

Narrandera Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

Heart of Riverina



Narrandera Shire Council

General Purpose Financial Statements

Year Ending
June 2022



Narrandera Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

141 East St
Narrandera NSW 2700

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.narrandera.nsw.gov.au

Narrandera 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.

Narrandera Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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 16 August 2022.



Mr Neville Kchenka
Mayor
16 August 2022



Mr Cameron Lander
Councillor
16 August 2022



Mr George Cowan
General Manager
16 August 2022



Mr Martin Hiscox
Responsible Accounting Officer
16 August 2022



Mr Shane Wilson
Deputy General Manager Infrastructure
16 August 2022

Narrandera Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021
Net operating result for the year – from Income Statement		7,161	9,145
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>(1,082)</u>	<u>(317)</u>
Total items which will not be reclassified subsequently to the operating result		(1,082)	(317)
Total other comprehensive income for the year		(1,082)	(317)
Total comprehensive income for the year attributable to Council		6,079	8,828

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

Narrandera Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021	Restated 1 July 2020
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	1,396	1,850	2,554
Investments	C1-2	27,846	24,846	26,610
Receivables	C1-4	2,201	2,642	1,875
Inventories	C1-5	791	476	603
Contract assets and contract cost assets	C1-6	644	251	398
Other	C1-8	–	24	–
Total current assets		32,878	30,089	32,040
Non-current assets				
Receivables	C1-4	26	25	26
Inventories	C1-5	–	407	407
Infrastructure, property, plant and equipment (IPPE) ¹	C1-7	224,164	218,348	206,396
Total non-current assets		224,190	218,780	206,829
Total assets		257,068	248,869	238,869
LIABILITIES				
Current liabilities				
Payables	C3-1	2,003	2,234	1,712
Contract liabilities	C3-2	2,057	1,597	1,506
Borrowings	C3-3	144	52	–
Employee benefit provisions	C3-4	2,518	2,612	2,563
Total current liabilities		6,722	6,495	5,781
Non-current liabilities				
Payables	C3-1	–	3	3
Borrowings	C3-3	1,904	473	–
Employee benefit provisions	C3-4	90	57	72
Provisions	C3-5	432	–	–
Total non-current liabilities		2,426	533	75
Total liabilities		9,148	7,028	5,856
Net assets		247,920	241,841	233,013
EQUITY				
Accumulated surplus ¹	C4-1	165,875	158,714	149,569
IPPE revaluation reserve	C4-1	82,045	83,127	83,444
Total equity		247,920	241,841	233,013

(1) Refer note G.4-1 for restated comparative amounts

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

Narrandera Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve	Total equity Restated
\$ '000							
Opening balance at 1 July		158,714	83,127	241,841	147,374	83,444	230,818
Correction of prior period errors	G4-1	–	–	–	2,195	–	2,195
Restated opening balance		158,714	83,127	241,841	149,569	83,444	233,013
Net operating result for the year		7,161	–	7,161	9,300	–	9,300
Correction of prior period errors	G4-1	–	–	–	(155)	–	(155)
Restated net operating result for the period		7,161	–	7,161	9,145	–	9,145
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	(1,082)	(1,082)	–	(317)	(317)
Other comprehensive income		–	(1,082)	(1,082)	–	(317)	(317)
Total comprehensive income		7,161	(1,082)	6,079	9,145	(317)	8,828
Closing balance at 30 June		165,875	82,045	247,920	158,714	83,127	241,841

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

Narrandera 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>				
8,251	Rates and annual charges		8,502	8,085
3,336	User charges and fees		4,091	3,049
224	Interest received		173	352
13,994	Grants and contributions		15,494	16,459
–	Bonds, deposits and retentions received		–	100
867	Other		3,705	2,578
<i>Payments:</i>				
(8,341)	Payments to employees		(8,184)	(8,042)
(3,535)	Payments for materials and services		(8,626)	(6,225)
–	Borrowing costs		(28)	(4)
–	Bonds, deposits and retentions refunded		(66)	(85)
(1,852)	Other		(2,066)	(1,898)
12,944	Net cash flows from operating activities	G1-1	12,995	14,369
Cash flows from investing activities				
<i>Receipts:</i>				
1,022	Sale of investments		25,836	27,600
–	Sale of real estate assets		212	–
399	Proceeds from sale of IPPE		339	303
–	Deferred debtors receipts		1	1
<i>Payments:</i>				
–	Purchase of investments		(25,836)	(25,836)
–	Acquisition of term deposits		(3,000)	–
(14,991)	Payments for IPPE		(12,519)	(17,666)
–	Purchase of real estate assets		(5)	–
(13,570)	Net cash flows from investing activities		(14,972)	(15,598)
Cash flows from financing activities				
<i>Receipts:</i>				
1,620	Proceeds from borrowings		1,620	550
<i>Payments:</i>				
(56)	Repayment of borrowings		(97)	(25)
1,564	Net cash flows from financing activities		1,523	525
938	Net change in cash and cash equivalents		(454)	(704)
1,850	Cash and cash equivalents at beginning of year		1,850	2,554
2,788	Cash and cash equivalents at end of year	C1-1	1,396	1,850
19,013	plus: Investments on hand at end of year	C1-2	27,846	24,846
21,801	Total cash, cash equivalents and investments		29,242	26,696

