<b>17,007</b>
Number of 'full-time equivalent' employees (FTE) at year end	197	202

#### 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	2022	2021
Raw materials and consumables		6,718	7,529
Audit Fees	F2-1	64	62
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	192	133
Advertising		61	56
Bank charges		24	23
Electricity and heating		187	189
Insurance		460	427
Printing and stationery		47	48
Street lighting		86	109
Telephone and communications		229	247
Valuation fees		20	20
Community projects		–	–
Other expenses		295	101
<b>Legal expenses:</b>			
– Legal expenses: other		31	18
<b>Total materials and services</b>		<b>8,414</b>	<b>8,962</b>
<b>Total materials and services</b>		<b>8,414</b>	<b>8,962</b>

### B3-3 Borrowing costs

\$ '000	Notes	2022	2021
<b>(i) Interest bearing liability costs</b>			
Interest on leases		–	–
Interest on loans		143	170
Charges relating to finance leases		1	3
<b>Total interest bearing liability costs</b>		<b>144</b>	<b>173</b>
<b>Total interest bearing liability costs expensed</b>		<b>144</b>	<b>173</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	41	38
<b>Total other borrowing costs</b>		<b>41</b>	<b>38</b>
<b>Total borrowing costs expensed</b>		<b>185</b>	<b>211</b>

#### Accounting policy

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

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

\$ '000	Notes	2022	2021
<b>Depreciation and amortisation</b>			
Plant and equipment		1,115	1,078
Office equipment		27	50
Furniture and fittings		36	34
<b>Infrastructure:</b>	C1-6		
– Buildings (non-specialised)		35	35
– Buildings (specialised)		628	628
– Other structures		313	334
– Roads, Bridges and Footpaths		2,703	2,695
– Stormwater drainage		72	63
– Water supply network		585	574
– Sewerage network		353	343
Right of use assets	C2-1	40	52
<b>Other assets:</b>			
– Library books		19	27
– Other		36	28
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Gravel Pit Assets		4	4
<b>Total depreciation and amortisation costs</b>		<b>5,966</b>	<b>5,945</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>5,966</b>	<b>5,945</b>

#### 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	2022	2021
<b>Other</b>		
Donations, contributions and assistance to other organisations (Section 356)	529	662
<b>Total other expenses</b>	<b>529</b>	<b>662</b>

#### Accounting policy

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

Impairment expenses are recognised when identified.



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

\$ '000	Notes	2022	2021
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(20)	–
<b>Gain (or loss) on disposal</b>		<b>(20)</b>	<b>–</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		255	259
Less: carrying amount of plant and equipment assets sold/written off		(143)	(241)
<b>Gain (or loss) on disposal</b>		<b>112</b>	<b>18</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-5		
Proceeds from disposal – real estate assets		–	340
Less: carrying amount of real estate assets sold/written off		–	(452)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(112)</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>92</b>	<b>(94)</b>

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
<b>Revenues</b>					
<b>Rates and annual charges</b>	6,675	6,809	134	2%	<b>F</b>
<b>User charges and fees</b>	15,510	17,103	1,593	10%	<b>F</b>
The budget included an amount of \$1.8m for RMS contract works while the actual amount received was \$3.4m. This variance was due to a higher level of contact work provided to Council than was estimated at the start of the year.					
<b>Other revenues</b>	626	985	359	57%	<b>F</b>
There were income items that were higher than estimated and these were retirement complex retained accommodation bonds (\$306k against \$197k), insurance claims and rebates (\$196k against \$125k) and a street lighting energy rebate (\$79k against \$0).					
<b>Operating grants and contributions</b>	14,102	9,857	(4,245)	(30)%	<b>U</b>
The reason for this variation is due to a budget allocation of \$6.0m for storm / flood damage funding for rural roads. The actual funding paid during the 21/22 year was \$1.15m. The reason for this was that not all work was able to be completed during the year and the timing of the claim process.					
<b>Capital grants and contributions</b>	7,685	2,603	(5,082)	(66)%	<b>U</b>
A number of capital projects were included in the budget and were subject to receiving grant funding for the projects to proceed. Capital grant funds did not eventuate due to projects not being at a point in time for the funding to become payable. These projects will carry over to the following year when the funding will be forthcoming.					
<b>Interest and investment revenue</b>	395	185	(210)	(53)%	<b>U</b>
Interest rates for investments significantly declined during the year and a reduction of that nature was not allowed for in the budget. Interest rates only began to improve during the later parts of the year.					
<b>Expenses</b>					
<b>Employee benefits and on-costs</b>	15,828	17,685	(1,857)	(12)%	<b>U</b>
The total expenditure budget for 21/22 included maintenance costs for infrastructure assets such as roads, bridges, water and sewer. These costs include a mixture of wages and materials and services. While the actual costs for wages was higher than the budget amount (\$1.857m), the actual cost for materials and services was less than the budget amount (\$4.465m).					
<b>Materials and services</b>	12,879	8,414	4,465	35%	<b>F</b>
The budget for materials and services included a number of costs that should have been allocated towards wages while the budget for other expenses included items that should have been allocated to materials and services. These allocation adjustments account for the majority of the variances in these expense areas.					
<b>Borrowing costs</b>	240	185	55	23%	<b>F</b>
The actual borrowing costs were less than the budget due to a proposed loan in the budget not being required by the end of the year.					

## B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
<b>Depreciation, amortisation and impairment of non-financial assets</b>	5,065	5,966	(901)	(18)% <b>U</b>
The depreciation costs calculated in the budget did not include increases in asset values from renewals, purchases and revaluations. These figures were not know at the time the budget was calculated.				
<b>Other expenses</b>	2,579	529	2,050	79% <b>F</b>
As previously explained, the budget for other expenses included costs that should have been allocated to materials and services and vice versa.				
<b>Net losses from disposal of assets</b>	-	-	-	∞ <b>F</b>
<b>Statement of cash flows</b>				
<b>Cash flows from operating activities</b>	13,467	9,386	(4,081)	(30)% <b>U</b>
The budget included capital grant funds which did not eventuate in 21/22 and this accounts for the variance.				
<b>Cash flows from investing activities</b>	(14,088)	(13,372)	716	(5)% <b>F</b>
<b>Cash flows from financing activities</b>	(572)	365	937	(164)% <b>F</b>
The budget included a net zero result from retirement complex contributions received and refunded. The actual result was a surplus the same amount as the variance.				

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2022	2021
<b>Cash assets</b>		
Cash on hand and at bank	1,716	5,337
Cash equivalent assets		
– Deposits at call	1,054	1,054
<b>Total cash and cash equivalents</b>	<b>2,770</b>	<b>6,391</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	2,770	6,391
<b>Balance as per the Statement of Cash Flows</b>	<b>2,770</b>	<b>6,391</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	25,000	–	23,000	–
<b>Total</b>	<b>25,000</b>	<b>–</b>	<b>23,000</b>	<b>–</b>
<b>Total financial investments</b>	<b>25,000</b>	<b>–</b>	<b>23,000</b>	<b>–</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>27,770</b>	<b>–</b>	<b>29,391</b>	<b>–</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

- amortised cost
- fair value through profit 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	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>27,770</b>	29,391
Less: Externally restricted cash, cash equivalents and investments	<u>(8,012)</u>	<u>(8,428)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>19,758</b>	20,963

### 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	458
<b>External restrictions – included in liabilities</b>	<b>208</b>	458

#### External restrictions – other

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

Specific purpose unexpended grants (recognised as revenue) – general fund	2,169	2,863
Water fund	2,985	2,869
Sewer fund	2,295	1,868
Domestic waste management	355	370
<b>External restrictions – other</b>	<b>7,804</b>	7,970
<b>Total external restrictions</b>	<b>8,012</b>	8,428

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	2022	2021
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>19,758</b>	20,963
Less: Internally restricted cash, cash equivalents and investments	<u>(11,907)</u>	<u>(10,343)</u>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>7,851</b>	10,620

