
NARROMINE SHIRE COUNCIL
EXTRAORDINARY MEETING BUSINESS PAPER – 26 SEPTEMBER 2022
REPORTS TO COUNCIL – FINANCE & CORPORATE STRATEGY

1. DRAFT 2021/2022 FINANCIAL STATEMENTS REFERRAL TO AUDIT

| | |
|--------------------------------|---|
| Author | Director Finance and Corporate Strategy |
| Responsible Officer | Director Finance and Corporate Strategy |
| Link to Strategic Plans | CSP – 4.3 A financially sound Council that is responsible and sustainable |

Executive Summary

This report presents the Draft 2021/2022 Financial Statements to be referred to audit.

Report

Section 413(1) of the Local Government Act requires that Council to prepare financial reports each financial year and have them audited within 4 months of the end of the year concerned.

Within the financial reports, the Statement of Councillors and Management must be signed in accordance with a resolution of Council.

The audit of the draft financial statements will start on 26 September 2022 and be conducted by the Audit Office of NSW. The draft financial statements must be referred by Council to the Audit Office of NSW before 26 September.

Financial Overview

Council's total income for the year was \$33,607 million. Major sources of income include rates and annual charges (29%) and operating and capital grants of \$17,292 million (51% of total income).

Interest and returns on investment recorded a loss of \$1,534 million for the year. This was mainly due to negative market returns on the financial markets as funds were invested in TCorpLM Long Term Growth Fund. This fund has produced high and exceptional returns in the past but investments with higher potential returns involve higher potential risks.

Operating expenses for the year were \$24,198 million, slightly higher than the previous year.

Council reported an operating surplus of \$9,409 million and equity increased due to the revaluation of water and sewerage assets and indexation of other infrastructure assets.

Financial Implications

The Annual Financial Statements report on Council's financial performance, results and position for the 2021/2022 financial year.

NARROMINE SHIRE COUNCIL
EXTRAORDINARY MEETING BUSINESS PAPER – 26 SEPTEMBER 2022
REPORTS TO COUNCIL – FINANCE & CORPORATE STRATEGY

1. DRAFT 2021/2022 FINANCIAL STATEMENTS REFER TO AUDIT (Cont'd)

Legal and Regulatory Compliance

Local Government Act, 1993 – Sections 413(1) and 413(2)(c)

Local Government Code of Accounting Practice and Financial Reporting Update No.27

Risk Management Issues

Nil

Internal/External Consultation

NSW Audit Office – Client Service Plan

NSC Internal Audit Committee

Attachment includes:

- 1 Draft General-Purpose Financial Statements
- 2 Draft Special-Purpose Financial Statements
- 3 Draft Special Schedules

RECOMMENDATION

1. That Council's 2021/22 Draft Financial Statements be referred to the NSW Audit Office for audit.
2. That Council certifies that the draft annual Financial Statements are in accordance with:
 - the Local Government Act 1993 and the Regulations made there under;
 - the Australian Accounting Standards and professional pronouncements, and
 - the Local Government Code of Accounting Practice and Financial Reporting;
 - presents fairly the Council's operating result and financial position for the year, and
 - accords with Council's accounting and other records;
 - and that Council is not aware of any matter that would render this report false or misleading in any way.
2. That Council adopts the Councillors/Management "Statements" and resolve that they be signed and attached to the year-end accounts.
3. That Council delegates to the General Manager the authority to "finalise the date" at which the Auditor's report and Financial Statements are to be presented to the public (as per section 418(1) of the Local Government Act 1993).
5. That Council note and adopt the value of the nominated Internal Reserves and their closing balances as listed in Note C1-3 of the General-Purpose Financial Statements.

Barry Bonthuys

Director Finance & Corporate Strategy
Responsible Accounting Officer

Narromine Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

*To enhance our Shire's image, lifestyle and environment
through effective leadership, community involvement and
commitment to service.*



Narromine Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*To enhance our Shire's image, lifestyle and environment
through effective leadership, community involvement and
commitment to service.*



Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

| Contents | Page |
|---|-----------|
| Understanding Council's Financial Statements | 3 |
| Statement by Councillors and Management | 4 |
| Primary Financial Statements: | |
| Income Statement | 5 |
| Statement of Comprehensive Income | 6 |
| Statement of Financial Position | 7 |
| Statement of Changes in Equity | 8 |
| Statement of Cash Flows | 9 |
| Notes to the Financial Statements | 10 |
| Independent Auditor's Reports: | |
| On the Financial Statements (Sect 417 [2]) | 74 |
| On the Financial Statements (Sect 417 [3]) | 75 |

Overview

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

124 Dandaloo Street
Narromine NSW 2821

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.narromine.nsw.gov.au.

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 September 2022.

Cr Craig Davies
Mayor
26 September 2022

Cr Dawn Collins
Councillor
26 September 2022

Jane Redden
General Manager
26 September 2022

Barry Bonthuys
Responsible Accounting Officer
26 September 2022

Narromine Shire Council

Income Statement

for the year ended 30 June 2022

| Original unaudited budget 2022 | \$ '000 | Notes | Actual 2022 | Actual 2021 |
|---|--|-------|------------------------|----------------|
| Income from continuing operations | | | | |
| 11,256 | Rates and annual charges | B2-1 | 9,648 | 9,409 |
| 1,589 | User charges and fees | B2-2 | 4,995 | 2,936 |
| 316 | Other revenues | | 438 | 341 |
| 6,845 | Grants and contributions provided for operating purposes | B2-3 | 7,388 | 8,001 |
| 3,103 | Grants and contributions provided for capital purposes | B2-3 | 9,904 | 9,125 |
| 916 | Interest and investment income | B2-4 | (1,534) | 2,262 |
| 196 | Other income | | 241 | 479 |
| – | Net gain from the disposal of assets | B4-1 | 2,527 | – |
| 24,221 | Total income from continuing operations | | 33,607 | 32,553 |
| Expenses from continuing operations | | | | |
| 7,336 | Employee benefits and on-costs | B3-1 | 7,097 | 7,131 |
| 6,965 | Materials and services | B3-2 | 9,616 | 6,930 |
| 27 | Borrowing costs | | 103 | 108 |
| 5,862 | Depreciation, amortisation and impairment of non-financial assets | B3-3 | 6,514 | 6,632 |
| 922 | Other expenses | B3-4 | 868 | 1,261 |
| – | Net loss from the disposal of assets | B4-1 | – | 231 |
| 21,112 | Total expenses from continuing operations | | 24,198 | 22,293 |
| 3,109 | Operating result from continuing operations | | 9,409 | 10,260 |
| 3,109 | Net operating result for the year attributable to Council | | 9,409 | 10,260 |
| 5,512 | Net operating result for the year before grants and contributions provided for capital purposes | | (495) | 1,135 |

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

Narromine Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

| \$ '000 | Notes | 2022 | 2021 |
|--|-------|---------------|---------------|
| Net operating result for the year – from Income Statement | | 9,409 | 10,260 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain / (loss) on revaluation of IPP&E | C1-7 | 38,458 | 1,251 |
| Other comprehensive income – joint ventures and associates | | 1 | – |
| Total items which will not be reclassified subsequently to the operating result | | 38,459 | 1,251 |
| Total other comprehensive income for the year | | 38,459 | 1,251 |
| Total comprehensive income for the year attributable to Council | | 47,868 | 11,511 |

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

Narromine Shire Council

Statement of Financial Position

as at 30 June 2022

| \$ '000 | Notes | 2022 | 2021 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 4,543 | 5,125 |
| Investments | C1-2 | 19,598 | 21,189 |
| Receivables | C1-4 | 3,919 | 1,991 |
| Inventories | C1-5 | 6,347 | 2,586 |
| Contract assets | C1-6 | 3,901 | – |
| Other | | 50 | 84 |
| Total current assets | | 38,358 | 30,975 |
| Non-current assets | | | |
| Receivables | C1-4 | 357 | 491 |
| Inventories | C1-5 | – | 3,700 |
| Infrastructure, property, plant and equipment (IPPE) | C1-7 | 360,935 | 315,474 |
| Investment property | | 48 | 48 |
| Contract assets | | – | 28 |
| Investments accounted for using the equity method | D2-3 | 331 | 330 |
| Total non-current assets | | 361,671 | 320,071 |
| Total assets | | 400,029 | 351,046 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C2-1 | 2,354 | 2,692 |
| Contract liabilities | C2-2 | 1,225 | – |
| Lease liabilities | | – | 28 |
| Borrowings | C2-3 | 1,134 | 2,530 |
| Employee benefit provisions | C2-4 | 1,759 | 1,629 |
| Total current liabilities | | 6,472 | 6,879 |
| Non-current liabilities | | | |
| Borrowings | C2-3 | 3,714 | 2,244 |
| Employee benefit provisions | C2-4 | 55 | 51 |
| Provisions | C2-5 | 1,969 | 1,921 |
| Total non-current liabilities | | 5,738 | 4,216 |
| Total liabilities | | 12,210 | 11,095 |
| Net assets | | 387,819 | 339,951 |
| EQUITY | | | |
| Accumulated surplus | C3-1 | 160,432 | 151,022 |
| IPPE revaluation reserve | C3-1 | 227,387 | 188,929 |
| Council equity interest | | 387,819 | 339,951 |
| Total equity | | 387,819 | 339,951 |

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

Narromine Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

| \$ '000 | Notes | as at 30/06/22 | | | as at 30/06/21 | | |
|--|-------|---------------------|--------------------------|----------------|---------------------|--------------------------|----------------|
| | | Accumulated surplus | IPPE revaluation reserve | Total equity | Accumulated surplus | IPPE revaluation reserve | Total equity |
| Opening balance at 1 July | | 151,022 | 188,929 | 339,951 | 140,762 | 187,678 | 328,440 |
| Net operating result for the year | | 9,409 | – | 9,409 | 10,260 | – | 10,260 |
| Net operating result for the period | | 9,409 | – | 9,409 | 10,260 | – | 10,260 |
| Other comprehensive income | | | | | | | |
| – Gain / (loss) on revaluation of IPP&E | C1-7 | – | 38,458 | 38,458 | – | 1,251 | 1,251 |
| Joint ventures and associates | | 1 | – | 1 | – | – | – |
| Other comprehensive income | | 1 | 38,458 | 38,459 | – | 1,251 | 1,251 |
| Total comprehensive income | | 9,410 | 38,458 | 47,868 | 10,260 | 1,251 | 11,511 |
| Closing balance at 30 June | | 160,432 | 227,387 | 387,819 | 151,022 | 188,929 | 339,951 |

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

Narromine Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

| Original unaudited budget 2022 | \$ '000 | Notes | Actual 2022 | Actual 2021 |
|---|---|-------|----------------|-----------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 10,953 | Rates and annual charges | | 10,062 | 9,484 |
| 1,300 | User charges and fees | | 2,978 | 2,484 |
| 919 | Interest received | | (1,729) | 2,288 |
| 9,946 | Grants and contributions | | 14,581 | 17,126 |
| 1,066 | Other | | 733 | (594) |
| <i>Payments:</i> | | | | |
| (10,795) | Payments to employees | | (6,963) | (6,857) |
| (3,965) | Payments for materials and services | | (10,031) | (6,503) |
| (27) | Borrowing costs | | (99) | (108) |
| (463) | Other | | (824) | (2,100) |
| <u>8,934</u> | Net cash flows from operating activities | G1-1 | <u>8,708</u> | <u>15,220</u> |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| 1,136 | Sale of real estate assets | | - | - |
| - | Proceeds from sale of IPPE | | 2,773 | 580 |
| <i>Payments:</i> | | | | |
| - | Purchase of investments | | 1,591 | (3,219) |
| - | Purchase of investment property | | - | (48) |
| (8,728) | Payments for IPPE | | (13,651) | (13,271) |
| (1,620) | Purchase of real estate assets | | - | (133) |
| - | Purchase of intangible assets | | (77) | (261) |
| <u>(9,212)</u> | Net cash flows from investing activities | | <u>(9,364)</u> | <u>(16,352)</u> |
| Cash flows from financing activities | | | | |
| <i>Receipts:</i> | | | | |
| 1,100 | Proceeds from borrowings | | 1,100 | - |
| <i>Payments:</i> | | | | |
| (1,160) | Repayment of borrowings | | (1,026) | (995) |
| <u>(60)</u> | Net cash flows from financing activities | | <u>74</u> | <u>(995)</u> |
| <u>(338)</u> | Net change in cash and cash equivalents | | <u>(582)</u> | <u>(2,127)</u> |
| 15,437 | Cash and cash equivalents at beginning of year | | 5,125 | 7,252 |
| <u>15,099</u> | Cash and cash equivalents at end of year | C1-1 | <u>4,543</u> | <u>5,125</u> |
| - | plus: Investments on hand at end of year | C1-2 | 19,598 | 21,189 |
| <u>15,099</u> | Total cash, cash equivalents and investments | | <u>24,141</u> | <u>26,314</u> |