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

Narrandera Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 30 September 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

Historical cost convention

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

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 estimations 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 C1-7
- ii. employee benefit provisions – refer Note C3-4.
- iii. estimated tip remediation provisions - refer Note C3-5

Covid-19 Impacts

During the 2022 financial year, Covid-19 ('COVID') has continued to cause a disruption to Council's business practices with a number of staff working remotely from home or at other Council facilities away from the main administration building when required. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Council has provided some rent relief to the lessee of Lake Talbot Tourist Park to compensate for lost income due to the lockdown restrictions and some additional costs have been incurred in cleaning of council facilities.

Rate collections and Other receivables have not been impacted.

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

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to COVID.

For assets where fair value is determined by market value Council has no evidence of material changes to these values.

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

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

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 activities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service
- Barellan Hall and Museum
- Grong Grong Hall
- Narrandera Railway Management Committee
- Narrandera Koala Regeneration Centre Supervisory Committee
- Arts Centre and Narrandera Museum

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for the community transport program, museums at Narrandera and Barellan and also library services. The estimated value of these services has been included in the financial statements based on an average salary and on costs council would be required to pay if the services were not donated.

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 not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2021

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

A1-1 Basis of preparation (continued)

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2022

None of these standards had an impact on the reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and Contributions		Carrying amount of assets	
	2022	2021	2022	2021 Restated	2022	2021 Restated	2022	2021	2022	2021 Restated
Functions or activities										
Our Community	5,579	7,669	6,117	5,294	(538)	2,375	4,357	6,226	34,636	31,439
Our Environment	1,488	1,246	1,624	1,591	(136)	(345)	496	200	2,891	2,075
Our Economy	2,655	1,710	3,332	2,197	(677)	(487)	343	430	7,096	5,517
Our Infrastructure	7,581	7,462	9,014	8,005	(1,433)	(543)	4,006	3,960	193,645	192,228
Our Civic Leadership	13,140	10,836	3,195	2,691	9,945	8,145	6,889	5,243	18,800	17,610
Total functions and activities	30,443	28,923	23,282	19,778	7,161	9,145	16,091	16,059	257,068	248,869

B1-2 Components of functions or activities

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

Our Community

Security cameras, emergency services, health, aged & disabled services, social support, home modification and maintenance, community transport, community options, youth and childcare services, street lighting, public cemeteries, library, swimming pools, sportsgrounds, parks & reserves, Lake Talbot, sports stadium, cultural services, roads safety officer, arts centre.

Our Environment

Ordinance and ranger services, insect & vermin control, noxious weeds, waste management, public toilets, environmental protection, development control.

Our Economy

State Roads contract, economic development/real estate, industrial subdivision, industrial promotion, marketing & tourism, visitors centre, saleyards, caravan parks, private works, council land & buildings, aerodrome.

Our Infrastructure

Infrastructure services, stormwater, urban & rural roads, regional roads, bridges, Roads to Recovery, roads ancilliary, car parking, water & sewer services.

Our Civic Leadership

Governance, council chambers, administration, finance, human resources & work health and safety, information technology, property/revenue, employment overheads, plant operations, external plant revenue and general purposes income.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	1,674	1,643
Farmland	3,067	3,010
Business	445	438
Less: pensioner rebates	(136)	(135)
Rates levied to ratepayers	5,050	4,956
Pensioner rate subsidies received	74	72
Total ordinary rates	5,124	5,028
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	792	772
Stormwater management services	71	72
Water supply services	810	793
Sewerage services	1,475	1,406
Waste management services	124	119
Less: pensioner rebates	(76)	(76)
Annual charges levied	3,196	3,086
Pensioner subsidies received:		
– Water	22	21
– Sewerage	20	19
Total annual charges	3,238	3,126
Total rates and annual charges	8,362	8,154
Timing of revenue recognition for rates and annual charges		
Rates and annual charges recognised at a point in time	8,362	8,154
Total rates and annual charges	8,362	8,154

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

Accounting policy

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area.

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
User charges			
Water supply services	2	1,067	1,229
Sewerage services	2	116	121
Total User charges		1,183	1,350
Fees			
(i) Fees – statutory and regulatory functions (per s.608)			
Inspection services	2	5	1
Planning and building regulation	2	123	129
Private works – section 67	2	839	132
Section 10.7 certificates (EP&A Act)	2	22	19
Section 603 certificates	2	22	19
Companion animals fees	2	1	1
Total Fees – statutory/regulatory		1,012	301
(ii) Fees – other (incl. general user charges (per s.608))			
Aerodrome	2	34	19
Aged care	2	632	642
Cemeteries	2	152	133
Leaseback fees – Council vehicles	2	28	25
Multipurpose centre	2	12	10
Transport for NSW (formerly RMS) charges (state roads not controlled by Council)	2	277	218
Transport for NSW (formerly RMS) charges (ordered works)	2	388	398
Swimming centres	2	–	2
Sundry sales	2	1	2
Waste disposal tipping fees	2	22	18
Connection fees	2	23	13
Sportsground Fees	2	7	8
Library	2	3	4
Stadium Fees	2	42	60
Truck Wash	2	36	28
Other	2	21	17
Total Fees – other		1,678	1,597
Total Fees		2,690	1,898
Total user charges and fees		3,873	3,248
Timing of revenue recognition for user charges and fees			
User charges and fees recognised at a point in time (2)		3,873	3,248
Total user charges and fees		3,873	3,248