### Internal allocations

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

Employees leave entitlement	1,527	1,502
Carry over works	1,189	1,860

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

<b>\$ '000</b>	<b>2022</b>	2021
Community services	<b>1,417</b>	760
Financial assistance grant	<b>3,361</b>	2,185
Recreation facilities	<b>107</b>	246
Transport	<b>2,366</b>	2,397
Aged and disabled	<b>700</b>	668
Administration	<b>666</b>	695
Other	<b>574</b>	30
<b>Total internal allocations</b>	<b>11,907</b>	<b>10,343</b>

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

<b>\$ '000</b>	<b>2022</b>	2021
<b>(c) Unrestricted and unallocated</b>		
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>7,851</b>	<b>10,620</b>

## C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	332	205	320	214
Interest and extra charges	30	83	26	78
User charges and fees	1,996	192	2,120	187
Accrued revenues				
– Interest on investments	62	–	69	–
Government grants and subsidies	2,126	67	520	–
Other debtors	270	–	144	–
<b>Total</b>	<b>4,816</b>	<b>547</b>	<b>3,199</b>	<b>479</b>
<b>Total net receivables</b>	<b>4,816</b>	<b>547</b>	<b>3,199</b>	<b>479</b>

### Accounting policy

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

### Impairment

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

When 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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	–	225	–	901
Stores and materials	162	–	118	–
Trading stock	27	–	27	–
<b>Total inventories at cost</b>	<b>189</b>	<b>225</b>	<b>145</b>	<b>901</b>
<b>Total inventories</b>	<b>189</b>	<b>225</b>	<b>145</b>	<b>901</b>

### (i) Other disclosures

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>(a) Details for real estate development</b>					
Residential		–	–	–	901
Industrial/commercial		–	225	–	–
<b>Total real estate for resale</b>		<b>–</b>	<b>225</b>	<b>–</b>	<b>901</b>

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

#### Represented by:

Acquisition costs	–	–	–	99
Development costs	–	225	–	802
<b>Total costs</b>	<b>–</b>	<b>225</b>	<b>–</b>	<b>901</b>
<b>Total real estate for resale</b>	<b>–</b>	<b>225</b>	<b>–</b>	<b>901</b>

#### Movements:

Real estate assets at beginning of the year		–	901	452	901
– Transfers in from (out to) Note C1-8		–	(901)	–	–
– WDV of sales (expense)	B4-1	–	–	(452)	–
– Purchases and other costs		–	225	–	–
<b>Total real estate for resale</b>		<b>–</b>	<b>225</b>	<b>–</b>	<b>901</b>

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

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

#### 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 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
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
<b>Land:</b>												
– 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
<b>Infrastructure:</b>												
– 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	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
<b>Other assets:</b>												
– 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
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>												
– Gravel Pit Assets	272	(77)	195	–	–	–	(4)	–	–	272	(81)	191
<b>Total infrastructure, property, plant and equipment</b>	<b>430,040</b>	<b>(99,557)</b>	<b>330,483</b>	<b>6,503</b>	<b>5,552</b>	<b>(162)</b>	<b>(5,926)</b>	<b>901</b>	<b>19,235</b>	<b>459,180</b>	<b>(102,594)</b>	<b>356,586</b>

(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 2020			Asset movements during the reporting period					At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense Restated	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>											
Plant and equipment	16,502	(10,033)	6,469	–	1,008	241	(1,078)	–	17,122	(10,964)	6,158
Office equipment	1,253	(1,052)	201	–	–	–	(50)	–	1,253	(1,102)	151
Furniture and fittings	727	(636)	91	–	78	–	(34)	–	805	(670)	135
<b>Land:</b>											
– Operational land	3,940	–	3,940	–	–	–	–	–	3,940	–	3,940
– Community land	1,237	–	1,237	–	826	–	–	–	2,063	–	2,063
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	185	–	185
<b>Infrastructure:</b>											
– Buildings – non-specialised	2,100	(64)	2,036	–	–	–	(35)	–	2,100	(99)	2,001
– Buildings – specialised	51,521	(14,781)	36,740	4,000	2,412	–	(628)	–	57,933	(15,409)	42,524
– Other structures	7,123	(3,480)	3,643	37	531	–	(334)	–	7,691	(3,814)	3,877
– Roads, bridges & footpaths <sup>2</sup>	269,415	(31,978)	237,437	2,011	–	–	(2,695)	–	271,426	(34,673)	236,753
– Stormwater drainage	5,845	(4,133)	1,712	77	–	–	(63)	863	6,874	(4,285)	2,589
– Water supply network	30,857	(15,371)	15,486	608	–	–	(574)	155	31,774	(16,099)	15,675
– Sewerage network	25,111	(11,005)	14,106	169	–	–	(343)	141	25,528	(11,455)	14,073
<b>Other assets:</b>											
– Heritage collections	50	(50)	–	–	–	–	–	–	50	(50)	–
– Library books	244	(222)	22	–	23	–	(27)	–	267	(249)	18
– Other	583	(583)	–	165	9	–	(28)	–	757	(611)	146
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>											
– Gravel Pit Assets	272	(73)	199	–	–	–	(4)	–	272	(77)	195
<b>Total infrastructure, property, plant and equipment</b>	<b>416,965</b>	<b>(93,461)</b>	<b>323,504</b>	<b>7,067</b>	<b>4,887</b>	<b>241</b>	<b>(5,893)</b>	<b>1,159</b>	<b>430,040</b>	<b>(99,557)</b>	<b>330,483</b>

(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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	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	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	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		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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
<b>2022</b>			
Opening balance at 1 July	76	1	77
Adoption of AASB 16 at 1 July 2020 – first time lease recognition	–	–	–
Depreciation charge	(39)	(1)	(40)
<b>Balance at 30 June</b>	<b>37</b>	<b>–</b>	<b>37</b>
<b>2021</b>			
Opening balance at 1 July	111	18	129
Adoption of AASB 16 at 1 July 2020 – first time lease recognition	–	–	–
Depreciation charge	(35)	(17)	(52)
<b>Balance at 30 June</b>	<b>76</b>	<b>1</b>	<b>77</b>

## C2-1 Council as a lessee (continued)

### (b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	37	–	77	–
<b>Total lease liabilities</b>	<b>37</b>	<b>–</b>	<b>77</b>	<b>–</b>

### (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
<b>2022</b>					
Cash flows	10	27	–	37	37
2021					
Cash flows	50	27	–	77	77

### (d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	1	3
Depreciation of right of use assets	40	52
	<b>41</b>	<b>55</b>

### (e) Statement of Cash Flows

Total cash outflow for leases	40	52
	<b>40</b>	<b>52</b>

### (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)

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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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services	2,075	–	1,549	–
Accrued expenses:				
– Borrowings	24	–	31	–
– Salaries and wages	173	–	132	–
Retirement complex contributions	12,406	–	11,313	–
Prepaid rates and charges	367	–	356	–
<b>Total payables</b>	<b>15,045</b>	<b>–</b>	<b>13,381</b>	<b>–</b>

#### Payables relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Externally restricted assets</b>				
Water	105	–	314	–
Sewer	368	–	37	–
Payables relating to externally restricted assets	473	–	351	–
<b>Total payables relating to restricted assets</b>	<b>473</b>	<b>–</b>	<b>351</b>	<b>–</b>
<b>Total payables</b>	<b>15,045</b>	<b>–</b>	<b>13,381</b>	<b>–</b>

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

\$ '000	2022	2021
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	11,165	10,182
<b>Total payables</b>	<b>11,165</b>	<b>10,182</b>

#### Accounting policy

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

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	632	-	458	-
<b>Total grants received in advance</b>		<b>632</b>	<b>-</b>	<b>458</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>632</b>	<b>-</b>	<b>458</b>	<b>-</b>

### Notes

(i) Council has received funding to upgrade assets including the Cooee 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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Externally restricted assets</b>				
Unspent grants held as contract liabilities (excl. Water & Sewer)	208	-	458	-
<b>Contract liabilities relating to externally restricted assets</b>	<b>208</b>	<b>-</b>	<b>458</b>	<b>-</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>208</b>	<b>-</b>	<b>458</b>	<b>-</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>424</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total contract liabilities</b>	<b>632</b>	<b>-</b>	<b>458</b>	<b>-</b>

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

\$ '000	2022	2021
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	308	250
Operating grants (received prior to performance obligation being satisfied)	324	-
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>632</b>	<b>250</b>

### Significant changes in contract liabilities

Funding included as a contract liability in 18/19 has been recognised in 21/22 for the improvement of the Cooee Heritage Centre.