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

Narromine Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

| | |
|---|-----------|
| A About Council and these financial statements | 12 |
| A1-1 Basis of preparation | 12 |
| B Financial Performance | 15 |
| B1 Functions or activities | 15 |
| B1-1 Functions or activities – income, expenses and assets | 15 |
| B1-2 Components of functions or activities | 16 |
| B2 Sources of income | 18 |
| B2-1 Rates and annual charges | 18 |
| B2-2 User charges and fees | 19 |
| B2-3 Grants and contributions | 20 |
| B2-4 Interest and investment income | 23 |
| B3 Costs of providing services | 24 |
| B3-1 Employee benefits and on-costs | 24 |
| B3-2 Materials and services | 24 |
| B3-3 Depreciation, amortisation and impairment of non-financial assets | 26 |
| B3-4 Other expenses | 27 |
| B4 Gains or losses | 27 |
| B4-1 Gain or loss from the disposal, replacement and de-recognition of assets | 27 |
| B5 Performance against budget | 27 |
| B5-1 Material budget variations | 27 |
| C Financial position | 29 |
| C1 Assets we manage | 29 |
| C1-1 Cash and cash equivalents | 29 |
| C1-2 Financial investments | 29 |
| C1-3 Restricted and allocated cash, cash equivalents and investments | 31 |
| C1-4 Receivables | 33 |
| C1-5 Inventories | 34 |
| C1-6 Contract assets and Contract cost assets | 34 |
| C1-7 Infrastructure, property, plant and equipment | 36 |
| C2 Liabilities of Council | 40 |
| C2-1 Payables | 40 |
| C2-2 Contract Liabilities | 41 |
| C2-3 Borrowings | 41 |
| C2-4 Employee benefit provisions | 44 |
| C2-5 Provisions | 44 |
| C3 Reserves | 46 |
| C3-1 Nature and purpose of reserves | 46 |
| D Council structure | 47 |
| D1 Results by fund | 47 |
| D1-1 Income Statement by fund | 47 |
| D1-2 Statement of Financial Position by fund | 47 |

Narromine Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

| | |
|--|-----------|
| E Risks and accounting uncertainties | 49 |
| E1-1 Risks relating to financial instruments held | 49 |
| E2-1 Fair value measurement | 52 |
| E3-1 Contingencies | 58 |
| F People and relationships | 61 |
| F1 Related party disclosures | 61 |
| F1-1 Key management personnel (KMP) | 61 |
| F1-2 Councillor and Mayoral fees and associated expenses | 61 |
| F1-3 Other related parties | 62 |
| F2 Other relationships | 63 |
| F2-1 Audit fees | 63 |
| G Other matters | 64 |
| G1-1 Statement of Cash Flows information | 64 |
| G2-1 Commitments | 65 |
| G3-1 Events occurring after the reporting date | 66 |
| G4 Changes from prior year statements | 67 |
| G4-1 Changes in accounting policy | 67 |
| G5 Statement of developer contributions as at 30 June 2022 | 68 |
| G5-1 Summary of developer contributions | 68 |
| G6 Statement of performance measures | 69 |
| G6-1 Statement of performance measures – consolidated results | 69 |
| G6-2 Statement of performance measures by fund | 70 |
| H Additional Council disclosures (unaudited) | 72 |
| H1-1 Statement of performance measures – consolidated results (graphs) | 72 |

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 9 November 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 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) estimated tip remediation provisions – refer Note C2-4
- (iii) employee benefit provisions – refer Note C2-3

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

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.

A1-1 Basis of preparation (continued)

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

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

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2022 reporting period.

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

A1-1 Basis of preparation (continued)

New accounting standards adopted during the year

No new accounting standards are applicable to the 2021-22 financial year.

COVID-19 implications on financial reporting

For the financial year ending 30 June 2022, the Office of Local Government, NSW Treasury and the Australian Securities and Investments Commission each issued guidance on areas to be considered when preparing financial statements. Management has assessed various activities of Council including impairment of assets, contracts, asset fair values, employee benefits provisions, revenue, liquidity and going concern.

The impact on Council's financial statements 2021-22 of COVID-19 restrictions were found to be immaterial.

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 |
| Functions or activities | | | | | | | | | | |
| Governance | 56 | 60 | 1,783 | 2,060 | (1,727) | (2,000) | 51 | – | 2,486 | 2,273 |
| Administration | 184 | 185 | 2,238 | 1,825 | (2,054) | (1,640) | 4,145 | – | 35,877 | 7,241 |
| Public Order & Safety | 239 | 255 | 14 | 532 | 225 | (277) | 116 | – | 2,304 | 128 |
| Environment & Health | 221 | 206 | 653 | 238 | (432) | (32) | 102 | 103 | 1,151 | 1,081 |
| Community & Cultural Services | 402 | 1,307 | 1,513 | 1,071 | (1,111) | 236 | 80 | 76 | 5,162 | 538 |
| Planning & Development | 44 | 70 | 317 | 338 | (273) | (268) | 552 | 113 | 84 | 61 |
| Waste Management | 1,903 | 1,732 | 1,494 | 1,656 | 409 | 76 | – | – | 1,622 | 1,113 |
| Infrastructure | 10,044 | 7,541 | 7,920 | 7,550 | 2,124 | (9) | 2,342 | 5,867 | 253,421 | 233,466 |
| Recreational Facilities | 862 | 1,656 | 2,857 | 2,277 | (1,995) | (621) | – | – | 17,443 | 20,659 |
| Economic Development | 3,432 | 637 | 1,940 | 1,203 | 1,492 | (566) | 140 | 1,566 | 90 | 61 |
| Water Supplies | 2,775 | 3,061 | 2,257 | 2,117 | 518 | 944 | 20 | 955 | 26,382 | 17,832 |
| Sewerage Services | 1,613 | 2,303 | 1,471 | 1,426 | 142 | 877 | 19 | 2 | 33,892 | 19,907 |
| General Purpose Income | 8,612 | 10,607 | (259) | – | 8,871 | 10,607 | – | – | – | – |
| Joint Ventures | – | 6 | – | – | – | 6 | 60 | – | 331 | 330 |
| Other | 3,220 | 2,927 | – | – | 3,220 | 2,927 | 9,665 | 8,444 | 19,784 | 46,356 |
| Total functions and activities | 33,607 | 32,553 | 24,198 | 22,293 | 9,409 | 10,260 | 17,292 | 17,126 | 400,029 | 351,046 |

B1-2 Components of functions or activities

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

Governance

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

Administration

- Executive services - provision of effective and efficient support to councillors, Council and the community
- Legal advice and services for Council, its delegates and officers, procure adequate and appropriate insurance coverage at a minimum cost, manage claims against Council and manage litigation by and against Council
- Provision of management accounting, financial reporting, rates, payroll, creditors, accounts receivable, cashiering, debt recovery and investments
- Computing and support services to Council
- Management and improvement of the quality, performance, opportunities & safety conditions of Council's staff
- Civic administration building.

Public Order & Safety

- Co-operation and liaison with the Rural Fire Service and other Emergency Service organisations.

Environment & Health

- Protection of the environment, its enhancement and the promotion of environmental sustainability
- Maintenance of the health standards and safety of premises that are accessible to and impact upon the community
- Development of an innovative best practice policy to control the incidence of noxious plants
- Companion animal management and issues in relation to straying livestock.

Community & Cultural Services

- Provision of community, cultural and educational services and facilities to enhance the community's way of life
- Provision of programs and services for young people between 12-24 years of age
- Active participation in and co-operation with community organisations in the delivery of Aged & Disability Services
- Provision for the development and management of a range of community facilities
- Provision of effective public library lending, information and referral services
- Provision of quality cemetery services and memorial facilities
- Advocate for a strong cultural role in community revitalisation and identity by the encouragement & promotion of local historical, cultural and art organisations and activities.

Planning & Development

- Creation of a quality environment for the community in which land use and development is planned and assessed and the social, environmental, economic, agricultural, heritage and physical wellbeing of the community is enhanced and protected
- Planning the Shire's future whilst embracing the principles of Ecologically Sustainable Development
- Assessment and determination of development applications
- Regulatory inspections.

Waste Management

- Effective management of waste collection, minimise waste whilst encouraging commercial and residential recycling
- Collection & recycling
- Disposal.

Infrastructure

- Provision of well constructed, maintained and functional roads, drains, public buildings and associated engineering structures; including operational support, construction and maintenance, design, stormwater management and aerodromes.

Recreational Facilities

- Provision of equitable access to social, cultural, sporting and recreational services and facilities
- Parks, playing fields and reserves
- Recreational buildings and infrastructure

B1-2 Components of functions or activities (continued)

- Swimming Pools.

Economic Development

- Development and assistance in the implementation of strategies, programs and policies that will provide employment and a positive environment for the local economy
- Tourism & area promotion
- Real estate development
- Saleyards and markets
- External partnerships
- Camping areas.

Water Supplies

- Provision of a cost effective, environmentally sensitive and ecologically sustainable water supply service including business plan, service delivery, customer service, demand management, infrastructure management.

Sewerage Services

- Provision of a cost effective, environmentally sensitive & ecologically sustainable sewerage service. Including business plan, service delivery, customer service, demand management, infrastructure management.

B2 Sources of income

B2-1 Rates and annual charges

| \$ '000 | 2022 | 2021 |
|---|--------------|--------------|
| Ordinary rates | | |
| Residential | 1,772 | 1,542 |
| Farmland | 3,473 | 3,407 |
| Mining | 306 | 289 |
| Business | 633 | 886 |
| Other | (7) | – |
| Less: pensioner rebates (mandatory) | (113) | (71) |
| Rates levied to ratepayers | 6,064 | 6,053 |
| Pensioner rate subsidies received | 37 | 45 |
| Total ordinary rates | 6,101 | 6,098 |
| Annual charges | | |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small> | | |
| Domestic waste management services | 1,282 | 1,194 |
| Stormwater management services | 52 | 52 |
| Water supply services | 735 | 700 |
| Sewerage services | 1,221 | 1,179 |
| Waste management services (non-domestic) | 263 | 244 |
| Less: pensioner rebates (mandatory) | (70) | (120) |
| Annual charges levied | 3,483 | 3,249 |
| Pensioner subsidies received: | | |
| – Water | 20 | 20 |
| – Sewerage | 19 | 21 |
| – Domestic waste management | 25 | 21 |
| Total annual charges | 3,547 | 3,311 |
| Total rates and annual charges | 9,648 | 9,409 |

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 when the Council obtains control over the assets comprising these receipts.

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.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

B2-2 User charges and fees

| \$ '000 | 2022 | 2021 |
|---|--------------|--------------|
| Specific user charges | | |
| (per s.502 - specific 'actual use' charges) | | |
| Water supply services | 1,247 | 1,226 |
| Sewerage services | 350 | 347 |
| Waste management services (non-domestic) | 149 | 138 |
| Total specific user charges | 1,746 | 1,711 |
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | |
| Planning and building regulation | 153 | 139 |
| Private works – section 67 | 1,114 | 285 |
| Other | 66 | 61 |
| Total fees and charges – statutory/regulatory | 1,333 | 485 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | |
| Cemeteries | 85 | 99 |
| Community centres | 1 | – |
| Gravel pits | 1,483 | 390 |
| Lease rentals | 61 | – |
| Recycling income (non-domestic) | 92 | 75 |
| Other | 194 | 176 |
| Total fees and charges – other | 1,916 | 740 |
| Total other user charges and fees | 3,249 | 1,225 |
| Total user charges and fees | 4,995 | 2,936 |
| Timing of revenue recognition for user charges and fees | | |
| User charges and fees recognised at a point in time | 4,995 | 2,936 |
| Total user charges and fees | 4,995 | 2,936 |

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 the term of the licence.