Accounting policy

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

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

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Fines	2	5	3
Legal fees recovery – rates and charges (extra charges)	2	89	–
Insurance claims recoveries	2	171	–
Commissions and agency fees	2	43	47
Recycling income (non-domestic)	2	12	20
Diesel rebate	2	68	72
Sales – general	2	35	59
Incentive insurance rebate	2	27	60
Insurance reimbursement	2	34	9
Rural fire service reimbursement	2	98	158
Sale of scrap materials	2	18	20
Temporary Sale of Water Allocation	2	288	105
Volunteer Services	2	456	405
Other	2	13	6
Total other revenue		1,357	964
Timing of revenue recognition for other revenue			
Other revenue recognised at a point in time (2)		1,357	964
Total other revenue		1,357	964

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	2,682	2,455	-	-
Payment in advance - future year allocation					
Financial assistance	2	4,125	2,630	-	-
Amount recognised as income during current year		6,807	5,085	-	-
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Sewerage	1	-	-	226	49
Bushfire and emergency services	2	92	101	-	-
Employment and training programs	2	82	159	-	-
Heritage and cultural	2	28	20	-	-
Library	2	1	-	-	-
Library – per capita	2	60	59	-	-
Library – special projects	2	19	19	-	-
Noxious weeds	2	44	44	-	-
Community services	2	10	18	-	-
Floodplain mapping and land use	2	153	86	-	-
Crown Lands	2	-	-	87	2
Street lighting	2	33	33	-	-
Stronger Country Communities - Council Projects	1	-	-	141	256
Stronger Country Communities - Community Grants	1	11	41	-	-
Drought Communities - Council Projects	1	-	-	6	805
Drought Communities - Community Projects	1	-	126	-	-
Local Roads & Community Infrastructure	1	-	-	684	831
Truck Wash	2	-	-	-	-
Playground on The Murrumbidgee	1	-	-	1,762	2,859
Regional Airports	1	-	-	344	430
Recreation and culture	2	-	30	552	771
Planning portal	2	80	50	-	-
Community Building Partnership	1	-	-	26	3
Transport (roads to recovery)	2	997	1,496	-	-
Transport (other roads and bridges funding)	2	51	54	1,844	1,468
Other specific grants	2	35	3	-	-
Tourism	2	132	-	-	-
Recreation and culture	1	-	-	73	200
Transport for NSW contributions (regional roads, block grant)	2	564	564	100	104
Other contributions	2	-	4	-	-
Leeton Shire Council aerodrome contributions	2	68	60	149	215
Total special purpose grants and non-developer contributions – cash		2,460	2,967	5,994	7,993
Non-cash contributions					
Rural Fire Services - Red Fleet	2	-	-	527	-
Total other contributions – non-cash		-	-	527	-
Total special purpose grants and non-developer contributions (tied)		2,460	2,967	6,521	7,993
Total grants and non-developer contributions		9,267	8,052	6,521	7,993

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Comprising:					
– Commonwealth funding		7,887	6,887	1,242	2,408
– State funding		1,227	1,056	4,530	5,170
– Other funding		153	109	749	415
		9,267	8,052	6,521	7,993

Developer contributions

\$ '000	Notes	Timing	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 7.4 – contributions using planning agreements		2	–	–	250	–
S 7.11 – contributions towards amenities/services		2	–	–	20	–
S 7.12 – fixed development consent levies		2	–	–	17	10
S 64 – water supply contributions		2	–	–	16	4
Total developer contributions – cash			–	–	303	14
Total developer contributions			–	–	303	14
Total contributions			–	–	303	14
Total grants and contributions			9,267	8,052	6,824	8,007
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			11	197	3,814	6,204
Grants and contributions recognised at a point in time (2)			9,256	7,855	3,010	1,803
Total grants and contributions			9,267	8,052	6,824	8,007

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	1,066	1,164	2,178	1,977
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	843	715	308	19
Add: Funds received and not recognised as revenue in the current year	–	16	1,948	1,477
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(642)	(714)	(179)	(7)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(11)	(115)	(1,478)	(1,288)
Unspent funds at 30 June	1,256	1,066	2,777	2,178

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include evidence of the event taking place or satisfactory achievement of milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

B2-4 Grants and contributions (continued)

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	52	30
– Cash and investments	135	246
– Deferred debtors	–	1
Dividend income (other)	1	1
Total interest and investment income (losses)	188	278
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	30	17
General Council cash and investments	71	155
Restricted investments/funds – external:		
Development contributions		
- Section 7.4 Planning Agreements	1	–
– Section 7.11	–	1
- Section 7.12	1	–
– Section 64	2	2
Water fund operations	50	78
Sewerage fund operations	20	16
Domestic waste management operations	13	9
Total interest and investment income	188	278