### 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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	712	4,292	688	5,004
<b>Total borrowings</b>	<b>712</b>	<b>4,292</b>	<b>688</b>	<b>5,004</b>

(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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	58	85	110	286
Sewer	17	38	34	108
Borrowings relating to externally restricted assets	75	123	144	394
<b>Total borrowings relating to restricted assets</b>	<b>75</b>	<b>123</b>	<b>144</b>	<b>394</b>
<b>Total borrowings relating to unrestricted assets</b>	<b>637</b>	<b>4,169</b>	<b>544</b>	<b>4,610</b>
<b>Total borrowings</b>	<b>712</b>	<b>4,292</b>	<b>688</b>	<b>5,004</b>

#### 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	2021		Non-cash movements				2021
	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
<b>Total liabilities from financing activities</b>	<b>5,769</b>	<b>(728)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,041</b>

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,354	(662)	–	–	–	–	5,692
Lease liability (Note C2-1b)	129	(52)	–	–	–	–	77
<b>Total liabilities from financing activities</b>	<b>6,483</b>	<b>(714)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,769</b>

### C3-3 Borrowings (continued)

#### (b) Financing arrangements

\$ '000	2022	2021
<b>Total facilities</b>		
Credit cards/purchase cards	75	85
<b>Total financing arrangements</b>	<b>75</b>	<b>85</b>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	75	85
<b>Total undrawn financing arrangements</b>	<b>75</b>	<b>85</b>

#### Accounting policy

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

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	1,912	–	1,859	–
Long service leave	1,890	238	1,691	214
Other leave	112	–	134	–
<b>Total employee benefit provisions</b>	<b>3,914</b>	<b>238</b>	<b>3,684</b>	<b>214</b>

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	920	938
	<b>920</b>	<b>938</b>

#### Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
<b>2022</b>				
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
<b>Total ELE provisions at end of year</b>	<b>1,912</b>	<b>2,128</b>	<b>112</b>	<b>4,152</b>
<b>2021</b>				

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

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	1,739	1,760	134	3,633
Additional provisions	799	385	15	1,199
Amounts used (payments)	(926)	(173)	(33)	(1,132)
Remeasurement effects	247	(67)	18	198
<b>Total ELE provisions at end of year</b>	<b>1,859</b>	<b>1,905</b>	<b>134</b>	<b>3,898</b>

#### 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	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	746	–	705
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>746</b>	<b>–</b>	<b>705</b>
<b>Total provisions</b>	<b>–</b>	<b>746</b>	<b>–</b>	<b>705</b>
<b>Provisions relating to restricted assets</b>				
<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>–</b>	<b>746</b>	<b>–</b>	<b>705</b>
<b>Total provisions</b>	<b>–</b>	<b>746</b>	<b>–</b>	<b>705</b>

### 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
<b>2022</b>		
At beginning of year	705	705
Unwinding of discount	41	41
Total other provisions at end of year	746	746
<b>2021</b>		
At beginning of year	667	667
Unwinding of discount	38	38
Total other provisions at end of year	705	705

### 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 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.

## C3-5 Provisions (continued)

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **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 2022	Water 2022	Sewer 2022
<b>Income from continuing operations</b>			
Rates and annual charges	5,738	484	587
User charges and fees	15,835	605	663
Interest and investment revenue	157	16	12
Other revenues	963	7	15
Grants and contributions provided for operating purposes	9,825	18	14
Grants and contributions provided for capital purposes	2,533	70	–
Net gains from disposal of assets	92	–	–
<b>Total income from continuing operations</b>	<b>35,143</b>	<b>1,200</b>	<b>1,291</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	17,166	257	262
Materials and services	7,794	292	328
Borrowing costs	175	8	2
Depreciation, amortisation and impairment of non-financial assets	5,022	591	353
Other expenses	293	144	92
<b>Total expenses from continuing operations</b>	<b>30,450</b>	<b>1,292</b>	<b>1,037</b>
<b>Operating result from continuing operations</b>	<b>4,693</b>	<b>(92)</b>	<b>254</b>
<b>Net operating result for the year</b>	<b>4,693</b>	<b>(92)</b>	<b>254</b>
<b>Net operating result attributable to each council fund</b>	<b>4,693</b>	<b>(92)</b>	<b>254</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,160</b>	<b>(162)</b>	<b>254</b>

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

##### ASSETS

##### Current assets

Cash and cash equivalents	990	985	795
Investments	21,500	2,000	1,500
Receivables	4,631	134	51
Inventories	189	–	–
<b>Total current assets</b>	<b>27,310</b>	<b>3,119</b>	<b>2,346</b>

##### Non-current assets

Receivables	317	148	82
Inventories	225	–	–
Infrastructure, property, plant and equipment	323,253	16,712	16,621
Right of use assets	37	–	–
<b>Total non-current assets</b>	<b>323,832</b>	<b>16,860</b>	<b>16,703</b>

##### Total assets

<b>351,142</b>	<b>19,979</b>	<b>19,049</b>
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##### LIABILITIES

##### Current liabilities

continued on next page ...

## D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2022	Water 2022	Sewer 2022
Payables	14,664	13	368
Income received in advance	(92)	92	–
Contract liabilities	632	–	–
Lease liabilities	37	–	–
Borrowings	637	58	17
Employee benefit provision	3,914	–	–
<b>Total current liabilities</b>	<b>19,792</b>	<b>163</b>	<b>385</b>
<b>Non-current liabilities</b>			
Borrowings	4,169	85	38
Employee benefit provision	238	–	–
Provisions	746	–	–
<b>Total non-current liabilities</b>	<b>5,153</b>	<b>85</b>	<b>38</b>
<b>Total liabilities</b>	<b>24,945</b>	<b>248</b>	<b>423</b>
<b>Net assets</b>	<b>326,197</b>	<b>19,731</b>	<b>18,626</b>
<b>EQUITY</b>			
Accumulated surplus	98,999	11,089	6,732
Revaluation reserves	227,198	8,642	11,894
<b>Council equity interest</b>	<b>326,197</b>	<b>19,731</b>	<b>18,626</b>
<b>Total equity</b>	<b>326,197</b>	<b>19,731</b>	<b>18,626</b>

## 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 2022	Carrying value 2021	Fair value 2022	Fair value 2021
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	2,770	6,391	2,770	6,391
Receivables	5,363	3,678	5,363	5,542
Investments				
– Debt securities at amortised cost	25,000	23,000	25,000	23,000
<b>Total financial assets</b>	<b>33,133</b>	<b>33,069</b>	<b>33,133</b>	<b>34,933</b>
<b>Financial liabilities</b>				
Payables	15,045	13,381	14,678	13,026
Loans/advances	5,004	5,692	5,004	5,692
<b>Total financial liabilities</b>	<b>20,049</b>	<b>19,073</b>	<b>19,682</b>	<b>18,718</b>

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	2022	2021
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	343	300
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	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
<b>2022</b>				
Gross carrying amount	–	537	–	537

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2021				
Gross carrying amount	–	534	–	534

**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	
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%
<b>ECL provision</b>	–	–	–	–	–	–
2021						
Gross carrying amount	2,004	235	542	7	356	3,144
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