B2-3 Grants and contributions

| \$ '000 | Operating 2022 | Operating 2021 | Capital 2022 | Capital 2021 |
|--|-------------------|-------------------|-----------------|-----------------|
| General purpose grants and non-developer contributions (untied) | | | | |
| General purpose (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance – general component | 1,645 | 1,504 | – | – |
| Financial assistance – local roads component | 800 | 720 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance – general component | 2,526 | 1,610 | – | – |
| Financial assistance – local roads component | 1,234 | 773 | – | – |
| Other | | | | |
| Other grants | – | 50 | 78 | 363 |
| Amount recognised as income during current year | 6,205 | 4,657 | 78 | 363 |
| Special purpose grants and non-developer contributions (tied) | | | | |
| Cash contributions | | | | |
| Previously specific grants: | | | | |
| Pensioners' rates subsidies: | | | | |
| – Water | – | – | 198 | – |
| – Other | 25 | 40 | 161 | – |
| Water supplies | – | 63 | 963 | 1,444 |
| Bushfire and emergency services | 116 | 116 | – | 2,926 |
| Community centres | – | – | 212 | 1,025 |
| Economic development | 305 | – | 262 | 154 |
| Library | 80 | 80 | – | – |
| LIRS subsidy | – | – | 35 | 44 |
| Noxious weeds | 102 | 103 | – | – |
| Recreation and culture | – | – | 675 | 1,173 |
| Community infrastructure grant | – | – | 155 | 375 |
| Traffic route subsidy | – | – | 77 | 77 |
| Transport (roads to recovery) | – | 1,365 | 593 | – |
| Transport (other roads and bridges funding) | 19 | – | 3,165 | 130 |
| Other specific grants | 231 | 218 | 2,332 | 1,341 |
| Previously contributions: | | | | |
| Dedications – subdivisions (other than by s7.11) | 140 | 139 | – | – |
| Roads and bridges | – | – | 998 | – |
| Transport for NSW contributions (regional roads, block grant) | – | 998 | – | – |
| Other contributions | 23 | 88 | – | 4 |
| Total special purpose grants and non-developer contributions – cash | 1,041 | 3,210 | 9,826 | 8,693 |
| Non-cash contributions | | | | |
| Roads and bridges | 35 | – | – | – |
| Other | – | – | – | 19 |
| Total other contributions – non-cash | 35 | – | – | 19 |
| Total special purpose grants and non-developer contributions (tied) | 1,076 | 3,210 | 9,826 | 8,712 |
| Total grants and non-developer contributions | 7,281 | 7,867 | 9,904 | 9,075 |
| Comprising: | | | | |
| – Commonwealth funding | 6,267 | 4,608 | 1,715 | 2,056 |
| – State funding | 874 | 606 | 8,189 | 3,744 |
| – Other funding | 140 | 2,653 | – | 3,275 |
| | 7,281 | 7,867 | 9,904 | 9,075 |

B2-3 Grants and contributions (continued)

Developer contributions

| \$ '000 | Notes | Operating 2022 | Operating 2021 | Capital 2022 | Capital 2021 |
|--|-------|-------------------|-------------------|-----------------|-----------------|
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | G5 | | | | |
| Cash contributions | | | | | |
| S 7.12 – fixed development consent levies | | 107 | 56 | – | – |
| S 64 – water supply contributions | | – | – | – | 50 |
| S 64 – sewerage service contributions | | – | 78 | – | – |
| Total developer contributions – cash | | 107 | 134 | – | 50 |
| Total developer contributions | | 107 | 134 | – | 50 |
| Total contributions | | 107 | 134 | – | 50 |
| Total grants and contributions | | 7,388 | 8,001 | 9,904 | 9,125 |
| Timing of revenue recognition for grants and contributions | | | | | |
| Grants and contributions recognised over time (1) | | – | – | – | – |
| Grants and contributions recognised at a point in time (2) | | 7,388 | 8,001 | 9,904 | 9,125 |
| Total grants and contributions | | 7,388 | 8,001 | 9,904 | 9,125 |

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 |
|---|-------------------|-------------------|-----------------|-----------------|
| Unspent grants and contributions | | | | |
| Operating grants recognised as income in a previous reporting period | 4,758 | 3,934 | – | – |
| Unspent grants and contributions | | | | |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 3,305 | 3,207 | – | – |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | – | – | – | – |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (4,758) | (2,383) | – | – |
| Unspent funds at 30 June | 3,305 | 4,758 | – | – |

B2-3 Grants and contributions (continued)

Accounting policy

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include milestones such as as executing the agreement, providing reports and expending amounts within agreed timeframes. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

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

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

B2-4 Interest and investment income

| \$ '000 | 2022 | 2021 |
|--|----------------|--------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 52 | 37 |
| – Cash and investments | (2,102) | 212 |
| Distribution income (TCorp) | 516 | 2,013 |
| Total interest and investment income (losses) | (1,534) | 2,262 |

Accounting policy

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| \$ '000 | 2022 | 2021 |
|--|--------------|--------------|
| Salaries and wages | 6,427 | 5,538 |
| Other | 2,173 | 2,103 |
| Total employee costs | 8,600 | 7,641 |
| Less: capitalised costs | (1,503) | (510) |
| Total employee costs expended | 7,097 | 7,131 |
| Number of 'full-time equivalent' employees (FTE) at year end | 88 | 89 |

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

| \$ '000 | Notes | 2022 | 2021 |
|--|-------|--------------|--------------|
| Raw materials and consumables | | 4,595 | 3,533 |
| Contractor and consultancy costs | | 2,880 | 1,447 |
| Audit Fees | F2-1 | 66 | 60 |
| Previously other expenses: | | | |
| Councillor and Mayoral fees and associated expenses | F1-2 | 159 | 152 |
| Advertising | | 92 | 112 |
| Computer software charges | | 251 | 197 |
| Election expenses | | 21 | – |
| Electricity and heating | | 360 | 365 |
| Insurance | | 497 | 463 |
| Office expenses (including computer expenses) | | 85 | 89 |
| Postage | | 18 | – |
| Street lighting | | 131 | 148 |
| Subscriptions and publications | | 90 | 114 |
| Telephone and communications | | 77 | 69 |
| Other expenses | | 41 | 109 |
| Legal expenses: | | | |
| Expenses from leases of low value assets | | – | 24 |
| – Legal expenses: planning and development | | 1 | – |
| – Legal expenses: debt recovery | | 4 | – |
| – Legal expenses: other | | 122 | 31 |
| Operating leases expense (2019 only): | | | |
| – Operating lease rentals: minimum lease payments ¹ | | 24 | – |
| Other | | 98 | 14 |
| Total materials and services | | 9,616 | 6,930 |

B3-2 Materials and services (continued)

| \$ '000 | Notes | 2022 | 2021 |
|------------------------------|-------|--------------|-------|
| Total materials and services | | 9,616 | 6,930 |

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

| \$ '000 | Notes | 2022 | 2021 |
|--|-------|--------------|--------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 903 | 865 |
| Office equipment | | 62 | 62 |
| Furniture and fittings | | 7 | 10 |
| Infrastructure: | C1-7 | | |
| – Buildings – non-specialised | | 183 | 184 |
| – Buildings – specialised | | 871 | 906 |
| – Other structures | | 181 | 167 |
| – Roads | | 1,970 | 1,891 |
| – Bridges | | 199 | 199 |
| – Footpaths | | 93 | 84 |
| – Stormwater drainage | | 390 | 386 |
| – Water supply network | | 569 | 567 |
| – Sewerage network | | 478 | 439 |
| – Swimming pools | | 160 | 260 |
| – Other infrastructure | | 218 | 187 |
| Other assets: | | | |
| – Aerodrome | | 153 | 164 |
| Intangible assets | | 77 | 119 |
| Total depreciation and amortisation costs | | 6,514 | 6,490 |
| Impairment / revaluation decrement of IPPE | | | |
| Intangible assets | | – | 142 |
| Total IPPE impairment / revaluation decrement costs charged to Income Statement | | – | 142 |
| Total depreciation, amortisation and impairment for non-financial assets | | 6,514 | 6,632 |

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

B3-4 Other expenses

| \$ '000 | 2022 | 2021 |
|--|------------|--------------|
| Other | 27 | 1,191 |
| Donations, contributions and assistance to other organisations (Section 356) | 89 | – |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | 10 | – |
| – Macquarie regional library | 414 | – |
| – NSW fire brigade levy | 36 | – |
| – NSW rural fire service levy | 292 | – |
| – Other contributions/levies | – | 70 |
| Total other expenses | 868 | 1,261 |

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

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 16/06/2021 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 | |
|---|----------------|----------------|------------------|-----------------|
| Revenues | | | | |
| Other revenues | 316 | 438 | 122 | 39% F |
| Other revenues in excess of budget due to increased revenue relating to diesel fuel rebate and workers compensation reimbursements. | | | | |
| Capital grants and contributions | 3,103 | 9,904 | 6,801 | 219% F |
| Grant funds received in excess of original budget due to additional funding made available by State and Federal Governments for projects. | | | | |
| Interest and investment revenue | 916 | (1,534) | (2,450) | (267)% U |

B5-1 Material budget variations (continued)

| \$ '000 | 2022 Budget | 2022 Actual | 2022 ----- Variance ----- | |
|--|----------------|----------------|------------------------------|-----------------|
| Losses on Council's investments in managed funds investments due to negative market movements. | | | | |
| Other income | 196 | 241 | 45 | 23% F |
| Expenses | | | | |
| Materials and services | 6,965 | 9,616 | (2,651) | (38)% U |
| Expenses in excess of original budget due to additional costs for projects funded through grant funds. | | | | |
| Borrowing costs | 27 | 103 | (76) | (281)% U |
| Borrowing costs in excess of original budget due to interest payments on loans. | | | | |
| Other expenses | 922 | 868 | 54 | 6% F |
| Net losses from disposal of assets | - | - | - | ∞ F |
| Statement of cash flows | | | | |
| Cash flows from operating activities | 8,934 | 8,708 | (226) | (3)% U |
| Cash flows from investing activities | (9,212) | (9,364) | (152) | 2% U |
| Cash flows from financing activities | (60) | 74 | 134 | (223)% F |

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

| \$ '000 | 2022 | 2021 |
|--|--------------|--------------|
| Cash assets | | |
| Cash on hand and at bank | 4,683 | 5,195 |
| Cash equivalent assets | | |
| – Other financial assets | (140) | (70) |
| Total cash and cash equivalents | 4,543 | 5,125 |

Reconciliation of cash and cash equivalents

| | | |
|---|--------------|--------------|
| Total cash and cash equivalents per Statement of Financial Position | 4,543 | 5,125 |
| Balance as per the Statement of Cash Flows | 4,543 | 5,125 |

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 |
|---|-----------------|---------------------|-----------------|---------------------|
| Financial assets at fair value through the profit and loss | | | | |
| Managed funds | 19,598 | – | 21,189 | – |
| Total | 19,598 | – | 21,189 | – |
| Total financial investments | 19,598 | – | 21,189 | – |
| Total cash assets, cash equivalents and investments | 24,141 | – | 26,314 | – |

No strategic investments were disposed of during 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

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.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in New South Wales Treasury Corporation (TCorp) Managed Funds in the Statement of Financial Position.

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

| \$ '000 | 2022 | 2021 |
|--|-----------------|-----------------|
| (a) Externally restricted cash, cash equivalents and investments | | |
| Total cash, cash equivalents and investments | 24,141 | 26,314 |
| Less: Externally restricted cash, cash equivalents and investments | <u>(12,736)</u> | <u>(14,047)</u> |
| Cash, cash equivalents and investments not subject to external restrictions | 11,405 | 12,267 |
| External restrictions | | |
| External restrictions – included in liabilities | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Specific purpose unexpended grants – general fund | <u>668</u> | 824 |
| External restrictions – included in liabilities | 668 | 824 |
| External restrictions – other | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Developer contributions – general | 353 | 135 |
| Developer contributions – water fund | 215 | 215 |
| Developer contributions – sewer fund | 178 | 178 |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 2,080 | 2,375 |
| Water fund | 1,155 | 1,807 |
| Sewer fund | 7,004 | 7,516 |
| Board of control | 148 | 121 |
| Other | 35 | 35 |
| Street Lighting - Special Purpose loan | – | – |
| Domestic waste management | <u>900</u> | <u>841</u> |
| External restrictions – other | 12,068 | 13,223 |
| Total external restrictions | 12,736 | 14,047 |

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 | | |
| Cash, cash equivalents and investments not subject to external restrictions | 11,405 | 12,267 |
| Less: Internally restricted cash, cash equivalents and investments | <u>(7,829)</u> | <u>(9,528)</u> |
| Unrestricted and unallocated cash, cash equivalents and investments | 3,576 | 2,739 |

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

| \$ '000 | 2022 | 2021 |
|--|--------------|--------------|
| Internal allocations | | |
| At 30 June, Council has internally allocated funds to the following: | | |
| Alkane community contributions | 205 | 185 |
| Alkane environmental monitoring | 162 | 138 |
| Carry over works | 2,838 | 3,112 |
| Election expenses | 45 | 66 |
| Employees leave entitlement | 530 | 555 |
| FAGS advance grant | 3,760 | 2,383 |
| Infrastructure replacement (LTP) | - | 2,511 |
| Other | 289 | 578 |
| Total internal allocations | 7,829 | 9,528 |

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

| \$ '000 | 2022 | 2021 |
|--|--------------|--------------|
| (c) Unrestricted and unallocated | | |
| Unrestricted and unallocated cash, cash equivalents and investments | 3,576 | 2,739 |

C1-4 Receivables

| \$ '000 | 2022 | 2022 | 2021 | 2021 |
|---|--------------|-------------|--------------|-------------|
| | Current | Non-current | Current | Non-current |
| Rates and annual charges | 311 | 176 | 528 | 296 |
| Interest and extra charges | 224 | – | 19 | – |
| User charges and fees | 3,285 | 181 | 1,239 | 195 |
| Accrued revenues | | | | |
| – Interest on investments | 2 | – | – | – |
| Net GST receivable | 126 | – | 207 | – |
| Other debtors | 57 | – | 57 | – |
| Total | 4,005 | 357 | 2,050 | 491 |
| Less: provision for impairment | | | | |
| Interest and extra charges | (35) | – | (23) | – |
| User charges and fees | (51) | – | (36) | – |
| Total provision for impairment – receivables | (86) | – | (59) | – |
| Total net receivables | 3,919 | 357 | 1,991 | 491 |

Accounting policy

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

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

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

Impairment

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

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

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

Rates and annual charges outstanding are secured against the property.