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 when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Other lease income			
Tower Rental		35	33
Caravan Park		89	78
Housing		41	47
Shops & Offices		26	24
Aerodrome Hangers		13	14
Other		5	13
Total other lease income		209	209
Total rental income	C2-2	209	209
Total other income		209	209

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	7,074	6,964
Employee leave entitlements (ELE)	1,311	1,358
Superannuation	833	810
Workers' compensation insurance	282	393
Fringe benefit tax (FBT)	26	36
Sick leave insurance	14	15
Other	14	8
Total employee costs	9,554	9,584
Less: capitalised costs	(1,320)	(1,518)
Total employee costs expensed	8,234	8,066
Number of 'full-time equivalent' employees (FTE) at year end	103	105

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Advertising		7	10
Audit Fees	F2-1	89	85
Bank charges		52	45
Contractor and consultancy costs		898	942
Councillor and Mayoral fees and associated expenses	F1-2	145	135
Election expenses		55	–
Electricity and heating		505	450
Fire control expenses		67	64
Insurance		428	408
Other expenses		9	13
Postage		20	22
Printing and stationery		30	38
Raw materials and consumables		5,232	3,236
Street lighting		87	127
Subscriptions and publications		86	79
Telephone and communications		65	69
Valuation fees		29	29
Volunteer Services expense		456	405
Legal expenses:			
– Legal expenses: planning and development		6	1
– Legal expenses: debt recovery		89	–
– Legal expenses: other		24	3
Expenses from leases of low value assets		11	13
Variable lease expense relating to usage		2	1
Total materials and services		8,392	6,175
Total materials and services		8,392	6,175

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		28	4
Discount adjustments relating to movements in provisions (other than ELE)		–	–
– Remediation liabilities	C3-5	11	–
Total borrowing costs expensed		39	4

Accounting policy

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

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

\$ '000	Notes	2022	2021 Restated
Depreciation and amortisation			
Plant and equipment		684	622
Plant and equipment - specialised (RFS Red Fleet)		164	155
Office equipment		162	144
Furniture and fittings		6	8
Land improvements		5	4
Infrastructure:	C1-7		
– Buildings – non-specialised		717	501
– Buildings – specialised		431	309
– Other structures		642	423
– Roads		1,831	1,735
– Bridges		149	152
– Footpaths		19	17
– Stormwater drainage		79	79
– Water supply network		497	493
– Sewerage network		305	302
– Swimming pools		103	57
– Other open space/recreational assets		105	93
Other assets:			
– Library books		22	17
– Other		–	2
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-7	16	–
Total gross depreciation and amortisation costs		5,937	5,113
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Buildings – specialised		43	–
Total gross IPPE impairment / revaluation decrement costs		43	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		43	–
Total depreciation, amortisation and impairment for non-financial assets		5,980	5,113

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

Other 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.

B3-5 Other expenses

\$ '000	2022	2021
Impairment of receivables		
Other	47	6
Total impairment of receivables	47	6
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	259	342
– Western Riverina Library	33	33
Donations, contributions and assistance to other organisations (Section 356)	28	39
Street Lighting	270	–
Total other	590	414
Total other expenses	637	420

Accounting policy

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

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	25
Less: carrying amount of property assets sold/written off		–	(37)
Gain (or loss) on disposal		–	(12)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		339	278
Less: carrying amount of plant and equipment assets sold/written off		(140)	(86)
Gain (or loss) on disposal		199	192
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(19)	(161)
Gain (or loss) on disposal		(19)	(161)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		212	–
Less: carrying amount of real estate assets sold/written off		(20)	(8)
Gain (or loss) on disposal		192	(8)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		25,836	27,600
Less: carrying amount of investments sold/redeemed/matured		(25,836)	(27,600)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of plant and equipment - specialised			
Proceeds from disposal – plant and equipment - specialised		–	–
Less: carrying amount of plant and equipment - specialised assets sold/written off		(9)	–
Gain (or loss) on disposal		(9)	–
Net gain (or loss) from disposal of assets		363	11

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 27/05/2021 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				
Rates and annual charges	8,371	8,362	(9)	0% U
User charges and fees	3,363	3,873	510	15% F
Additional revenue received from Private works				
Other revenues	509	1,357	848	167% F
Sale of water allocation under contract \$288,000 Insurance claim recoveries of \$171,000 Volunteer services revenue (and volunteer service expenses) of \$456,000 recognised in the general purpose financial statements in accordance with the Australian accounting standards. The amounts net out and have a grossing impact only therefore they were not included in the budget				
Operating grants and contributions	6,966	9,267	2,301	33% F
2022-2023 Financial Assistance grant, 75% of the allocation was received in advance				
Capital grants and contributions	7,199	6,824	(375)	(5)% U
Interest and investment revenue	210	188	(22)	(10)% U
Net gains from disposal of assets	92	363	271	295% F
Proceeds from the sale of industrial land \$192,000 and plant and equipment \$199,000				
Other income	228	209	(19)	(8)% U