**(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	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	15,045	–	–	–	15,045	15,045
Borrowings	3.21%	–	838	2,639	2,064	5,541	5,004
<b>Total financial liabilities</b>		<b>15,045</b>	<b>838</b>	<b>2,639</b>	<b>2,064</b>	<b>20,586</b>	<b>20,049</b>
2021							
Payables	0.00%	–	13,026	–	–	13,026	13,381
Borrowings	3.21%	–	838	3,122	2,420	6,380	5,692
<b>Total financial liabilities</b>		<b>–</b>	<b>13,864</b>	<b>3,122</b>	<b>2,420</b>	<b>19,406</b>	<b>19,073</b>

## E2-1 Fair value measurement

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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)

\$ '000	Notes	Date of latest valuation	Fair value measurement hierarchy							
			Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
			2022	2021	2022	2021	2022	2021	2022	2021
<b>Recurring fair value measurements</b>										
<b>Infrastructure, property, plant and equipment</b> <span style="float: right;">C1-6</span>										
Plant & equipment		at cost	<b>6,240</b>	6,158	-	-	-	-	<b>6,240</b>	6,158
Office equipment		at cost	-	-	-	-	<b>124</b>	151	<b>124</b>	151
Furniture & fittings		at cost	-	-	-	-	<b>110</b>	135	<b>110</b>	135
Land		30/06/18	-	-	<b>6,220</b>	6,188	-	-	<b>6,220</b>	6,188
Buildings		30/06/18	-	-	-	-	<b>51,102</b>	44,526	<b>51,102</b>	44,526
Other structures		at cost	-	-	-	-	<b>4,401</b>	3,877	<b>4,401</b>	3,877
Roads, bridges & footpaths		30/06/20	-	-	-	-	<b>250,907</b>	236,753	<b>250,907</b>	236,753
Stormwater drainage		30/06/21	-	-	-	-	<b>2,721</b>	2,589	<b>2,721</b>	2,589
Water supply		30/06/22	-	-	-	-	<b>16,587</b>	15,675	<b>16,587</b>	15,675
Sewerage services		30/06/22	-	-	-	-	<b>16,355</b>	14,073	<b>16,355</b>	14,073
Other assets		at cost	-	-	-	-	<b>727</b>	163	<b>727</b>	163
Gravel pits		30/06/19	-	-	-	-	<b>191</b>	196	<b>191</b>	196
<b>Total infrastructure, property, plant and equipment</b>			<b>6,240</b>	6,158	<b>6,220</b>	6,188	<b>343,225</b>	318,138	<b>355,685</b>	330,484

## 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 and also the water supply and sewerage services infrastructure assets revalued this year (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 in 2017/18. 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. The asset values for 2021/22 have been indexed by applying the cumulative CPI rates since 2017/18. The percentage increases used were 1.90%, 1.30%, 0.20% and 4.90%.

##### 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 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 2021/22 have been indexed by applying the cumulative CPI rates since 2019/20. The percentage increases used were 0.20% and 4.90%.

##### 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 2021/22 have been indexed by applying the cumulative CPI rates since 2020/21. The percentage increases used were 4.90%.

##### 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.

##### 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.

##### 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. The cost to rehabilitate Council's 79 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 (30/6/22) 2022	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Buildings	51,102	Independent valuation.	Depreciated replacement cost & market value.
Roads, bridges, etc.	250,907	In house valuation.	Depreciated replacement cost.
Stormwater drainage	2,721	In house valuation.	Depreciated replacement cost.
Water supply	16,587	Independent valuation.	Depreciated replacement cost.
Sewerage services	16,355	Independent valuation.	Depreciated replacement cost.
Other structures	4,401	Transaction price.	Purchase price of asset used.
Other assets	727	Transaction price.	Purchase price of asset used.
Gravel pits	191	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	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>236,753</b>	237,437	<b>2,589</b>	1,712	<b>15,675</b>	15,486	<b>14,073</b>	14,106
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	12,099	–	204	863	1,327	155	2,137	141
<b>Other movements</b>								
Purchases (GBV)	4,758	2,011	–	77	170	608	498	169
Depreciation and impairment	(2,703)	(2,695)	(72)	(63)	(585)	(574)	(353)	(343)
<b>Closing balance</b>	<b>250,907</b>	236,753	<b>2,721</b>	2,589	<b>16,587</b>	15,675	<b>16,355</b>	14,073

\$ '000	Other structures		Other assets		Gravel pits		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>3,877</b>	3,643	<b>164</b>	22	<b>195</b>	199	<b>273,326</b>	272,605

## E2-1 Fair value measurement (continued)

\$ '000	Other structures		Other assets		Gravel pits		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	15,767	1,159
Purchases (GBV)	837	568	618	197	–	–	6,881	3,630
Depreciation and impairment	(313)	(334)	(55)	(55)	(4)	(4)	(4,085)	(4,068)
<b>Closing balance</b>	<b>4,401</b>	<b>3,877</b>	<b>727</b>	<b>164</b>	<b>191</b>	<b>195</b>	<b>291,889</b>	<b>273,326</b>

### 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.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard 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

\* For 180 Point Members, employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

## E3-1 Contingencies (continued)

The past contributions for each pooled employer is a share of the total past contributions of \$40.0 million for 1 July 2020 to 30 June 2022, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. 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 Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan.*

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$40,353.20. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2021, and covers the period ended 30 June 2019. Council's expected contribution to the plan for the next annual reporting period is \$36,201.84.

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

<b>Defined Benefit reserves only</b> *	<b>\$millions</b>	<b>Asset Coverage</b>
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

\* 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	5.5% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation and, once all the relevant information has been received by the Funds Actuary, the final end of year review 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.

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



## E3-1 Contingencies (continued)

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### (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	2022	2021
<b>Compensation:</b>		
Short-term benefits	1,074	1,118
Other long-term benefits	536	501
<b>Total</b>	<b>1,610</b>	<b>1,619</b>

#### 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		Transactions	Outstanding		Impairment	
\$ '000	Ref	during the year	balances	Terms and conditions	provision on	Impairment
			including		outstanding	expense
			commitments		balances	
<b>2022</b>						
Electrical works.	1	–	–	7 day invoice.	–	–
Wages of employees.	2	–	–	Weekly pay cycle.	–	–
Function costs.	3	1	–	7 day invoice.	–	–
Earth moving and road works.	4	–	–	7 day invoice.	–	–
Cabinet making works.	5	51	–	7 day invoice.	–	–
<b>2021</b>						
Electrical works.	1	42	–	7 day invoice.	–	–
Wages of employees.	2	64	–	Weekly pay cycle.	–	–
Function costs.	3	4	–	7 day invoice.	–	–
Earth moving and road works.	4	573	–	7 day invoice.	–	–
Cabinet making works.	5	6	–	7 day invoice.	–	–

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

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- 1 Council contracted to a local business for electrical works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 2 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis.
- 3 Council used a local hotel for functions and entertaining purposes. The hotel owner is a KMP. All transactions are at arms length.
- 4 Council contracted to a local business to provide earth moving and road works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 5 Council contracted to 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 and major jobs are quoted on.