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

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

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

On initial recognition of the asset, an estimate of the ECL for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

C1-5 Inventories

| \$ '000 | 2022 Current | 2022 Non-current | 2021 Current | 2021 Non-current |
|----------------------------------|-----------------|---------------------|-----------------|---------------------|
| (i) Inventories at cost | | | | |
| Real estate for resale | 5,968 | – | 2,268 | 3,700 |
| Stores and materials | 379 | – | 318 | – |
| Total inventories at cost | 6,347 | – | 2,586 | 3,700 |
| Total inventories | 6,347 | – | 2,586 | 3,700 |

(i) Real estate assets for resale

| \$ '000 | 2022 Current | 2022 Non-current | 2021 Current | 2021 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| (a) Details for real estate development | | | | |
| Residential | 5,968 | – | 2,268 | – |
| Industrial/commercial | – | – | – | 3,700 |
| Total real estate for resale | 5,968 | – | 2,268 | 3,700 |
| (Valued at the lower of cost and net realisable value) | | | | |
| Represented by: | | | | |
| Acquisition costs | 5,968 | – | – | 241 |
| Development costs | – | – | 2,268 | 3,459 |
| Total costs | 5,968 | – | 2,268 | 3,700 |
| Total real estate for resale | 5,968 | – | 2,268 | 3,700 |
| Movements: | | | | |
| Real estate assets at beginning of the year | 2,268 | 3,700 | 1,128 | 4,707 |
| – Purchases and other costs | 3,700 | (3,700) | 1,140 | (1,007) |
| Total real estate for resale | 5,968 | – | 2,268 | 3,700 |

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.

Real estate held for resale includes residential and industrial development. Residential land has been largely sold and accordingly transferred from non-current to current. Industrial land is still non-current.

C1-6 Contract assets and Contract cost assets

| \$ '000 | 2022 Current | 2022 Non-current | 2021 Current | 2021 Non-current |
|-----------------|-----------------|---------------------|-----------------|---------------------|
| Contract assets | 3,901 | – | – | – |

C1-6 Contract assets and Contract cost assets (continued)

| | | | | |
|--|--------------|---|---|---|
| Total contract assets and contract cost assets | 3,901 | - | - | - |
|--|--------------|---|---|---|

| \$ '000 | 2022 Current | 2022 Non-current | 2021 Current | 2021 Non-current |
|---------|-----------------|---------------------|-----------------|---------------------|
|---------|-----------------|---------------------|-----------------|---------------------|

Contract assets

| | | | | |
|------------------------------|--------------|----------|----------|----------|
| Other | 3,901 | - | - | - |
| Total contract assets | 3,901 | - | - | - |

Significant changes in contract assets

There have been no significant change in contract assets during the year.

(i) Externally restricted assets

| \$ '000 | 2022 Current | 2022 Non-current | 2021 Current | 2021 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Total unrestricted assets | 3,901 | - | - | - |
| Total contract assets and contract cost asset | 3,901 | - | - | - |

Accounting policy

Contract assets

Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

C1-7 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 ¹ | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation decrements to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | |
| Capital work in progress | 5,880 | – | 5,880 | 13,915 | – | – | (6,834) | (1,014) | – | – | 11,947 | – | 11,947 |
| Plant and equipment | 16,557 | (8,982) | 7,575 | – | (270) | (903) | 672 | (10) | – | – | 16,686 | (9,622) | 7,064 |
| Office equipment | 1,282 | (947) | 335 | – | – | (62) | 13 | – | – | – | 1,295 | (1,009) | 286 |
| Furniture and fittings | 329 | (284) | 45 | – | – | (7) | – | – | – | – | 329 | (291) | 38 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 4,569 | – | 4,569 | – | – | – | – | – | – | – | 4,569 | – | 4,569 |
| – Community land | 2,246 | – | 2,246 | – | – | – | – | – | – | – | 2,246 | – | 2,246 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings – non-specialised | 5,642 | (3,104) | 2,538 | – | – | (183) | 22 | – | – | 410 | 6,642 | (3,855) | 2,787 |
| – Buildings – specialised | 34,076 | (18,554) | 15,522 | – | (87) | (871) | 510 | (464) | – | 2,509 | 40,580 | (23,461) | 17,119 |
| – Other structures | 5,328 | (1,731) | 3,597 | – | (1) | (181) | 87 | (12) | – | 398 | 6,045 | (2,157) | 3,888 |
| – Roads | 233,667 | (39,654) | 194,013 | – | – | (1,970) | 3,396 | (69) | (1,575) | 21,106 | 262,824 | (46,347) | 216,477 |
| – Bridges | 20,454 | (7,424) | 13,030 | – | – | (199) | – | – | – | 1,387 | 22,665 | (8,447) | 14,218 |
| – Footpaths | 3,880 | (1,883) | 1,997 | – | – | (93) | 18 | – | – | 208 | 4,320 | (2,190) | 2,130 |
| – Stormwater drainage | 23,268 | (8,333) | 14,935 | – | – | (390) | – | 156 | – | 1,589 | 25,783 | (9,493) | 16,290 |
| – Water supply network | 32,097 | (14,518) | 17,579 | – | – | (569) | 374 | 110 | – | 5,517 | 29,812 | (6,801) | 23,011 |
| – Sewerage network | 29,756 | (10,250) | 19,506 | – | – | (478) | 151 | (578) | – | 5,674 | 31,346 | (7,071) | 24,275 |
| – Swimming pools | 5,035 | (1,418) | 3,617 | – | (14) | (160) | 693 | 49 | – | 416 | 6,275 | (1,674) | 4,601 |
| – Other open space/recreational assets | 5,767 | (2,354) | 3,413 | – | – | – | 608 | (255) | – | 434 | 7,060 | (2,860) | 4,200 |
| – Other infrastructure | 414 | (149) | 265 | – | – | (218) | – | 130 | – | 19 | 311 | (115) | 196 |
| Other assets: | | | | | | | | | | | | | |
| – Aerodrome | 16,236 | (13,276) | 2,960 | – | – | (153) | 274 | 432 | – | 366 | 17,988 | (14,109) | 3,879 |
| – Intangibles | 1,062 | (766) | 296 | – | (144) | (77) | 17 | – | – | – | 815 | (723) | 92 |
| – Remediation Assets | 1,726 | (170) | 1,556 | – | – | – | – | 66 | – | – | 1,792 | (170) | 1,622 |
| Total infrastructure, property, plant and equipment | 449,271 | (133,797) | 315,474 | 13,915 | (516) | (6,514) | 1 | (1,459) | (1,575) | 40,033 | 501,330 | (140,395) | 360,935 |

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

C1-7 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 ¹ | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | |
| Capital work in progress | 4,729 | – | 4,729 | 3,995 | – | – | (2,615) | (229) | – | 5,880 | – | 5,880 |
| Plant and equipment | 8,605 | (3,922) | 4,683 | 1,272 | (5) | (865) | 31 | – | – | 16,557 | (8,982) | 7,575 |
| Office equipment | 1,173 | (884) | 289 | 108 | – | (62) | – | – | – | 1,282 | (947) | 335 |
| Furniture and fittings | 328 | (273) | 55 | – | – | (10) | – | – | – | 329 | (284) | 45 |
| Land: | | | | | | | | | | | | |
| – Operational land | 4,221 | – | 4,221 | – | (34) | – | – | – | 382 | 4,569 | – | 4,569 |
| – Community land | 1,696 | – | 1,696 | – | – | – | – | (3) | 553 | 2,246 | – | 2,246 |
| Infrastructure: | | | | | | | | | | | | |
| – Buildings – non-specialised | 5,634 | (2,920) | 2,714 | 8 | – | (184) | – | – | – | 5,642 | (3,104) | 2,538 |
| – Buildings – specialised | 33,870 | (17,768) | 16,102 | 263 | – | (992) | 141 | – | – | 34,076 | (18,554) | 15,522 |
| – Other structures | 4,945 | (1,407) | 3,538 | 244 | – | (184) | – | – | – | 5,328 | (1,731) | 3,597 |
| – Roads | 229,803 | (37,608) | 192,195 | 3,864 | – | (2,039) | 882 | – | – | 233,667 | (39,654) | 194,013 |
| – Bridges | 20,454 | (7,225) | 13,229 | – | – | (199) | – | – | – | 20,454 | (7,424) | 13,030 |
| – Footpaths | 3,476 | (1,799) | 1,677 | 404 | – | (84) | 194 | – | – | 3,880 | (1,883) | 1,997 |
| – Stormwater drainage | 23,009 | (8,102) | 14,907 | 258 | – | (231) | 162 | – | – | 23,268 | (8,333) | 14,935 |
| – Water supply network | 30,848 | (13,819) | 17,029 | 965 | – | (567) | 843 | – | 151 | 32,097 | (14,518) | 17,579 |
| – Sewerage network | 28,452 | (9,763) | 18,689 | 1,094 | – | (439) | 298 | – | 165 | 29,756 | (10,250) | 19,506 |
| – Swimming pools | 5,035 | (1,246) | 3,789 | – | – | (172) | – | – | – | 5,035 | (1,418) | 3,617 |
| – Other open space/recreational assets | 5,216 | (2,191) | 3,025 | 557 | (1) | (169) | 64 | – | – | 5,767 | (2,354) | 3,413 |
| – Other infrastructure | 414 | (149) | 265 | – | – | (10) | – | – | – | 414 | (149) | 265 |
| Other assets: | | | | | | | | | | | | |
| – Aerodrome | 16,072 | (12,917) | 3,155 | 20 | (23) | (164) | – | – | – | 16,236 | (13,276) | 2,960 |
| – Intangibles | 943 | (676) | 267 | – | – | (119) | – | – | – | 1,062 | (766) | 296 |
| – Remediation Assets | 1,880 | – | 1,880 | – | – | – | – | – | – | 1,726 | (170) | 1,556 |
| Total infrastructure, property, plant and equipment | 430,803 | (122,669) | 308,134 | 13,052 | (63) | (6,490) | – | (232) | 1,251 | 449,271 | (133,797) | 315,474 |

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

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

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 asset 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.

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

| Plant and equipment | Years | Other equipment | Years |
|-----------------------------------|--------------|--------------------------------------|--------------|
| Office equipment | 5 to 10 | Playground equipment | 5 to 15 |
| Office furniture | 10 to 20 | Benches, seats etc. | 10 to 20 |
| Computer equipment | 1 to 4 | | |
| Vehicles | 5 to 20 | Buildings | |
| Heavy plant/road making equipment | 5 to 20 | Buildings: masonry | 50 to 100 |
| Other plant and equipment | 5 to 50 | Buildings: other | 20 to 40 |
| | | Stormwater assets | |
| Water and sewer assets | | Drains | 80 to 100 |
| Dams and reservoirs | 80 to 100 | Culverts | 50 to 100 |
| Bores | 20 to 40 | Flood control structures | 80 to 100 |
| Reticulation pipes: PVC | 70 to 80 | | |
| Reticulation pipes: other | 25 to 100 | | |
| Pumps and telemetry | 15 to 75 | | |
| | | Other infrastructure assets | |
| Transportation assets | | Bulk earthworks | infinite |
| Sealed roads: surface | 15 to 100 | Swimming pools | 50 to 70 |
| Sealed roads: structure | 20 to 100 | Other open space/recreational assets | 10 to 100 |
| Unsealed roads | 10 to 30 | Other infrastructure | 50 to 100 |
| Bridge: concrete | 80 to 300 | | |
| Bridge: other | 50 to 80 | | |
| Road pavements | 60 to 100 | | |
| Kerb, gutter and footpaths | 40 to 100 | | |

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

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.

C1-7 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

Council's financial statements are prepared in accordance with:

- Local Government Act 1993
- Australian Accounting Standards and other pronouncements
- Local Government Code of Accounting Practice and Financial Reporting

Australian accounting standards prevail over other agreements and acts. Section 119 of the *Rural Fire Services Act 1997 (NSW)*, states "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 Liabilities of Council

C2-1 Payables

| \$ '000 | 2022 | 2022 | 2021 | 2021 |
|--|--------------|-------------|--------------|-------------|
| | Current | Non-current | Current | Non-current |
| Goods and services – operating expenditure | 1,564 | – | 1,918 | – |
| Accrued expenses: | | | | |
| – Borrowings | 4 | – | – | – |
| – Salaries and wages | 193 | – | 193 | – |
| Other | 190 | – | 255 | – |
| Prepaid rates | 403 | – | 326 | – |
| Total payables | 2,354 | – | 2,692 | – |

Accounting policy

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

Payables

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

C2-2 Contract Liabilities

| \$ '000 | Notes | 2022 Current | 2022 Non-current | 2021 Current | 2021 Non-current |
|--|-------|-----------------|---------------------|-----------------|---------------------|
| Grants and contributions received in advance: | | | | | |
| Unexpended capital grants (to construct Council controlled assets) | (i) | 1,225 | - | - | - |
| Total grants received in advance | | 1,225 | - | - | - |
| Total contract liabilities | | 1,225 | - | - | - |

Contract liabilities relating to restricted assets

Externally restricted assets

| | | | | | |
|--|--|--------------|----------|--------------|----------|
| Unspent grants held as contract liabilities (excl. Water & Sewer) | | 668 | - | 824 | - |
| Contract liabilities relating to externally restricted assets | | 668 | - | 824 | - |
| Total contract liabilities relating to restricted assets | | 668 | - | 824 | - |
| Total contract liabilities relating to unrestricted assets | | 557 | - | (824) | - |
| Total contract liabilities | | 1,225 | - | - | - |

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.