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Expenses				
Employee benefits and on-costs	8,278	8,234	44	1% F
Materials and services	5,152	8,392	(3,240)	(63)% U
Flood and storm event expenses \$638,800				
Private works expenses \$504,800 (offset by additional income)				
Operational grant expenses \$433,000				
Additional ordered works \$346,500, on behalf of Transport NSW				
Volunteer service expenses \$456,000 (offset by volunteer services income)				
Workshop expenses \$347,000				
Open space and recreation \$62,000				
Roads maintenance \$341,000				
Rates and Debtor legal costs \$64,000 (offset by income)				
Borrowing costs	9	39	(30)	(333)% U
Barellan sewer drawdown of loan funds occurred six months earlier than budgeted				
Depreciation, amortisation and impairment of non-financial assets	5,704	5,980	(276)	(5)% U
Other expenses	326	637	(311)	(95)% U
Street lighting contribution \$270,000 budgeted for under capital expenditure, as these are not council assets unable to capitalise.				
Statement of cash flows				
Cash flows from operating activities	12,944	12,995	51	0% F
Cash flows from investing activities	(13,570)	(14,972)	(1,402)	10% U
Several capital projects were not commenced or completed resulting in capital expenditure being under budget.				
Cash flows from financing activities	1,564	1,523	(41)	(3)% U

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash at bank and on hand	338	881
Cash equivalent assets		
– Deposits at call	1,058	969
Total cash and cash equivalents	1,396	1,850

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	1,396	1,850
Balance as per the Statement of Cash Flows	1,396	1,850

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

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				
Unlisted equity securities	10	–	10	–
Total	10	–	10	–
Debt securities at amortised cost				
Long term deposits	27,836	–	24,836	–
Total	27,836	–	24,836	–
Total financial investments	27,846	–	24,846	–
Total cash assets, cash equivalents and investments	29,242	–	26,696	–

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

Council classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- financial assets at amortised cost;

C1-2 Financial investments (continued)

The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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 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 are investments in Narrandera District Investments Ltd. (Bendigo Bank).

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	29,242	26,696
Less: Externally restricted cash, cash equivalents and investments	<u>(14,727)</u>	<u>(13,448)</u>
Cash, cash equivalents and investments not subject to external restrictions	14,515	13,248

External restrictions

External restrictions – included in liabilities

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

Specific purpose unexpended loans – sewer	1,562	–
Specific purpose unexpended grants – general fund	1,953	1,494
Unexpended contributions - general fund	103	103
External restrictions – included in liabilities	3,618	1,597

External restrictions

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

Developer contributions – general	467	183
Developer contributions – water fund	171	325
Developer contributions – sewer fund	78	78
Transport for NSW contributions	101	101
Specific purpose unexpended grants (recognised as revenue) – general fund	1,159	960
Water fund	5,113	6,752
Water supplies – carry over works	1,058	590
Water supplies – Retention	21	–
Sewer fund	268	563
Sewerage services – carry over works	529	194
Stormwater management	500	566
Crown lands	214	263
Domestic waste management	1,430	1,276
External restrictions	11,109	11,851
Total external restrictions	14,727	13,448

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	14,515	13,248
Less: Internally restricted cash, cash equivalents and investments	<u>(14,372)</u>	<u>(12,994)</u>
Unrestricted and unallocated cash, cash equivalents and investments	143	254

Internal allocations

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

Plant and vehicle replacement	1,468	1,564
Organisational service assets & projects	5,076	5,639
Employees leave entitlement	1,288	1,230

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

\$ '000	2022	2021
Carry over works revenue funded	901	510
Deposits, retentions and bonds	156	242
Financial assistance grant received in advance	4,124	2,629
Information technology renewal & replacement	590	376
Property development	244	200
Quarry rehabilitation	35	4
Cemetery perpetual maintenance	404	372
Council committees	57	56
Other	29	172
Total internal allocations	14,372	12,994

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	143	254

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	657	26	759	25
Interest and extra charges	66	–	66	–
User charges and fees	383	–	601	–
Accrued revenues				
– Interest on investments	84	–	69	–
– Other income accruals	256	–	207	–
Deferred debtors	–	–	1	–
Government grants and subsidies	456	–	319	–
Net GST receivable	258	–	213	–
RMS receivables	74	–	442	–
Other debtors	2	–	–	–
Total	2,236	26	2,677	25
Less: provision for impairment				
Rates and annual charges	(26)	–	(26)	–
Interest and extra charges	(2)	–	(2)	–
User charges and fees	(7)	–	(7)	–
Total provision for impairment – receivables	(35)	–	(35)	–
Total net receivables	2,201	26	2,642	25

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	406	-	14	407
Stores and materials	364	-	442	-
Trading stock	21	-	20	-
Total inventories at cost	791	-	476	407
Total inventories	791	-	476	407

(i) Other disclosures

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development				
Industrial/commercial	406	-	14	407
Total real estate for resale	406	-	14	407

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Contract assets	644	–	251	–
Total contract assets and contract cost assets	644	–	251	–

Contract assets

Construction of Transport assets	269	–	38	–
Construction of Sewer	130	–	40	–
Construction of Recreation Assets	167	–	173	–
Other	78	–	–	–
Total contract assets	644	–	251	–

Significant changes in contract assets

During 2021-2022 Council has undertaken many large grant programs including assets for recreation, airport, sewer and community activities.