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

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	25
Councillors' fees	100	96
Other Councillors' expenses (including Mayor)	23	12
<b>Total</b>	<b>150</b>	<b>133</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	64	62
<b>Remuneration for audit and other assurance services</b>	<b>64</b>	<b>62</b>
<b>Total Auditor-General remuneration</b>	<b>64</b>	<b>62</b>
<b>Total audit fees</b>	<b>64</b>	<b>62</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
<b>Net operating result from Income Statement</b>	<b>4,855</b>	4,789
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	5,966	5,945
(Gain) / loss on disposal of assets	(92)	94
Non-cash capital grants and contributions	(654)	(826)
Unwinding of discount rates on reinstatement provisions	41	38
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(1,685)	66
(Increase) / decrease of inventories	(44)	(27)
Increase / (decrease) in payables	526	(152)
Increase / (decrease) in accrued interest payable	(7)	(3)
Increase / (decrease) in other accrued expenses payable	41	(36)
Increase / (decrease) in other liabilities	11	(23)
Increase / (decrease) in contract liabilities	174	(14)
Increase / (decrease) in employee benefit provision	254	265
<b>Net cash flows from operating activities</b>	<b>9,386</b>	<b>10,116</b>

## G1-1 Statement of Cash Flows information (continued)

### (b) Non-cash investing and financing activities

\$ '000	2022	2021
Rural Fire Service vehicle purchases	654	–
Other dedications - crown land not previously accounted for	–	826
<b>Total non-cash investing and financing activities</b>	<b>654</b>	<b>826</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	4,462	4,029
Plant and equipment	573	76
Infrastructure	3,228	3,873
<b>Total commitments</b>	<b>8,263</b>	<b>7,978</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	3,330	4,609
Later than one year and not later than 5 years	1,572	943
Later than 5 years	3,361	2,426
<b>Total payable</b>	<b>8,263</b>	<b>7,978</b>

#### 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 2021/22 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 2021.

## 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 2022

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 2022	Indicator 2022	Indicators 2021      2020		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>2,160</b>	<b>6.18%</b>	0.96%	7.22%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>34,939</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>25,082</b>	<b>66.81%</b>	63.97%	70.23%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>37,542</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>24,578</b>	<b>3.28x</b>	3.86x	4.04x	> 1.50x
Current liabilities less specific purpose liabilities	<b>7,499</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>8,311</b>	<b>9.10x</b>	7.00x	9.90x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>913</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>650</b>	<b>8.68%</b>	8.55%	11.73%	< 10.00%
Rates and annual charges collectable	<b>7,492</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>27,770</b>	<b>11.14</b>	11.42	14.54	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>2,493</b>	<b>months</b>	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 <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>6.36%</b>	0.90%	<b>(14.34)%</b>	(10.83)%	<b>19.67%</b>	13.52%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>64.74%</b>	62.10%	<b>92.67%</b>	82.13%	<b>98.92%</b>	97.31%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>3.28x</b>	3.86x	<b>19.13x</b>	14.02x	<b>6.09x</b>	55.17x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>8.05x</b>	6.03x	<b>54.63x</b>	42.55x	<b>304.50x</b>	170.00x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>10.12%</b>	9.88%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>10.42 months</b>	10.36 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(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

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**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](http://www.gilgandra.nsw.gov.au)

**Email:** [council@gilgandra.nsw.gov.au](mailto: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 2022, the Statement of Financial Position as at 30 June 2022, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2022 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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

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

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

31 October 2022  
SYDNEY



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

Contact: Unaib Jeffrey  
Phone no: 02 9275 7450  
Our ref: D2222074/1729

31 October 2022

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2022  
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 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed a 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 2022 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

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	6.8	6.6	↑ 3.0
Grants and contributions revenue	12.5	13.6	↓ 8.1
Operating result from continuing operations	4.9	4.8	↑ 2.0
Net operating result before capital grants and contributions	2.3	0.2	↑ 1050

Rates and annual charges revenue of \$6.8 million increased by \$0.2 million or 3 per cent in 2021-22 reflecting the increase in rates of during the year.

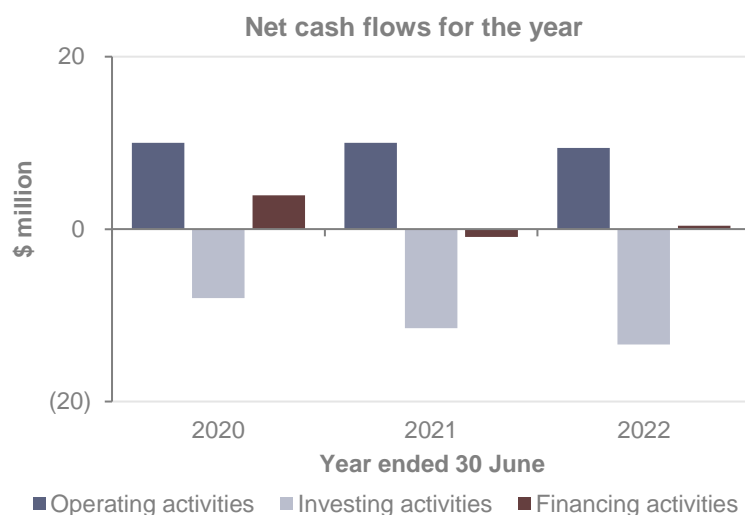
The Council's operating result from continuing operations (\$4.9 million including depreciation and amortisation expense of \$6.0 million) remained similar as the 2020-21 result. This was primarily due to a slight increase in user charges and fees of \$0.8 million offset by decrease in materials and services of \$0.5 million.

At year end, there were a number of projects that were not completed due to the on-going impact of Covid-19 which affected the timing of recognising the relevant revenue. This explains the noted decrement in grants and contributions for operating and capital purposes of \$1.1 million compared to 2020-21.

The total expenses from continuing operations have remained consistent with the financial year 2020-21. Employee benefits and on-costs increased by \$0.5 million which was offset by a decrement in materials and services of \$0.5 million during the year.

## STATEMENT OF CASH FLOWS

- The Council reported a decrease in cash and cash equivalents from \$29.4 million at 30 June 2021 to \$27.8 million at 30 June 2022.
- Cash inflows from operating activities decreased from 2020-21 mainly as a result of lower receipts from grants and contributions.
- Cash outflows used in investing activities increased mainly due to an increase in purchases of infrastructure, property, plant and equipment and investments in term deposits.
- Cashflows from financing activities increased as a result of the increase in contributions received from the Council's retirement complex.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>27.8</b>	<b>29.4</b>	<ul style="list-style-type: none"> <li>External restrictions predominantly include specific purpose unexpended grants and water supply and sewerage service funds. The balance shows a slight decrement compared to last year.</li> </ul>
Restricted and allocated cash, cash equivalents and investments:			<ul style="list-style-type: none"> <li>Internal restrictions increased during the year. These mostly include the financial assistance grants, funds for the aged and disabled, and employees' leave entitlement.</li> </ul>
• External restrictions	8.0	8.4	
• Internal allocations	11.9	10.4	<ul style="list-style-type: none"> <li>Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>
• Unrestricted	7.9	10.6	

## PERFORMANCE

### Performance measures

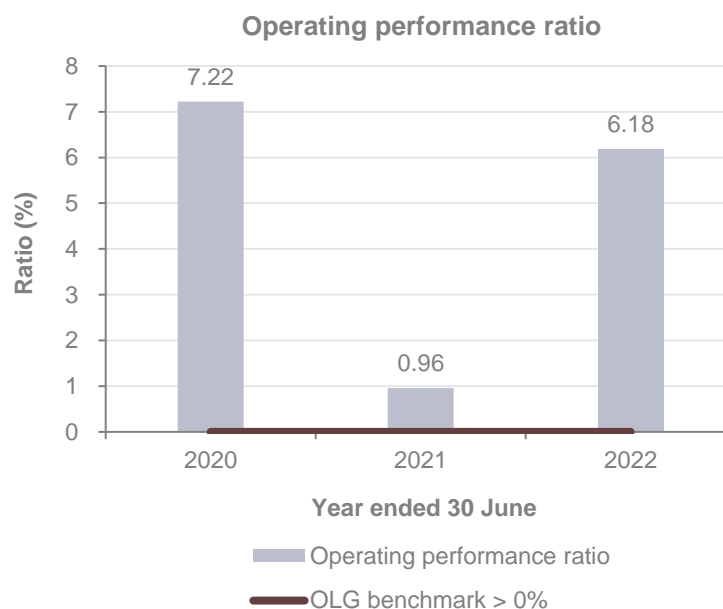
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

#### Operating performance ratio

The Council has exceeded the OLG benchmark for the past three years.

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

The current year ratio reflects a significant increase compared to 2020-21 in line with the improved operating results during the year.