C2-3 Borrowings

| \$ '000 | 2022 Current | 2022 Non-current | 2021 Current | 2021 Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Loans – secured ¹ | 1,134 | 3,714 | 2,530 | 2,244 |
| Total borrowings | 1,134 | 3,714 | 2,530 | 2,244 |

(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 C2-1.

(a) Changes in liabilities arising from financing activities

| \$ '000 | 2021 | | Non-cash movements | | | | 2022 |
|--|-----------------|------------|--------------------|--------------------|--|-------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| Loans – secured | 4,774 | 74 | - | - | - | - | 4,848 |
| Lease liability (Note C2-1b) | 28 | (28) | - | - | - | - | - |
| Total liabilities from financing activities | 4,802 | 46 | - | - | - | - | 4,848 |

| 2020 | | Non-cash movements | | | | 2021 |
|------|--|--------------------|--|--|--|------|
|------|--|--------------------|--|--|--|------|

C2-3 Borrowings (continued)

| \$ '000 | Opening Balance | Cash flows | Acquisition | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
|--|--------------------|--------------|-------------|-----------------------|---|----------------------------|-----------------|
| Loans – secured | 5,769 | (995) | – | – | – | – | 4,774 |
| Lease liability (Note C2-1b) | 28 | – | – | – | – | – | 28 |
| Total liabilities from financing activities | 5,797 | (995) | – | – | – | – | 4,802 |

C2-3 Borrowings (continued)

(b) Financing arrangements

| \$ '000 | 2022 | 2021 |
|---|-----------|-----------|
| Total facilities | | |
| Credit cards/purchase cards | 60 | 60 |
| Total financing arrangements | 60 | 60 |
| Undrawn facilities | | |
| – Credit cards/purchase cards | 60 | 60 |
| Total undrawn financing arrangements | 60 | 60 |

Additional financing arrangements information

Breaches and defaults

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

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.

C2-4 Employee benefit provisions

| \$ '000 | 2022 | 2022 | 2021 | 2021 |
|--|--------------|-------------|--------------|-------------|
| | Current | Non-current | Current | Non-current |
| Annual leave | 585 | – | 465 | – |
| Long service leave | 967 | 51 | 963 | 51 |
| Other leave | 54 | – | 40 | – |
| ELE on-costs | 153 | 4 | 161 | – |
| Total employee benefit provisions | 1,759 | 55 | 1,629 | 51 |

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 | 652 | 1,004 |
| | 652 | 1,004 |

Description of and movements in provisions

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.

C2-5 Provisions

| \$ '000 | 2022 | 2022 | 2021 | 2021 |
|--|----------|--------------|----------|--------------|
| | Current | Non-Current | Current | Non-Current |
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | – | 1,969 | – | 1,921 |
| Sub-total – asset remediation/restoration | – | 1,969 | – | 1,921 |
| Total provisions | – | 1,969 | – | 1,921 |

C2-5 Provisions (continued)

Description of and movements in provisions

| \$ '000 | Other provisions | |
|---------------------------------------|-------------------|---------------------|
| | Asset remediation | Net carrying amount |
| 2022 | | |
| At beginning of year | 1,921 | 1,921 |
| Additional provisions | – | – |
| Amounts used (payments) | – | – |
| Other | 48 | 48 |
| Total other provisions at end of year | 1,969 | 1,969 |
| 2021 | | |
| At beginning of year | 1,874 | 1,874 |
| Additional provisions | – | – |
| Amounts used (payments) | – | – |
| Other | 47 | 47 |
| Total other provisions at end of year | 1,921 | 1,921 |

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.

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.

C3 Reserves

C3-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

| \$ '000 | General 2022 | Water 2022 | Sewer 2022 |
|--|-----------------|---------------|----------------|
| Income from continuing operations | | | |
| Rates and annual charges | 7,695 | 732 | 1,221 |
| User charges and fees | 3,418 | 1,250 | 327 |
| Interest and investment revenue | (859) | (128) | (547) |
| Other revenues | 438 | – | – |
| Grants and contributions provided for operating purposes | 7,349 | 20 | 19 |
| Grants and contributions provided for capital purposes | 9,412 | 492 | – |
| Net gains from disposal of assets | 2,530 | – | (3) |
| Other income | 241 | – | – |
| Total income from continuing operations | 30,224 | 2,366 | 1,017 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 6,516 | 381 | 200 |
| Materials and services | 6,738 | 1,306 | 1,572 |
| Borrowing costs | 103 | – | – |
| Depreciation, amortisation and impairment of non-financial assets | 5,465 | 570 | 479 |
| Other expenses | 871 | – | (3) |
| Total expenses from continuing operations | 19,693 | 2,257 | 2,248 |
| Operating result from continuing operations | 10,531 | 109 | (1,231) |
| Net operating result for the year | 10,531 | 109 | (1,231) |
| Net operating result attributable to each council fund | 10,531 | 109 | (1,231) |
| Net operating result for the year before grants and contributions provided for capital purposes | 1,119 | (383) | (1,231) |

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

| | | | |
|--|---------------|--------------|--------------|
| Cash and cash equivalents | 4,546 | – | (3) |
| Investments | 11,436 | 1,155 | 7,007 |
| Receivables | 3,081 | 539 | 299 |
| Inventories | 6,347 | – | – |
| Contract assets and contract cost assets | 3,901 | – | – |
| Other | 50 | – | – |
| Total current assets | 29,361 | 1,694 | 7,303 |

Non-current assets

| | | | |
|---|----------------|---------------|---------------|
| Receivables | 357 | – | – |
| Infrastructure, property, plant and equipment | 310,233 | 24,983 | 25,719 |
| Investments accounted for using the equity method | 331 | – | – |
| Investment property | 48 | – | – |
| Total non-current assets | 310,969 | 24,983 | 25,719 |

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

| \$ '000 | General 2022 | Water 2022 | Sewer 2022 |
|--------------------------------------|-----------------|---------------|---------------|
| Total assets | 340,330 | 26,677 | 33,022 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 2,291 | 63 | – |
| Contract liabilities | 1,225 | – | – |
| Borrowings | 1,134 | – | – |
| Employee benefit provision | 1,759 | – | – |
| Total current liabilities | 6,409 | 63 | – |
| Non-current liabilities | | | |
| Borrowings | 3,714 | – | – |
| Employee benefit provision | 55 | – | – |
| Provisions | 1,969 | – | – |
| Total non-current liabilities | 5,738 | – | – |
| Total liabilities | 12,147 | 63 | – |
| Net assets | 328,183 | 26,614 | 33,022 |
| EQUITY | | | |
| Accumulated surplus | 138,418 | 10,806 | 11,208 |
| Revaluation reserves | 189,765 | 15,808 | 21,814 |
| Council equity interest | 328,183 | 26,614 | 33,022 |
| Total equity | 328,183 | 26,614 | 33,022 |

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 |
|---|------------------------|------------------------|--------------------|--------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 4,543 | 5,125 | 4,543 | 5,194 |
| Receivables | 4,276 | 2,482 | 4,222 | 2,482 |
| Fair value through profit and loss | | | | |
| Investments | | | | |
| – Held for trading | 19,598 | 21,189 | 19,598 | 21,189 |
| Total financial assets | 28,417 | 28,796 | 28,363 | 28,865 |
| Financial liabilities | | | | |
| Payables | 2,354 | 2,692 | 2,277 | 2,692 |
| Loans/advances | 4,848 | 4,774 | 4,852 | 4,774 |
| Total financial liabilities | 7,202 | 7,466 | 7,129 | 7,466 |

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 investments 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.
- **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.
- **Liquidity risk** – the risk that the Council will not be able to pay its debts as and when they fall due.

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

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

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

(a) Market risk – interest rate and price risk

| \$ '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 | 15 | 86 |
| Impact of a 10% movement in price of investments | | |
| – Equity / Income Statement | 1,960 | 2,119 |

(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.

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.

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

A profile of Council's receivables credit risk at balance date follows:

Credit risk profile

Receivables – rates and annual charges

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

| \$ '000 | Not yet overdue rates and annual charges | | | Total |
|-----------------------|--|-----------|-----------|-------|
| | Not yet overdue | < 5 years | ≥ 5 years | |
| 2022 | | | | |
| Gross carrying amount | 292 | 117 | 78 | 487 |
| 2021 | | | | |
| Gross carrying amount | 650 | 174 | – | 824 |

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 | 6,944 | 217 | 35 | 287 | 293 | 7,776 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 2.70% | 0.10% |
| ECL provision | – | – | – | – | 8 | 8 |
| 2021 | | | | | | |
| Gross carrying amount | 1,278 | 2 | 2 | 1 | 434 | 1,717 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 2.70% | 0.68% |
| ECL provision | – | – | – | – | 12 | 12 |

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

(c) Liquidity risk

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

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

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

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

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

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

| \$ '000 | Weighted average interest rate | Subject to no maturity | ≤ 1 Year | payable in: 1 - 5 Years | > 5 Years | Total cash outflows | Actual carrying values |
|------------------------------------|---|------------------------------|--------------|-------------------------------|------------|------------------------|------------------------------|
| 2022 | | | | | | | |
| Payables | 0.00% | – | 2,354 | – | – | 2,354 | 2,354 |
| Borrowings | 2.96% | – | 1,134 | 3,056 | 658 | 4,848 | 4,848 |
| Total financial liabilities | | – | 3,488 | 3,056 | 658 | 7,202 | 7,202 |
| 2021 | | | | | | | |
| Payables | 0.00% | – | 2,366 | – | – | 2,366 | 2,692 |
| Borrowings | 3.75% | – | 1,022 | 3,635 | 117 | 4,774 | 4,774 |
| Total financial liabilities | | – | 3,388 | 3,635 | 117 | 7,140 | 7,466 |

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

E2-1 Fair value measurement (continued)

| \$ '000 | Notes | Fair value measurement hierarchy | | | | | | | | | |
|--|-------|----------------------------------|----------|--------------------------------------|---------------|---------------------------------------|--------------|---|----------------|----------------|----------------|
| | | Date of latest valuation | | 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 | 2022 | 2021 |
| Recurring fair value measurements | | | | | | | | | | | |
| Financial assets | | | | | | | | | | | |
| Financial investments | C1-2 | | | | | | | | | | |
| – ‘Held for trading/fair value through profit or loss’ | | 30/06/22 | 30/06/21 | 24,141 | 26,384 | – | – | – | – | 24,141 | 26,384 |
| Total financial assets | | | | 24,141 | 26,384 | – | – | – | – | 24,141 | 26,384 |
| Infrastructure, property, plant and equipment | | | | | | | | | | | |
| Operational land | C1-7 | 30/06/18 | 30/06/18 | – | – | 4,569 | 4,802 | – | – | 4,569 | 4,802 |
| Community land | | 30/06/18 | 30/06/18 | – | – | 2,246 | 2,246 | – | – | 2,246 | 2,246 |
| Buildings – non-specialised | | 30/06/18 | 30/06/18 | – | – | – | – | 2,783 | 2,538 | 2,783 | 2,538 |
| Buildings – specialised | | 30/06/18 | 30/06/18 | – | – | – | – | 17,703 | 15,105 | 17,703 | 15,105 |
| Other structures | | 30/06/19 | 30/06/19 | – | – | – | – | 3,888 | 3,596 | 3,888 | 3,596 |
| Roads | | 30/06/20 | 30/06/20 | – | – | – | – | 216,033 | 194,154 | 216,033 | 194,154 |
| Bridges | | 30/06/20 | 30/06/20 | – | – | – | – | 14,218 | 13,030 | 14,218 | 13,030 |
| Footpaths | | 30/06/20 | 30/06/20 | – | – | – | – | 2,128 | 1,997 | 2,128 | 1,997 |
| Stormwater drainage | | 30/06/20 | 30/06/20 | – | – | – | – | 16,290 | 15,068 | 16,290 | 15,068 |
| Water supply network | | 30/06/22 | 30/06/17 | – | – | – | – | 22,899 | 18,199 | 22,899 | 18,199 |
| Sewerage network | | 30/06/22 | 30/06/17 | – | – | – | – | 25,729 | 19,273 | 25,729 | 19,273 |
| Swimming pools | | 30/06/19 | 30/06/19 | – | – | – | – | 4,593 | 3,617 | 4,593 | 3,617 |
| Other open space/recreational assets | | 30/06/19 | 30/06/19 | – | – | – | – | 4,183 | 3,410 | 4,183 | 3,410 |
| Other infrastructure | | 30/06/20 | 30/06/20 | – | – | – | – | 284 | 265 | 284 | 265 |
| Aerodrome | | 30/06/19 | 30/06/19 | – | – | – | – | 3,214 | 3,391 | 3,214 | 3,391 |
| Total infrastructure, property, plant and equipment | | | | – | – | 6,815 | 7,048 | 333,945 | 293,643 | 340,760 | 300,691 |

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)

Plant and equipment, office equipment and furniture and fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value, with depreciation rates applicable to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers and motor vehicles.
- Office Equipment - Computer Servers, surveillance equipment, Software, photocopiers, radio equipment etc.
- Furniture & Fittings - Desks, Cabinets, Ergonomic chairs

Operational and community land

Operational Land is based on the Land Value provided by an external Valuer in 2018. It is based on average unit rate based on the Land Value for similar properties, having regard to the highest and best use for the land. Community Land has been valued in 2017 using valuations of the Valuer General.