Accounting policy

Contract assets

Contract assets represent Council's 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.

Contract cost asset – costs to fulfil a contract

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 Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP 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	8,207	–	8,207	5,245	2,983	(354)	–	–	(6,376)	–	–	9,705	–	9,705
Plant and equipment	9,069	(5,062)	4,007	–	466	(127)	(684)	–	99	–	–	8,883	(5,122)	3,761
Plant and equipment - specialised	4,024	(1,984)	2,040	–	527	(9)	(164)	–	–	–	–	4,703	(2,308)	2,395
Office equipment	1,773	(1,184)	589	–	37	–	(162)	–	42	–	–	1,856	(1,350)	506
Furniture and fittings	155	(137)	18	–	–	–	(6)	–	–	–	–	155	(143)	12
Land:														
– Operational land	2,180	–	2,180	–	9	–	–	–	–	–	207	2,396	–	2,396
– Community land	5,612	–	5,612	–	–	–	–	–	–	(591)	–	5,021	–	5,021
– Land under roads (post 30/6/08)	–	–	–	–	25	–	–	–	–	–	–	25	–	25
Land improvements – non-depreciable	251	–	251	–	–	–	–	–	–	–	–	251	–	251
Land improvements	224	(7)	217	–	–	–	(5)	–	–	–	–	223	(12)	211
Infrastructure:														
– Buildings – non-specialised	29,048	(18,723)	10,325	3	–	–	(717)	–	194	–	523	29,571	(19,243)	10,328
– Buildings – specialised	14,358	(7,878)	6,480	714	143	(1)	(431)	(43)	1,660	–	282	15,974	(7,169)	8,805
– Other structures	18,000	(8,785)	9,215	464	313	(7)	(642)	–	1,419	–	340	19,217	(8,115)	11,102
– Roads	81,922	(29,652)	52,270	903	587	–	(1,831)	–	2,010	(849)	–	84,519	(31,429)	53,090
– Bridges	15,203	(5,525)	9,678	–	–	–	(149)	–	–	(339)	–	15,203	(6,013)	9,190
– Footpaths	1,363	(492)	871	–	82	–	(19)	–	48	–	–	1,464	(482)	982
– Bulk earthworks (non-depreciable)	58,443	–	58,443	–	62	–	–	–	331	–	–	58,836	–	58,836
– Stormwater drainage	10,612	(3,790)	6,822	–	–	–	(79)	–	–	–	541	11,152	(3,869)	7,283
– Water supply network	31,742	(13,116)	18,626	–	–	(18)	(497)	–	107	–	2,017	40,666	(20,431)	20,235
– Sewerage network	26,032	(7,606)	18,426	280	14	–	(305)	–	466	(3,316)	–	23,780	(8,215)	15,565
– Swimming pools	4,143	(1,078)	3,065	–	–	–	(103)	–	–	–	75	4,217	(1,181)	3,036
– Other open space/recreational assets	1,494	(658)	836	–	80	–	(105)	–	–	–	28	1,602	(763)	839
Other assets:														
– Library books	225	(55)	170	–	36	–	(22)	–	–	–	–	261	(77)	184
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	–	–	–	–	422	–	(16)	–	–	–	–	422	(16)	406
Total infrastructure, property, plant and equipment	324,080	(105,732)	218,348	7,609	5,786	(516)	(5,937)	(43)	–	(5,095)	4,013	340,102	(115,938)	224,164