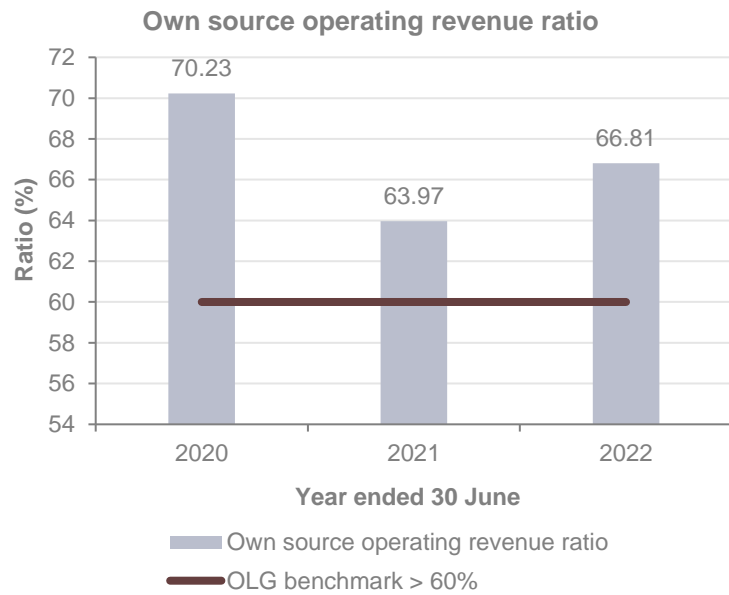


### Own source operating revenue ratio

The Council has exceeded the OLG benchmark for the past three years.

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

The current year result shows an improvement in rates and user charges being the Council's main source of revenue.

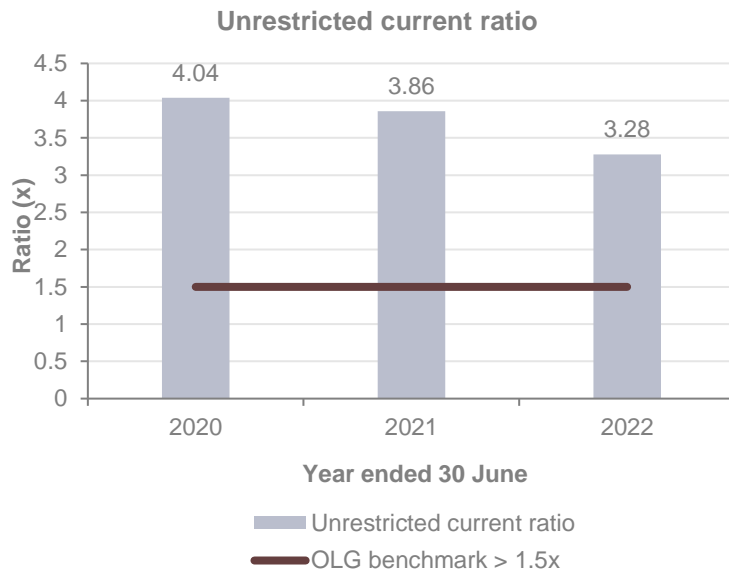


### Unrestricted current ratio

The Council has exceeded the OLG benchmark for the past three years.

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.

This ratio indicates that Council currently has \$3.28 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.



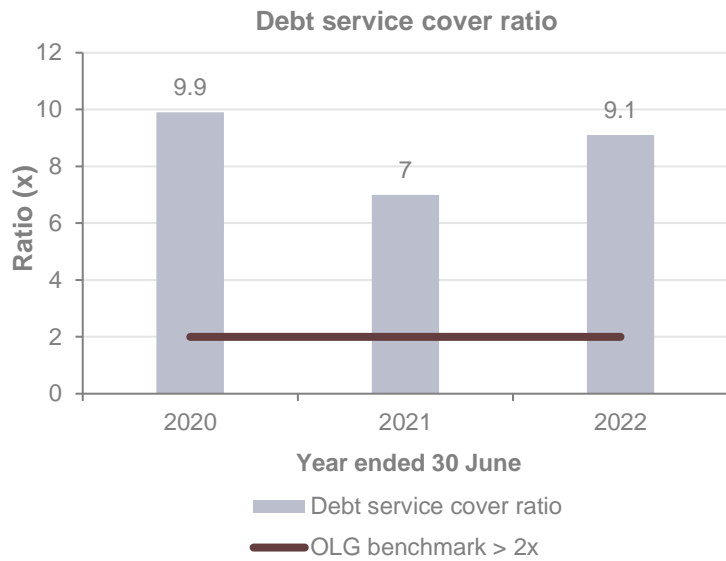


### Debt service cover ratio

The Council has exceeded the OLG benchmark for the past three years.

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.

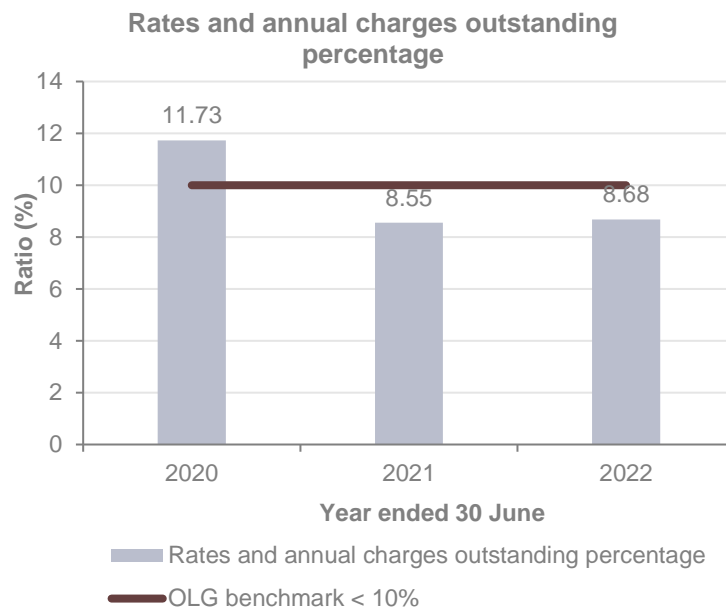
Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.



### Rates and annual charges outstanding percentage

The Council met the OLG benchmark for the current 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.

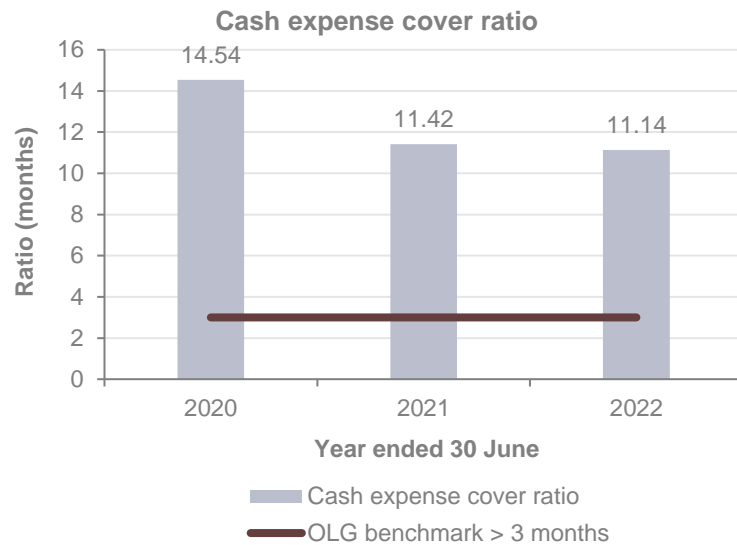


## Cash expense cover ratio

The Council met the OLG benchmark for the current 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.

This indicates that the Council had the capacity to cover 11.14 months of cash expenditure without additional cash inflows at 30 June 2022.



## Infrastructure, property, plant and equipment renewals

Council spent \$6.5 million on asset renewals in 2021-22 compared to \$7.1 million in 2020-21. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2021-22, asset renewals of \$6.5 million represented 110% of Council's \$5.9 million depreciation expense. This result was 10 per cent lower than the 2020-21 result of 120 per cent.