Buildings – non-specialised and specialised

Non-Specialised & Specialised Buildings values were provided by an external Valuer in 2018. The approach estimated the replacement cost for each building by componentising the building into significant parts and taking into account asset condition and remaining useful life. While all buildings were physically inspected and the unit rates based on square metres no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

Other structures

Other Structures comprise of telemetry systems, cemetery, sale yards, waste facilities, and the family day care etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. Other Structures were revalued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

Roads

Roads were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, major changes include giving road pavement and Seal a long life and a short life component, and separating the floodways which have shorter lives. Market based evidence (level 2) were used for Gravel pavement, Seal, Culverts, Footpath, and K&G.

Bridges

Bridges were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, major changes include componentising bridges from one asset into components, Substructure, superstructure, abutments etc. Major Culverts over 6m long were considered bridges and transferred from stormwater into bridges.

Footpaths

Footpaths were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, Market based evidence (level 2) were used for concrete Footpaths and cycleways. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life.

Stormwater drainage

Stormwater assets were externally valued using the brownfield approach during 19/20 by AssetVal Pty Ltd, with previously unaccounted for assets now valued Market based evidence (level 2) were used for culverts, and K&G. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life.

Water supply network

Assets in this class comprise of pipes, valves, pumps, bores, and reservoirs and are valued using the brownfield and cost approach. The Water Network values were provided by APV Valuers in 2022. The unit rates are based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

E2-1 Fair value measurement (continued)

Sewerage network

Assets in this class comprise of Treatment Plants, Pumping stations, sewerage pipelines and Manholes and are valued using the brownfield and cost approach. The Sewerage Network values were provided by APV Valuers in 2022. The unit rates are based on linear metres of certain diameter pipes and prices per treatment item or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. This asset class is indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

Open space recreation

Assets within this class comprise playground equipment, softfall surfaces, shade structures, irrigation, fencing, lighting, furniture, sculptures and monuments etc. and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All Open Space Recreation Assets were last revalued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

Aerodrome

Assets within this class comprise the Aerodrome sealed runways at Narromine along with associated furniture, signage, lighting, fencing, and control structures and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All assets were last valued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

Swimming pools

Assets within this class comprise the 50m 8 lane outdoor pool, and childrens pool at Narromine, and the 25m outdoor pool at Trangie with associated furniture, filtration systems etc and are valued using the cost approach whereby replacement cost was estimated for each asset by taking into account a range of factors including asset condition and remaining useful life. All assets were last valued externally during 2018/19 by AssetVal Pty Ltd using the brownfield approach.

The valuation process for level 3 fair value measurements

Fair Value - Valuation techniques

| Class | Valuation Technique(s) | Unobservable Inputs |
|--|------------------------|--|
| Plant, equipment, furniture, fittings and office equipment | Fair value | Current replacement cost of modern equivalent asset, asset condition, useful life and residual value |
| Operational Land | Fair value | Land value, land area, level of restriction |
| Community Land | Fair value | VG value (price per square metre) |
| Buildings | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |
| Roads, Bridges & Footpaths | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |
| Stormwater Drainage | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |
| Water Supply Network | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |
| Sewerage Network | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |
| Swimming Pools, Other Open Space/Recreational Assets | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |
| Other Infrastructure | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |
| Aerodrome | Fair value | Current Replacement Cost, Remaining Useful Life, Residual Value |

E2-1 Fair value measurement (continued)

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

| \$ '000 | Plant and equipment | | Office equipment | | Furniture and fittings | | Operational Land | |
|---|---------------------|--------------|------------------|------------|------------------------|-----------|------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Opening balance | 7,575 | 4,682 | 335 | 289 | 45 | 55 | 4,569 | 4,221 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Purchases (GBV) | – | 1,303 | – | 109 | – | 1 | – | – |
| Disposals (WDV) | (270) | (5) | – | – | – | – | – | (34) |
| Depreciation and impairment | (903) | (865) | (62) | (62) | (7) | (10) | – | – |
| Revaluation | – | 2,460 | – | (1) | – | (1) | – | 382 |
| WIP transfers | 672 | – | 13 | – | – | – | – | – |
| Adjustments & Transfers | (10) | – | – | – | – | – | – | – |
| Closing balance | 7,064 | 7,575 | 286 | 335 | 38 | 45 | 4,569 | 4,569 |

| \$ '000 | Community Land | | Buildings non-specialised | | Buildings specialised | | Other structures | |
|---|----------------|--------------|---------------------------|--------------|-----------------------|---------------|------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Opening balance | 2,246 | 1,695 | 2,538 | 2,714 | 15,522 | 16,102 | 3,597 | 3,538 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Purchases (GBV) | – | – | – | 8 | – | 404 | – | 244 |
| Disposals (WDV) | – | – | – | – | (87) | – | (1) | – |
| Depreciation and impairment | – | – | (183) | (184) | (871) | (992) | (181) | (184) |
| Revaluation | – | 551 | 410 | – | 2,509 | 8 | 398 | (1) |
| WIP transfers | – | – | 22 | – | 510 | – | 87 | – |
| Adjustments & Transfers | – | – | – | – | (464) | – | (12) | – |
| Closing balance | 2,246 | 2,246 | 2,787 | 2,538 | 17,119 | 15,522 | 3,888 | 3,597 |

| \$ '000 | Roads | | Bridges | | Footpaths | | Stormwater drainage | |
|---|----------------|----------------|---------------|---------------|--------------|--------------|---------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Opening balance | 194,013 | 192,195 | 13,030 | 13,229 | 1,997 | 1,677 | 14,935 | 14,907 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Purchases (GBV) | – | 4,746 | – | – | – | 598 | – | 420 |
| Depreciation and impairment | (1,970) | (2,039) | (199) | (199) | (93) | (84) | (390) | (231) |
| Revaluation | 21,106 | (889) | 1,387 | – | 208 | (194) | 1,589 | (161) |
| WIP transfers | 3,396 | – | – | – | 18 | – | – | – |
| Adjustments & Transfers | (69) | – | – | – | – | – | 156 | – |
| Closing balance | 216,476 | 194,013 | 14,218 | 13,030 | 2,130 | 1,997 | 16,290 | 14,935 |

E2-1 Fair value measurement (continued)

| \$ '000 | Water supply network | | Sewerage network | | Swimming pools | | Other open space/ recreational assets | |
|---|----------------------|--------|------------------|--------|----------------|-------|--|-------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Opening balance | 19,506 | 17,029 | 19,806 | 18,688 | 3,617 | 3,789 | 3,413 | 3,025 |
| Total gains or losses for the period | | | | | | | | |
| Other movements | | | | | | | | |
| Purchases (GBV) | – | 1,808 | – | 1,392 | 693 | – | – | 621 |
| Disposals (WDV) | – | – | – | – | (14) | – | – | (1) |
| Depreciation and impairment | (569) | (567) | (478) | (439) | (160) | (172) | – | (169) |
| Revaluation | 3,590 | 1,236 | 5,674 | 165 | 416 | – | 434 | (63) |
| WIP transfers | 374 | – | 151 | – | – | – | 608 | – |
| Adjustments & Transfers | 110 | – | (578) | – | 49 | – | (255) | – |
| Closing balance | 23,011 | 19,506 | 24,575 | 19,806 | 4,601 | 3,617 | 4,200 | 3,413 |

| \$ '000 | Other infrastructure | | Aerodrome | | Total | |
|-----------------------------|----------------------|------|--------------|-------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Opening balance | 265 | 265 | 2,960 | 3,155 | 309,969 | 301,255 |
| Purchases (GBV) | – | – | – | 20 | 693 | 11,674 |
| Disposals (WDV) | – | 10 | – | (23) | (372) | (53) |
| Depreciation and impairment | (218) | (10) | (153) | (164) | (6,437) | (6,371) |
| Revaluation | 19 | – | 366 | (28) | 38,106 | 3,464 |
| WIP transfers | – | – | 274 | – | 6,125 | – |
| Adjustments & Transfers | 130 | – | 432 | – | (511) | – |
| Closing balance | 196 | 265 | 3,879 | 2,960 | 347,573 | 309,969 |

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.

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purpose of AASB119. Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

(*) For 180 Point Members, employers are required to contribute 7.5% of salaries for the year ended 30 June 2022 (increasing to 8% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to member's defined benefits.

The past service contribution for each Pooled Employer is a share of the past service contributions of \$40.0 million per annum for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

E3-1 Contingencies (continued)

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note B3-1 for the year ending 30 June 2022 was \$ 90,377.92.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) as at 30 June 2022.

Council's expected contribution to the Fund for the next annual reporting period is \$77,787.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

| Employer reserves only * | \$millions | Asset Coverage |
|-----------------------------|------------|----------------|
| Assets | 2,376.6 | |
| Past Service Liabilities | 2,380.7 | 99.8% |
| Vested Benefits | 2,391.7 | 99.4% |

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

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 has been completed around December 2022.

Council's additional lump sum contribution per annum of 0.10% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2019 to 31 December 2021 and \$20m for each year from 1 January 2022 to 31 December 2024) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub group.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 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.

(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.

E3-1 Contingencies (continued)

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

2. Other liabilities

(iv) 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.

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

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

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

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

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 |
|--------------------------|----------|--------------|
| Compensation: | | |
| Short-term benefits | - | 1,093 |
| Post-employment benefits | - | 89 |
| Total | - | 1,182 |

Other transactions with KMP and their related parties

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

| Nature of the transaction | Ref | Transactions during the year | Outstanding balances including commitments | Terms and conditions |
|---------------------------|-----|------------------------------|--|----------------------|
| \$ '000 | | | | |
| 2022 | | | | |
| Office Supplies | 1 | 9 | - | 30 days |
| 2021 | | | | |
| Office Supplies | 1 | 13 | - | 30 days |

1 Council makes ad hoc purchases from Stationery Store Online, a company which is controlled by a member of the KMP of the previous council. The total annual contract value is around \$32,000 and purchases are made in accordance with the Procurement policy and based on market rates.

F1-2 Councillor and Mayoral fees and associated expenses

| \$ '000 | 2022 | 2021 |
|---|------------|------------|
| Mayoral fee | 27 | 24 |
| Councillors' fees | 104 | 99 |
| Other Councillors' expenses (including Mayor) | 28 | 29 |
| Total | 159 | 152 |

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

F1-3 Other related parties

| \$ '000 | Ref | Transactions during the year | Outstanding balances including commitments | Terms and conditions |
|-------------------------|-----|---------------------------------|---|----------------------|
| 2022 | | | | |
| Library Services | 3 | 334 | – | 30 days |
| 2021 | | | | |
| Library Services | 3 | 384 | – | 30 days |

- 3 Council has joined with Western Plains Regional Council and Warrumbungle Shire Council to form a Joint Venture arrangement called Macquarie Regional Library. Council contributes a proportion of the costs of the entity and receives a share of profits and net assets.

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

| | |
|---|-----------|
| 66 | 60 |
| 66 | 60 |
| Total Auditor-General remuneration | 66 |
| | 60 |

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

| \$ '000 | 2022 | 2021 |
|--|----------------|---------|
| Net operating result from Income Statement | 9,409 | 10,260 |
| Add / (less) non-cash items: | | |
| Depreciation and amortisation | 6,514 | 6,490 |
| (Gain) / loss on disposal of assets | (2,527) | 231 |
| Non-cash capital grants and contributions | (35) | – |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | |
| – Investments classified as ‘at fair value’ or ‘held for trading’ | – | (289) |
| – Revaluation decrements / impairments of IPP&E direct to P&L | – | 142 |
| Share of net (profits)/losses of associates/joint ventures using the equity method | – | (6) |
| Movements in operating assets and liabilities and other cash items: | | |
| (Increase) / decrease of receivables | (1,821) | (297) |
| Increase / (decrease) in provision for impairment of receivables | 27 | (17) |
| (Increase) / decrease of inventories | (61) | (59) |
| (Increase) / decrease of other current assets | 34 | 8 |
| (Increase) / decrease of contract asset | (3,901) | – |
| Increase / (decrease) in payables | (354) | 486 |
| Increase / (decrease) in accrued interest payable | 4 | – |
| Increase / (decrease) in other accrued expenses payable | – | (1,890) |
| Increase / (decrease) in other liabilities | 12 | 33 |
| Increase / (decrease) in contract liabilities | 1,225 | – |
| Increase / (decrease) in employee benefit provision | 134 | 81 |
| Increase / (decrease) in other provisions | 48 | 47 |
| Net cash flows from operating activities | 8,708 | 15,220 |

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: | | |
| Property, plant and equipment | | |
| Sewerage and water infrastructure | 342 | 261 |
| Buildings | 1,110 | 330 |
| Road infrastructure | 1,376 | 322 |
| Sports & Recreation | 233 | 2,703 |
| Other | 1,677 | 335 |
| Total commitments | 4,738 | 3,951 |
| These expenditures are payable as follows: | | |
| Within the next year | 4,738 | 3,951 |
| Total payable | 4,738 | 3,951 |