(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 Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated
\$ '000														
Capital work in progress	5,762	–	5,762	4,713	2,586	(19)	–	(4,835)	–	–	–	8,207	–	8,207
Plant and equipment	8,352	(4,928)	3,424	–	1,291	(86)	(622)	–	–	–	–	9,069	(5,062)	4,007
Office equipment	1,537	(1,039)	498	–	149	–	(144)	86	–	–	–	1,773	(1,184)	589
Furniture and fittings	155	(129)	26	–	–	–	(8)	–	–	–	–	155	(137)	18
Plant and equipment - specialised	4,024	(1,829)	2,195	–	–	–	(155)	–	–	–	–	4,024	(1,984)	2,040
Land:														
– Operational land	3,594	–	3,594	–	5	(37)	–	–	(1,382)	–	–	2,180	–	2,180
– Community land	6,634	–	6,634	–	–	–	–	–	1,382	(2,404)	–	5,612	–	5,612
Land improvements – non-depreciable	99	–	99	–	17	–	–	128	–	–	7	251	–	251
Land improvements – depreciable	145	(3)	142	–	78	–	(4)	–	–	–	1	224	(7)	217
Infrastructure:														
– Buildings – non-specialised	22,833	(14,851)	7,982	72	285	–	(501)	41	–	–	2,446	29,048	(18,723)	10,325
– Buildings – specialised	12,754	(5,759)	6,995	20	921	(92)	(309)	8	–	(1,063)	–	14,358	(7,878)	6,480
– Other structures	12,799	(6,716)	6,083	8	2,536	–	(423)	1,045	143	(177)	–	18,000	(8,785)	9,215
– Roads	78,567	(29,462)	49,105	2,275	676	–	(1,735)	1,949	–	–	–	81,922	(29,652)	52,270
– Bridges	15,203	(5,373)	9,830	–	–	–	(152)	–	–	–	–	15,203	(5,525)	9,678
– Footpaths	1,240	(476)	764	–	126	(2)	(17)	–	–	–	–	1,363	(492)	871
– Bulk earthworks (non-depreciable)	58,421	–	58,421	–	–	–	–	22	–	–	–	58,443	–	58,443
– Stormwater drainage	10,612	(3,711)	6,901	–	–	–	(79)	–	–	–	–	10,612	(3,790)	6,822
– Water supply network	31,524	(13,315)	18,209	348	29	(46)	(493)	411	–	–	168	31,742	(13,116)	18,626
– Sewerage network	25,801	(7,327)	18,474	52	–	(2)	(302)	34	–	–	170	26,032	(7,606)	18,426
– Swimming pools	1,338	(1,003)	335	1,430	–	–	(57)	1,111	–	–	246	4,143	(1,078)	3,065
– Other open space/recreational assets	1,367	(727)	640	–	–	–	(93)	–	–	–	289	1,494	(658)	836
Other assets:														
– Library books	176	(38)	138	–	49	–	(17)	–	–	–	–	225	(55)	170
– Other	149	(4)	145	–	–	–	(2)	–	(143)	–	–	–	–	–
Total infrastructure, property, plant and equipment	303,086	(96,690)	206,396	8,918	8,748	(284)	(5,113)	–	–	(3,644)	3,327	324,080	(105,732)	218,348

(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

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

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

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.

Useful lives of IPPE

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	10
Office furniture	5 to 20	Benches, seats etc.	15
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	10 to 150
Other plant and equipment	5 to 15	Buildings: other	30 to 50
		Stormwater assets	
Water and sewer assets		Drains	135
Reservoirs	80 to 100	Culverts	135
Bores	20 to 80		
Reticulation pipes: PVC	80	Other infrastructure assets	
Reticulation pipes: other	25 to 75	Swimming pools	40
Pumps and telemetry	15 to 50	Other open space/recreational assets	10 to 50
		Other Structures	10 to 100
Transportation assets			
Sealed roads: surface	23		
Sealed roads: structure	40		
Sealed roads: pavements	100		
Bridge: concrete	100		
Bridge: other	50		
Unsealed road pavements	30 to 40		
Kerb, gutter and footpaths	75		

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

Revaluation model

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

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

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to 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.

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

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

Crown reserves

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

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

Rural Fire Service assets

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

Council recognises the RFS buildings on council controlled land along with a first time recognition of Red fleet as a prior period error in the equity statement, refer to note G3-1 for further details.

C1-8 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	-	-	24	-
Total other assets	-	-	24	-

C2 Leasing activities

C2-1 Council as a lessee

(i) Council as a lessee

Council has leases for office equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

Leases for photocopiers are considered low value assets. The leases are for 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Income Statement

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

\$ '000	2022	2021
Variable lease payments based on usage not included in the measurement of lease liabilities	2	1
Expenses relating to low-value leases	11	13
	13	14

(b) Statement of Cash Flows

Total cash outflow for leases	13	14
	13	14

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

Council has a number of leases at significantly below market for land and buildings which are used for:

- Council Works Depot
- Cemetery
- Lake Talbot Water Park
- Old Railway Station

The leases have varying terms and require payments of less than \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

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

C2-1 Council as a lessee (continued)

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

C2-2 Council as a lessor

Operating leases

\$ '000	2022	2021
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(i) Assets held as property, plant and equipment

Council provides operating leases on Council properties for the purpose of staff housing, health services, training providers, emergency services, caravan park and community groups, the table below relates to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)	209	209
Total income relating to operating leases for Council assets	209	209

Amount of IPPE leased out by Council under operating leases

Land	672	611
Buildings	2,880	3,515
Structures	5,214	4,311
Other recreation	13	4
Pools	3,064	3,065
Total amount of IPPE leased out by Council under operating leases	11,843	11,506

(ii) Maturity analysis of contractual lease income

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

< 1 year	236	216
1–2 years	241	220
2–3 years	229	224
3–4 years	250	229
4–5 years	242	228
> 5 years	230	232
Total undiscounted lease payments to be received	1,428	1,349

C2-2 Council as a lessor (continued)

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Payables				
Goods and services – operating expenditure	1,114	–	1,425	–
Accrued expenses:				
– Salaries and wages	366	–	255	–
Security bonds, deposits and retentions	176	–	239	3
Other	16	–	23	–
Prepaid rates	331	–	292	–
Total payables	2,003	–	2,234	3
Total payables	2,003	–	2,234	3

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '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)	1,948	-	1,478	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	5	-	16	-
Unexpended capital contributions (to construct Council controlled assets)	(i)	104	-	103	-
Total grants received in advance		2,057	-	1,597	-
Total contract liabilities		2,057	-	1,597	-

Notes

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

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	1,477	1,288
Operating grants (received prior to performance obligation being satisfied)	11	115
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,488	1,403

Significant changes in contract liabilities

Council spent all grants previously held as liabilities, one contribution was not spent. There is a significant transfer to the liability as at 30 June due to the number of Commonwealth and state funded programs currently being undertaken.