Asset renewals in 2021-22 were carried out in accordance with Council's capital works program and were primarily related to road and building assets.

## Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements that will be reported in the Management Letter. Rural fire-fighting equipment which were recognised in the financial statements as assets, were not tested for completeness, accuracy, existence or condition assessment.

Except for the matter outlined above, 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.

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

cc: Mr David Neeves, General Manager  
Michael Cassel, Secretary of the Department of Planning, Industry and Environment



# Gilgandra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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# Gilgandra Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2022

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# Gilgandra Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2022

### Statement by Councillors and Management

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

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


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

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

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

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

**Signed in accordance with a resolution of Council made on 20 September 2022.**



Doug Batten

**Mayor**

20 September 2022



Ash Walker

**Councillor**

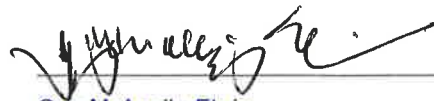
20 September 2022



David Neeves

**General Manager**

20 September 2022



Guy McAnally-Elwin

**Responsible Accounting Officer**

20 September 2022

## Gilgandra Shire Council

### Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
<b>Income from continuing operations</b>		
Access charges	484	465
User charges	605	626
Interest and investment income	16	21
Grants and contributions provided for operating purposes	18	19
Other income	7	5
<b>Total income from continuing operations</b>	<b>1,130</b>	<b>1,136</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	257	234
Borrowing costs	8	11
Materials and services	292	297
Depreciation, amortisation and impairment	591	580
Other expenses	144	137
<b>Total expenses from continuing operations</b>	<b>1,292</b>	<b>1,259</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(162)</b>	<b>(123)</b>
Grants and contributions provided for capital purposes	70	224
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(92)</b>	<b>101</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(92)</b>	<b>101</b>
<b>Surplus (deficit) after tax</b>	<b>(92)</b>	<b>101</b>
<b>Plus opening accumulated surplus</b>	<b>18,497</b>	<b>18,241</b>
<b>Plus/less: other adjustments (revaluations)</b>	<b>1,327</b>	<b>155</b>
<b>Closing accumulated surplus</b>	<b>19,732</b>	<b>18,497</b>
<b>Return on capital %</b>	<b>(0.9)%</b>	<b>(0.7)%</b>
<b>Subsidy from Council</b>	<b>766</b>	<b>348</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(92)	101
Less: capital grants and contributions (excluding developer contributions)	(70)	(224)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Gilgandra Shire Council

### Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
<b>Income from continuing operations</b>		
Access charges	587	544
User charges	639	600
Liquid trade waste charges	24	20
Interest and investment income	12	13
Grants and contributions provided for operating purposes	14	14
Other income	15	15
<b>Total income from continuing operations</b>	<b>1,291</b>	<b>1,206</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	262	251
Borrowing costs	2	3
Materials and services	328	356
Depreciation, amortisation and impairment	353	344
Other expenses	92	89
<b>Total expenses from continuing operations</b>	<b>1,037</b>	<b>1,043</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>254</b>	<b>163</b>
Grants and contributions provided for capital purposes	–	19
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>254</b>	<b>182</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>254</b>	<b>182</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(64)	(42)
<b>Surplus (deficit) after tax</b>	<b>190</b>	<b>140</b>
<b>Plus opening accumulated surplus</b>	<b>16,235</b>	15,912
<b>Plus/less: other adjustments (revaluations)</b>	<b>2,137</b>	141
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	64	42
<b>Closing accumulated surplus</b>	<b>18,626</b>	<b>16,235</b>
<b>Return on capital %</b>	<b>1.5%</b>	1.2%
<b>Subsidy from Council</b>	<b>352</b>	48
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	191	140
Less: capital grants and contributions (excluding developer contributions)	–	(19)
<b>Surplus for dividend calculation purposes</b>	<b>191</b>	<b>121</b>
<b>Potential dividend calculated from surplus</b>	<b>95</b>	<b>61</b>



## Gilgandra Shire Council

### Income Statement of Carlginda Enterprises

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>Income from continuing operations</b>		
User charges	206	234
Other income	265	325
<b>Total income from continuing operations</b>	<b>471</b>	<b>559</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	431	383
Materials and services	68	62
Depreciation, amortisation and impairment	13	13
Other expenses	6	7
<b>Total expenses from continuing operations</b>	<b>518</b>	<b>465</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(47)</b>	<b>94</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(47)</b>	<b>94</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(47)</b>	<b>94</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(24)
<b>Surplus (deficit) after tax</b>	<b>(47)</b>	<b>70</b>
<b>Plus accumulated surplus</b>	<b>662</b>	<b>568</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	24
<b>Closing accumulated surplus</b>	<b>615</b>	<b>662</b>
<b>Return on capital %</b>	<b>(66.2)%</b>	<b>113.3%</b>
<b>Subsidy from Council</b>	<b>50</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	–	70
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>70</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>35</b>

## Gilgandra Shire Council

### Income Statement of Cooee Villa Units

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>Income from continuing operations</b>		
User charges	348	330
Interest and investment income	10	12
Other income	308	259
<b>Total income from continuing operations</b>	<b>666</b>	<b>601</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	157	142
Borrowing costs	6	7
Materials and services	172	239
Depreciation, amortisation and impairment	231	233
Other expenses	55	43
<b>Total expenses from continuing operations</b>	<b>621</b>	<b>664</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>45</b>	<b>(63)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>45</b>	<b>(63)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>45</b>	<b>(63)</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(11)	–
<b>Surplus (deficit) after tax</b>	<b>34</b>	<b>(63)</b>
<b>Plus accumulated surplus</b>	<b>5,471</b>	<b>5,534</b>
<b>Plus/less: other adjustments (revaluations)</b>	<b>955</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	11	–
<b>Closing accumulated surplus</b>	<b>6,471</b>	<b>5,471</b>
<b>Return on capital %</b>	<b>0.4%</b>	<b>(0.5)%</b>
<b>Subsidy from Council</b>	<b>408</b>	<b>230</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	–	(63)
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Gilgandra Shire Council

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

as at 30 June 2022

\$ '000	2022	2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	985	869
Investments	2,000	2,000
Receivables	134	103
<b>Total current assets</b>	<b>3,119</b>	<b>2,972</b>
<b>Non-current assets</b>		
Receivables	148	74
Infrastructure, property, plant and equipment	16,712	15,806
<b>Total non-current assets</b>	<b>16,860</b>	<b>15,880</b>
<b>Total assets</b>	<b>19,979</b>	<b>18,852</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	13	86
Income received in advance	92	71
Borrowings	58	55
<b>Total current liabilities</b>	<b>163</b>	<b>212</b>
<b>Non-current liabilities</b>		
Borrowings	85	143
<b>Total non-current liabilities</b>	<b>85</b>	<b>143</b>
<b>Total liabilities</b>	<b>248</b>	<b>355</b>
<b>Net assets</b>	<b>19,731</b>	<b>18,497</b>
<b>EQUITY</b>		
Accumulated surplus	11,089	11,181
Revaluation reserves	8,642	7,316
<b>Total equity</b>	<b>19,731</b>	<b>18,497</b>

## Gilgandra Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	795	1,868
Investments	1,500	–
Receivables	51	63
<b>Total current assets</b>	<b>2,346</b>	<b>1,931</b>
<b>Non-current assets</b>		
Receivables	82	56
Infrastructure, property, plant and equipment	16,621	14,337
<b>Total non-current assets</b>	<b>16,703</b>	<b>14,393</b>
<b>Total assets</b>	<b>19,049</b>	<b>16,324</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	368	18
Borrowings	17	17
<b>Total current liabilities</b>	<b>385</b>	<b>35</b>
<b>Non-current liabilities</b>		
Borrowings	38	54
<b>Total non-current liabilities</b>	<b>38</b>	<b>54</b>
<b>Total liabilities</b>	<b>423</b>	<b>89</b>
<b>Net assets</b>	<b>18,626</b>	<b>16,235</b>
<b>EQUITY</b>		
Accumulated surplus	6,732	6,478
Revaluation reserves	11,894	9,757
<b>Total equity</b>	<b>18,626</b>	<b>16,235</b>