G3-1 Events occurring after the reporting date

Pre-amble

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

G4 Changes from prior year statements

G4-1 Changes in accounting policy

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

| \$ '000 | Opening balance at 1 July 2021 | Contributions received during the year | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2022 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------|--|----------|---------------------------------------|------------------|---------------------|--|---|
| | | Cash | Non-cash | | | | | |
| S7.12 levies – under a plan | 135 | 109 | – | – | – | – | 244 | – |
| Total S7.11 and S7.12 revenue under plans | 135 | 109 | – | – | – | – | 244 | – |
| S64 contributions | 393 | – | – | – | – | – | 393 | – |
| Total contributions | 528 | 109 | – | – | – | – | 637 | – |

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

S7.12 Levies – under a plan

| \$ '000 | Opening balance at 1 July 2021 | Contributions received during the year | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2022 | Cumulative balance of internal borrowings (to)/from |
|------------------------------------|--------------------------------|--|----------|---------------------------------------|------------------|---------------------|--|---|
| | | Cash | Non-cash | | | | | |
| S7.12 LEVIES – UNDER A PLAN | | | | | | | | |
| Drainage | 10 | – | – | – | – | – | 10 | – |
| Roads | 8 | – | – | – | – | – | 8 | – |
| Open space | 26 | – | – | – | – | – | 26 | – |
| Community facilities | 91 | 109 | – | – | – | – | 200 | – |
| Total | 135 | 109 | – | – | – | – | 244 | – |

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2022 | Indicator 2022 | Indicators 2021 2020 | | Benchmark |
|--|-----------------|-------------------|------------------------------|--------|-----------|
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | (3,051) | (14.45)% | 10.39% | 6.15% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 21,120 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 13,732 | 44.26% | 46.91% | 51.97% | > 60.00% |
| Total continuing operating revenue ¹ | 31,024 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 24,784 | 4.87x | 3.22x | 2.86x | > 1.50x |
| Current liabilities less specific purpose liabilities | 5,089 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 3,566 | 3.16x | 8.16x | 11.46x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 1,129 | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | |
| Rates and annual charges outstanding | 676 | 6.43% | 7.94% | 8.72% | < 10.00% |
| Rates and annual charges collectable | 10,519 | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 4,543 | 2.88 | 3.71 | 8.23 | > 3.00 |
| Monthly payments from cash flow of operating and financing activities | 1,579 | mths | mths | mths | mths |

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

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

G6-2 Statement of performance measures by fund

| \$ '000 | General Indicators ³ | | Water Indicators | | Sewer Indicators | | Benchmark |
|--|---------------------------------|--------|------------------|--------|------------------|--------|-----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | (12.17)% | 8.09% | (20.44)% | 1.32% | (44.25)% | 37.69% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | | | |
| 2. Own source operating revenue ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 39.36% | 39.98% | 78.36% | 68.05% | 98.13% | 99.09% | > 60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 4.87x | 3.22x | 26.89x | 53.83x | ∞ | ∞ | > 1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 2.97x | 6.44x | ∞ | ∞ | ∞ | ∞ | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | | | |
| Rates and annual charges outstanding | 7.89% | 9.65% | 0.00% | 0.00% | 0.00% | 0.00% | < 10.00% |
| Rates and annual charges collectable | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 2.88 | (0.54) | ∞ | ∞ | ∞ | ∞ | > 3.00 |
| Monthly payments from cash flow of operating and financing activities | mths | mths | | | | | mths |

(1) - (2) Refer to Notes at Note 23a above.

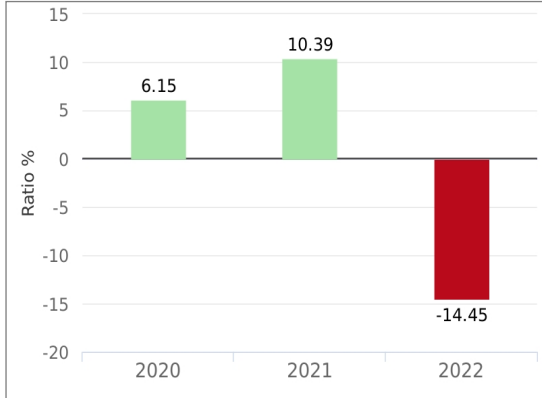
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio (14.45)%

Council's operating performance ratio decreased significantly due to a financial loss, negative return on investments and is lower than the benchmark set by OLG.

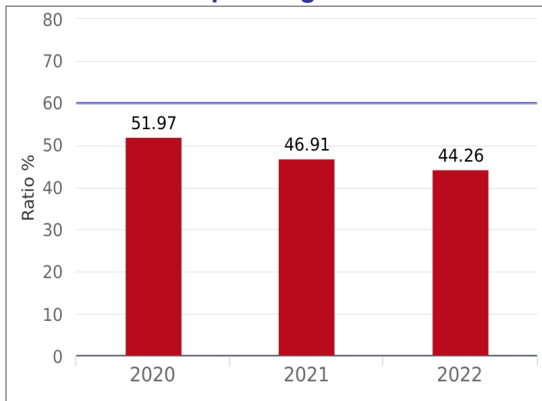
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 44.26%

Narromine Shire Council is a rural Council with limited revenue generating opportunities. Council has generated 44% of its total revenue from own sources which is lower than the benchmark set by OLG.

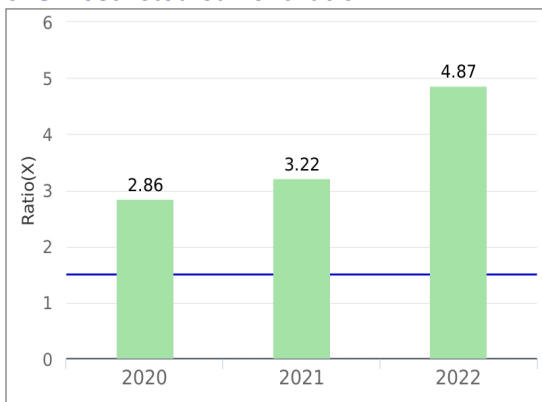
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 4.87x

Council's result is well above the benchmark of 1.5 times set by OLG.

Benchmark: — > 1.50x

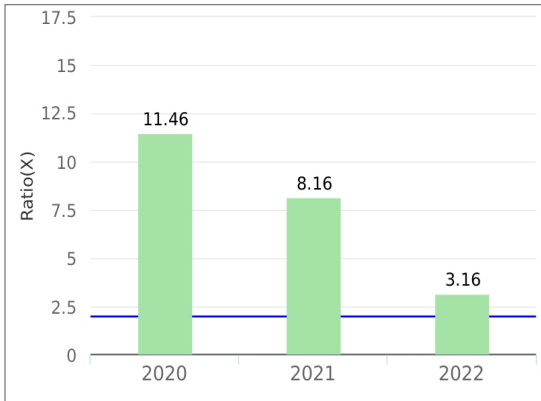
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 3.16x

Debt service cover ratio decreased due to the impact of negative investment returns on the operating income of Council for the financial year. Council continuous to monitor its liquidity levels to ensure borrowing costs are met when they are due.

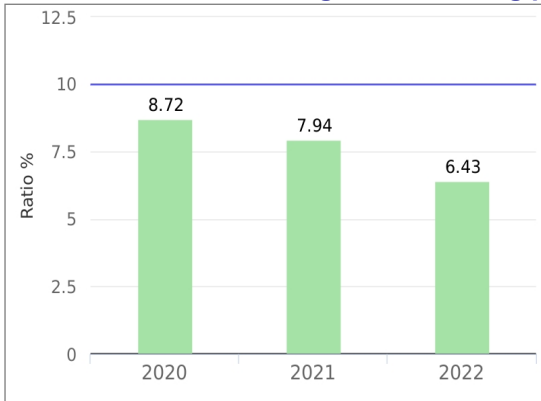
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 6.43%

Council result is 6.43% which exceeds the limit set by OLG. The ratio improved from the previous year due to the recovery of long outstanding debts.

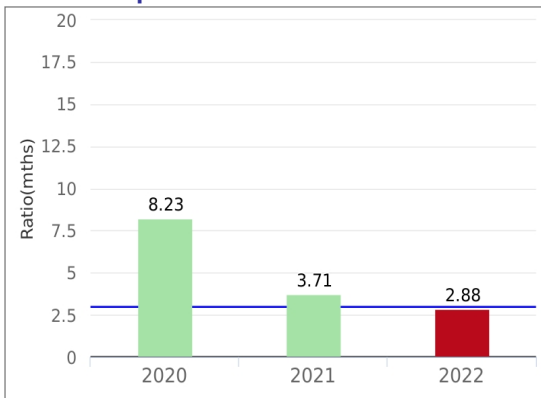
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 2.88 mths

Council has less cash on hand and cash invested in managed funds than the previous financial year and is slightly under the benchmark set by OLG.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])

Independent Auditor's Report

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

Narromine Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports: (continued)

On the Financial Statements (Sect 417 [3])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

Narromine Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*To enhance our Shire's image, lifestyle and environment
through effective leadership, community involvement and
commitment to service.*



Narromine Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

| Contents | Page |
|---|-----------|
| Statement by Councillors and Management | 3 |
| Special Purpose Financial Statements: | |
| Income Statement of water supply business activity | 4 |
| Income Statement of sewerage business activity | 5 |
| Statement of Financial Position of water supply business activity | 6 |
| Statement of Financial Position of sewerage business activity | 7 |
| Note – Significant Accounting Policies | 8 |
| Auditor's Report on Special Purpose Financial Statements | 11 |

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Narromine Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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 26 September 2022.

Cr Craig Davies
Mayor
26 September 2022

Cr Dawn Collins
Councillor
26 September 2022

Jane Redden
General Manager
26 September 2022

Barry Bonthuys
Responsible Accounting Officer
26 September 2022

Narromine Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2022

| \$ '000 | 2022 | 2021 |
|--|---------------|---------------|
| Income from continuing operations | | |
| Access charges | 732 | 651 |
| User charges | 1,231 | 1,212 |
| Fees | 19 | 66 |
| Interest and investment income | (128) | 190 |
| Grants and contributions provided for operating purposes | 20 | 82 |
| Total income from continuing operations | 1,874 | 2,201 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 381 | 405 |
| Materials and services | 1,306 | 1,199 |
| Depreciation, amortisation and impairment | 570 | 568 |
| Total expenses from continuing operations | 2,257 | 2,172 |
| Surplus (deficit) from continuing operations before capital amounts | (383) | 29 |
| Grants and contributions provided for capital purposes | 492 | 913 |
| Surplus (deficit) from continuing operations after capital amounts | 109 | 942 |
| Surplus (deficit) from all operations before tax | 109 | 942 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | - | (8) |
| Surplus (deficit) after tax | 109 | 934 |
| Plus accumulated surplus | 13,365 | 12,423 |
| Plus adjustments for amounts unpaid: | | |
| - Corporate taxation equivalent | - | 8 |
| Closing accumulated surplus | 13,474 | 13,365 |
| Return on capital % | (1.5)% | 0.1% |
| Subsidy from Council | 1,297 | 289 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 109 | 934 |
| Less: capital grants and contributions (excluding developer contributions) | (492) | (913) |
| Surplus for dividend calculation purposes | - | 21 |
| Potential dividend calculated from surplus | - | 11 |

Narromine Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

| \$ '000 | 2022 | 2021 |
|--|---------------|---------------|
| Income from continuing operations | | |
| Access charges | 1,221 | 1,179 |
| User charges | 314 | 380 |
| Liquid trade waste charges | 13 | 10 |
| Interest and investment income | (547) | 713 |
| Grants and contributions provided for operating purposes | 19 | 21 |
| Net gain from the disposal of assets | (3) | – |
| Total income from continuing operations | 1,017 | 2,303 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 200 | 205 |
| Materials and services | 791 | 808 |
| Depreciation, amortisation and impairment | 479 | 439 |
| Other expenses | (3) | (17) |
| Total expenses from continuing operations | 1,467 | 1,435 |
| Surplus (deficit) from continuing operations before capital amounts | (450) | 868 |
| Surplus (deficit) from continuing operations after capital amounts | (450) | 868 |
| Surplus (deficit) from all operations before tax | (450) | 868 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | – | (226) |
| Surplus (deficit) after tax | (450) | 642 |
| Plus accumulated surplus | 11,811 | 10,943 |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | – | 226 |
| Closing accumulated surplus | 11,361 | 11,811 |
| Return on capital % | (1.7)% | 4.3% |
| Subsidy from Council | 1,391 | – |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | (450) | 642 |
| Surplus for dividend calculation purposes | – | 642 |
| Potential dividend calculated from surplus | – | 321 |

Narromine Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

| \$ '000 | 2022 | 2021 |
|---|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Investments | 1,155 | 2,022 |
| Receivables | 539 | 508 |
| Total current assets | 1,694 | 2,530 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 24,983 | 21,312 |
| Total non-current assets | 24,983 | 21,312 |
| Total assets | 26,677 | 23,842 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 63 | 47 |
| Total current liabilities | 63 | 47 |
| Total liabilities | 63 | 47 |
| Net assets | 26,614 | 23,795 |
| EQUITY | | |
| Accumulated surplus | 10,806 | 13,368 |
| Revaluation reserves | 15,808 | 10,427 |
| Total equity | 26,614 | 23,795 |

Narromine Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

| \$ '000 | 2022 | 2021 |
|---|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | (3) | 5,871 |
| Investments | 7,007 | 1,823 |
| Receivables | 299 | 319 |
| Total current assets | 7,303 | 8,013 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 25,719 | 20,040 |
| Total non-current assets | 25,719 | 20,040 |
| Total assets | 33,022 | 28,053 |
| Net assets | 33,022 | 28,053 |
| EQUITY | | |
| Accumulated surplus | 11,208 | 11,812 |
| Revaluation reserves | 21,814 | 16,241 |
| Total equity | 33,022 | 28,053 |

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 SPFS have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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 NCP 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, return 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)

Narromine Shire Council Water Supply

Comprising the whole of the operations and net assets of the water supply activities of Council servicing the towns of Narromine, Trangie, and Tomingley.