## Gilgandra Shire Council

### Statement of Financial Position of Carlginda Enterprises

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	526	568
Receivables	3	11
Inventories	16	10
<b>Total current assets</b>	<b>545</b>	<b>589</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	71	83
<b>Total non-current assets</b>	<b>71</b>	<b>83</b>
<b>Total assets</b>	<b>616</b>	<b>672</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1	10
<b>Total current liabilities</b>	<b>1</b>	<b>10</b>
<b>Total liabilities</b>	<b>1</b>	<b>10</b>
<b>Net assets</b>	<b>615</b>	<b>662</b>
<b>EQUITY</b>		
Accumulated surplus	615	662
<b>Total equity</b>	<b>615</b>	<b>662</b>

## Gilgandra Shire Council

### Statement of Financial Position of Cooee Villa Units

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,090	1,463
Investments	1,000	–
Receivables	15	17
<b>Total current assets</b>	<b>2,105</b>	<b>1,480</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	12,535	11,659
<b>Total non-current assets</b>	<b>12,535</b>	<b>11,659</b>
<b>Total assets</b>	<b>14,640</b>	<b>13,139</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	8,031	7,489
Borrowings	44	42
<b>Total current liabilities</b>	<b>8,075</b>	<b>7,531</b>
<b>Non-current liabilities</b>		
Borrowings	93	137
<b>Total non-current liabilities</b>	<b>93</b>	<b>137</b>
<b>Total liabilities</b>	<b>8,168</b>	<b>7,668</b>
<b>Net assets</b>	<b>6,472</b>	<b>5,471</b>
<b>EQUITY</b>		
Accumulated surplus	1,510	1,465
Revaluation reserves	4,962	4,006
<b>Total equity</b>	<b>6,472</b>	<b>5,471</b>

## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

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 3.66% at 30/6/22.

### (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.



## **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 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply business activity
- Sewerage business activity
- Carlginda Enterprises
- Cooee 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 2022, 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 2021–22 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

The Council's annual report for the year ended 30 June 2022 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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

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

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

31 October 2022  
SYDNEY

# Gilgandra Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2022

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# Gilgandra Shire Council

## Special Schedules

for the year ended 30 June 2022

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## Gilgandra Shire Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
<b>Notional general income calculation <sup>1</sup></b>			
Plus or minus adjustments			
Last year notional general income yield	a	5,209	5,322
Plus or minus adjustments <sup>2</sup>	b	16	-
<b>Notional general income</b>	c = a + b	<b>5,225</b>	<b>5,322</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	105	133
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>5,330</b>	<b>5,455</b>
Plus (or minus) last year's carry forward total	l	5	16
Less valuation objections claimed in the previous year	m	-	(2)
<b>Sub-total</b>	n = (l + m)	<b>5</b>	<b>14</b>
<b>Total permissible income</b>	o = k + n	<b>5,335</b>	<b>5,469</b>
Less notional general income yield	p	5,322	5,460
<b>Catch-up or (excess) result</b>	q = o - p	<b>13</b>	<b>9</b>
Plus income lost due to valuation objections claimed <sup>3</sup>	r	2	1
Less unused catch-up <sup>5</sup>	s	(1)	-
<b>Carry forward to next year <sup>4</sup></b>	t = q + r + s	<b>14</b>	<b>10</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (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.
- (5) Unused catch-up amounts or the rate peg balance amounts will be deducted if they are not caught up within ten years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for when setting the rates in a future year.

## Gilgandra Shire Council

### Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance <sup>a</sup>	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>Buildings</b>	All buildings	–	–	712	765	51,102	68,548	15.6%	73.3%	11.1%	0.0%	(0.1%)	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>712</b>	<b>765</b>	<b>51,102</b>	<b>68,548</b>	<b>15.6%</b>	<b>73.3%</b>	<b>11.1%</b>	<b>0.0%</b>	<b>(0.1%)</b>	
<b>Other structures</b>	All other structures	–	–	627	576	4,401	8,528	40.0%	20.0%	40.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>627</b>	<b>576</b>	<b>4,401</b>	<b>8,528</b>	<b>40.0%</b>	<b>20.0%</b>	<b>40.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Roads</b>	All roads	5,780	5,780	3,313	3,445	250,907	290,049	47.2%	11.8%	28.0%	11.2%	1.8%	
	<b>Sub-total</b>	<b>5,780</b>	<b>5,780</b>	<b>3,313</b>	<b>3,445</b>	<b>250,907</b>	<b>290,049</b>	<b>47.2%</b>	<b>11.8%</b>	<b>28.0%</b>	<b>11.2%</b>	<b>1.8%</b>	
<b>Water supply network</b>	All water supply network	1,118	30,000	319	323	16,587	29,557	2.6%	96.2%	0.0%	1.2%	0.0%	
	<b>Sub-total</b>	<b>1,118</b>	<b>30,000</b>	<b>319</b>	<b>323</b>	<b>16,587</b>	<b>29,557</b>	<b>2.6%</b>	<b>96.2%</b>	<b>0.0%</b>	<b>1.2%</b>	<b>0.0%</b>	
<b>Sewerage network</b>	All sewerage network	354	16,500	200	410	16,355	26,403	0.0%	0.0%	89.1%	10.9%	0.0%	
	<b>Sub-total</b>	<b>354</b>	<b>16,500</b>	<b>200</b>	<b>410</b>	<b>16,355</b>	<b>26,403</b>	<b>0.0%</b>	<b>0.0%</b>	<b>89.1%</b>	<b>10.9%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	All stormwater drainage	344	344	73	15	2,721	7,288	86.4%	1.7%	6.8%	3.4%	1.7%	
	<b>Sub-total</b>	<b>344</b>	<b>344</b>	<b>73</b>	<b>15</b>	<b>2,721</b>	<b>7,288</b>	<b>86.4%</b>	<b>1.7%</b>	<b>6.8%</b>	<b>3.4%</b>	<b>1.7%</b>	
	<b>Total – all assets</b>	<b>7,596</b>	<b>52,624</b>	<b>5,244</b>	<b>5,534</b>	<b>342,073</b>	<b>430,373</b>	<b>36.7%</b>	<b>26.7%</b>	<b>27.0%</b>	<b>8.4%</b>	<b>1.2%</b>	

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

#### Infrastructure asset condition assessment 'key'

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



## Gilgandra Shire Council

### Report on infrastructure assets as at 30 June 2022

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>6,503</b>	<b>138.69%</b>	147.73%	151.93%	>= 100.00%
Depreciation, amortisation and impairment	<b>4,689</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>7,596</b>	<b>2.22%</b>	1.89%	1.10%	< 2.00%
Net carrying amount of infrastructure assets	<b>342,073</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>5,534</b>	<b>105.53%</b>	105.66%	90.92%	> 100.00%
Required asset maintenance	<b>5,244</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>52,624</b>	<b>12.23%</b>	2.08%	2.29%	
Gross replacement cost	<b>430,373</b>				

(\*) 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 2022

#### Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>155.56%</b>	163.12%	<b>29.06%</b>	105.92%	<b>141.08%</b>	49.27%	>= 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>1.98%</b>	1.61%	<b>6.74%</b>	5.68%	<b>2.16%</b>	3.33%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>101.61%</b>	102.99%	<b>101.25%</b>	98.03%	<b>205.00%</b>	183.25%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>1.64%</b>	1.30%	<b>101.50%</b>	2.80%	<b>62.49%</b>	11.75%	

(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 2023.

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 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## **Other Information**

The Council's annual report for the year ended 30 June 2022 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 2022'.

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](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

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

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

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

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

31 October 2022  
SYDNEY