Narromine Shire Council Sewerage Service

Comprising the whole of the operations and net assets of the sewerage reticulation and treatment activities of Council servicing the towns of Narromine and Trangie.

Category 2

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

none

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.

Note – Significant Accounting Policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – 26%

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

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

In accordance with the DoI - Water, 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 NSW Office of Water Guidelines to 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 NSW Office of 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. For the 2021-22 income year companies that are base rate entities must apply the lower 26% company tax rate.

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

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Note – Significant Accounting Policies (continued)

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 3.77% 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 DoI - 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 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DoI - 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 DoI - Water.

Narromine Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

Narromine Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

*To enhance our Shire's image, lifestyle and environment
through effective leadership, community involvement and
commitment to service.*



Narromine Shire Council

Special Schedules

for the year ended 30 June 2022

Contents

Page

Special Schedules:

Permissible income for general rates

3

Report on infrastructure assets as at 30 June 2022

5

Narromine Shire Council

Permissible income for general rates

| \$ '000 | Notes | Calculation 2021/22 | Calculation 2022/23 |
|---|-------------------------|------------------------|------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 6,017 | 6,146 |
| Plus or minus adjustments ² | b | 8 | 64 |
| Notional general income | c = a + b | 6,025 | 6,210 |
| Permissible income calculation | | | |
| Or rate peg percentage | e | 2.00% | 0.70% |
| Or plus rate peg amount | i = e x (c + g) | 121 | 43 |
| Sub-total | k = (c + g + h + i + j) | 6,146 | 6,253 |
| Plus (or minus) last year's carry forward total | l | (1) | (1) |
| Sub-total | n = (l + m) | (1) | (1) |
| Total permissible income | o = k + n | 6,145 | 6,252 |
| Less notional general income yield | p | 6,146 | 6,237 |
| Catch-up or (excess) result | q = o - p | (1) | 16 |
| Carry forward to next year ⁶ | t = q + r + s | (1) | 16 |

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)*.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Permissible income for general rates

Permissible income for general rates: PLUS PDF inserted here

Council needs to uplift custom PDF here - please uplift via "PLUS PDF" choice in the Home/TOC screen

Narromine Shire Council

Report on infrastructure assets as at 30 June 2022

| Asset Class | Asset Category | Estimated cost | | | | Net carrying amount \$ '000 | Gross replacement cost (GRC) \$ '000 | Assets in condition as a percentage of gross replacement cost | | | | |
|---|--|--|---|--|---------------------------------------|--------------------------------|---|---|--------------|--------------|-------------|---------------|
| | | Estimated cost to bring assets to satisfactory standard \$ '000 | to bring to the agreed level of service set by Council \$ '000 | 2021/22 Required maintenance ^a \$ '000 | 2021/22 Actual maintenance \$ '000 | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Buildings | 1,088 | 1,088 | 986 | 913 | 16,986 | 40,281 | 18.0% | 61.0% | 19.0% | 3.0% | (1.0%) |
| | Other | – | – | – | – | 2,920 | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 1,088 | 1,088 | 986 | 913 | 19,906 | 40,281 | 18.0% | 61.0% | 19.0% | 3.0% | (1.0%) |
| Other structures | Other structures | 257 | 257 | – | – | 3,888 | 6,426 | 56.0% | 27.0% | 13.0% | 4.0% | 0.0% |
| | Sub-total | 257 | 257 | – | – | 3,888 | 6,426 | 56.0% | 27.0% | 13.0% | 4.0% | 0.0% |
| Roads | Roads | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sealed roads | 2,704 | 2,704 | 1,127 | 1,165 | 111,528 | 135,233 | 24.0% | 12.0% | 62.0% | 2.0% | 0.0% |
| | Unsealed roads | – | – | 4,762 | 1,025 | 83,393 | 101,119 | 43.0% | 44.0% | 10.0% | 0.0% | 3.0% |
| | Bridges | 204 | 204 | – | – | 12,831 | 20,454 | 50.0% | 34.0% | 15.0% | 1.0% | 0.0% |
| | Footpaths | 78 | 78 | – | – | 1,921 | 3,898 | 15.0% | 39.0% | 44.0% | 2.0% | 0.0% |
| | Other road assets | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Other | – | – | – | – | 22,976 | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Other road assets (incl. bulk earth works) | 5 | 5 | 137 | 137 | 176 | 480 | 40.0% | 29.0% | 29.0% | 1.0% | 1.0% |
| Sub-total | 2,991 | 2,991 | 6,026 | 2,327 | 232,825 | 261,184 | 33.3% | 26.5% | 37.9% | 1.1% | 1.2% | |
| Water supply network | Water supply network | – | – | 1,638 | 1,704 | 17,382 | 32,470 | 47.0% | 44.0% | 9.0% | 0.0% | 0.0% |
| | Other | – | – | – | – | 5,629 | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | – | – | 1,638 | 1,704 | 23,011 | 32,470 | 47.0% | 44.0% | 9.0% | 0.0% | 0.0% |
| Sewerage network | Sewerage network | 325 | 325 | 1,100 | 977 | 18,945 | 32,470 | 76.0% | 9.0% | 13.0% | 1.0% | 1.0% |
| | Other | – | – | – | – | 5,330 | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 325 | 325 | 1,100 | 977 | 24,275 | 32,470 | 76.0% | 9.0% | 13.0% | 1.0% | 1.0% |
| Stormwater drainage | Stormwater drainage | 931 | 931 | 76 | 19 | 14,700 | 23,268 | 25.0% | 38.0% | 33.0% | 4.0% | 0.0% |
| | Other | – | – | – | – | 1,590 | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sub-total | 931 | 931 | 76 | 19 | 16,290 | 23,268 | 25.0% | 38.0% | 33.0% | 4.0% | 0.0% |
| Open space / recreational assets | Swimming pools | – | – | 187 | 484 | 5,036 | 5,684 | 16.0% | 80.0% | 4.0% | 0.0% | 0.0% |
| | Other Open Space Recreational | 190 | 190 | 1,701 | 1,051 | 3,765 | 6,326 | 15.0% | 51.0% | 31.0% | 3.0% | 0.0% |
| | Sub-total | 190 | 190 | 1,888 | 1,535 | 8,801 | 12,010 | 15.5% | 64.7% | 18.2% | 1.6% | 0.0% |

Narromine Shire Council

Report on infrastructure assets as at 30 June 2022 (continued)

| Asset Class | Asset Category | Estimated cost to bring assets to satisfactory standard \$ '000 | Estimated cost to bring to the agreed level of service set by Council \$ '000 | 2021/22 Required maintenance ^a \$ '000 | 2021/22 Actual maintenance \$ '000 | Net carrying amount \$ '000 | Gross replacement cost (GRC) \$ '000 | Assets in condition as a percentage of gross replacement cost | | | | |
|-----------------------------|---------------------------|--|--|--|---------------------------------------|--------------------------------|---|---|--------------|--------------|-------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Other infrastructure assets | Other | 326 | 326 | 2,406 | 2,121 | 196 | 16,289 | 16.0% | 15.0% | 66.0% | 2.0% | 1.0% |
| | Sub-total | 326 | 326 | 2,406 | 2,121 | 196 | 16,289 | 16.0% | 15.0% | 66.0% | 2.0% | 1.0% |
| | Total – all assets | 6,108 | 6,108 | 14,120 | 9,596 | 329,192 | 424,398 | 34.9% | 31.1% | 31.8% | 1.5% | 0.7% |

(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 |

Narromine 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 | |
| Buildings and infrastructure renewals ratio ¹ | | | | | |
| Asset renewals ¹ | 9,626 | 181.21% | 166.57% | 153.11% | >= 100.00% |
| Depreciation, amortisation and impairment | 5,312 | | | | |
| Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 6,108 | 1.79% | 2.09% | 2.14% | < 2.00% |
| Net carrying amount of infrastructure assets | 341,139 | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 9,596 | 67.96% | 95.55% | 94.45% | > 100.00% |
| Required asset maintenance | 14,120 | | | | |
| Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 6,108 | 1.44% | 1.55% | 1.47% | |
| Gross replacement cost | 424,398 | | | | |

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

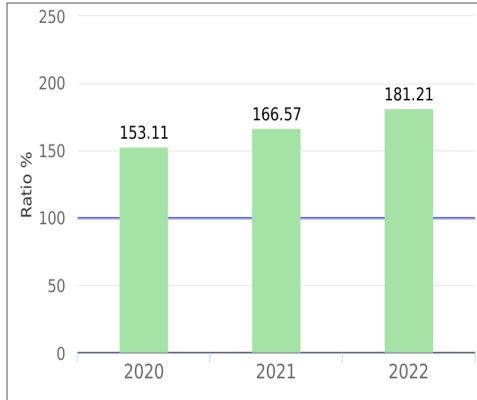
(1) Excludes WIP

(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.

Narromine Shire Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

| Commentary on result | |
|---|---------|
| 21/22 ratio | 181.21% |
| Council continues to renew its assets to maintain expected service levels and the ratio is well above the benchmark set by OLG. | |

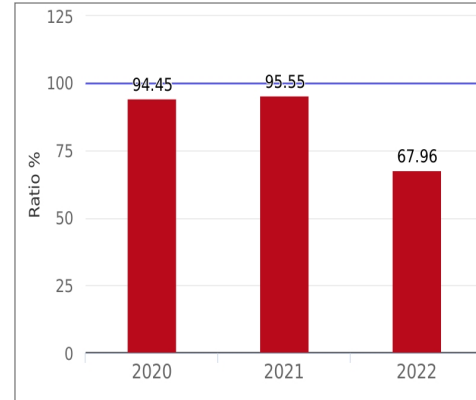
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

| Commentary on result | |
|---|--------|
| 21/22 ratio | 67.96% |
| Council is below the benchmark set by OLG due to the shortfall in asset maintenance compared to required expenditure. | |

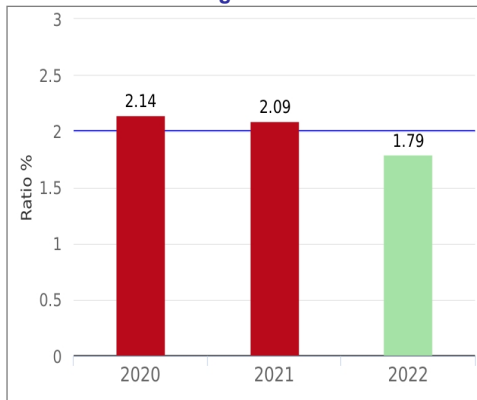
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

| Commentary on result | |
|--|-------|
| 21/22 ratio | 1.79% |
| Council's infrastructure backlog has remained around 2% for the past years which is in line with the benchmark set by OLG. | |

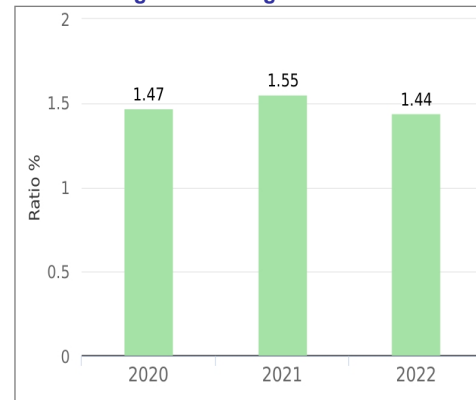
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

| Commentary on result | |
|--|-------|
| 21/22 ratio | 1.44% |
| Council has maintained the ratio at a consistent level for the past 4 years. | |

Narromine 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 | |
| Buildings and infrastructure renewals ratio ¹ | | | | | | | |
| Asset renewals ¹ | | | | | | | |
| Depreciation, amortisation and impairment | 225.70% | 166.84% | 0.00% | 151.32% | 0.00% | 183.60% | >= 100.00% |
| Infrastructure backlog ratio | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | | | | | | | |
| Net carrying amount of infrastructure assets | 1.97% | 2.15% | 0.00% | 1.83% | 1.34% | 1.51% | < 2.00% |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | | | | | | | |
| Required asset maintenance | 60.75% | 94.19% | 104.03% | 98.17% | 88.82% | 105.63% | > 100.00% |
| Cost to bring assets to agreed service level | | | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | | | | | | | |
| Gross replacement cost | 1.61% | 1.65% | 0.00% | 0.98% | 1.00% | 1.00% | |

(1) Excludes WIP

(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.