Accounting policy

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

C3-3 Borrowings

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Loans – secured ¹	144	1,904	52	473
Total borrowings	144	1,904	52	473

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

(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	525	(97)	1,620	–	–	–	2,048
Total liabilities from financing activities	525	(97)	1,620	–	–	–	2,048

(b) Financing arrangements

\$ '000	2022	2021
Total financing facilities available to Council at the reporting date are:		
Bank overdraft facilities ¹	350	350
Credit cards/purchase cards	45	45
Total financing arrangements	395	395
Financing facilities drawn down at the reporting date are:		
– Credit cards/purchase cards	8	9
Total drawn financing arrangements	8	9
Undrawn financing facilities available to the Council at the reporting date are:		
– Bank overdraft facilities	350	350
– Credit cards/purchase cards	37	36
Total undrawn financing arrangements	387	386

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	752	–	739	–
Long service leave	1,712	90	1,834	57
Rostered days off	54	–	39	–
Total employee benefit provisions	2,518	90	2,612	57

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	1,631	1,630
	1,631	1,630

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	432	–	–
Sub-total – asset remediation/restoration	–	432	–	–
Total provisions	–	432	–	–

Movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2022		
At beginning of year	467	467
Unwinding of discount	11	11
Remeasurement effects	(46)	(46)
Total other provisions at end of year	432	432
2021		
At beginning of year	–	–
Total other provisions at end of year	–	–

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip as a result of past operations.

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.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	6,111	792	1,459
User charges and fees	2,611	1,098	164
Interest and investment income	118	51	20
Other revenues	1,357	–	–
Grants and contributions provided for operating purposes	9,267	–	–
Grants and contributions provided for capital purposes	6,582	16	226
Net gains from disposal of assets	345	–	–
Other income	209	–	–
Total income from continuing operations	26,600	1,957	1,869
Expenses from continuing operations			
Employee benefits and on-costs	7,405	452	377
Materials and services	6,252	1,348	792
Borrowing costs	20	–	20
Depreciation, amortisation and impairment of non-financial assets	5,154	515	311
Other expenses	637	–	–
Net losses from the disposal of assets	–	18	–
Total expenses from continuing operations	19,468	2,333	1,500
Operating result from continuing operations	7,132	(376)	369
Net operating result for the year	7,132	(376)	369
Net operating result attributable to each council fund	7,132	(376)	369
Net operating result for the year before grants and contributions provided for capital purposes	550	(392)	143

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	946	313	137
Investments	19,496	6,050	2,300
Receivables	1,710	326	201
Inventories	791	–	–
Contract assets and contract cost assets	514	–	130
Total current assets	23,457	6,689	2,768
Non-current assets			
Receivables	26	165	–
Infrastructure, property, plant and equipment	185,060	22,739	16,365
Total non-current assets	185,086	22,904	16,365
Total assets	208,543	29,593	19,133
LIABILITIES			
Current liabilities			
Payables	1,877	126	–
Contract liabilities	2,057	–	–
Borrowings	89	–	91
Employee benefit provision	2,518	–	–
Total current liabilities	6,541	126	91
Non-current liabilities			
Borrowings	585	–	1,484
Employee benefit provision	90	–	–
Provisions	432	–	–
Total non-current liabilities	1,107	–	1,484
Total liabilities	7,648	126	1,575
Net assets	200,895	29,467	17,558
EQUITY			
Accumulated surplus	135,182	18,233	12,460
Revaluation reserves	65,713	11,234	5,098
Council equity interest	200,895	29,467	17,558
Total equity	200,895	29,467	17,558

D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref 278	Council ID / Ref 280	Council ID / Ref 285
Borrower (by purpose)	Coaches Box	Aerodrome Lighting	Festoon Lighting
Lender (by purpose)	Water Fund	Water Fund	Water Fund
Date of Minister's approval	28/06/2017	28/06/2017	26/10/2017
Date raised	30/06/2017	30/06/2017	30/06/2018
Term years	10	10	10
Dates of maturity	30/06/2027	30/06/2027	30/06/2028
Rate of interest (%)	.52%	.52%	.52%
Amount originally raised (\$'000)	150	100	60
Total repaid during year (principal and interest) (\$'000)	15	10	6
Principal outstanding at end of year (\$'000)	79	53	38

Details of individual internal loans	Council ID / Ref 284	Council ID / Ref 287
Borrower (by purpose)	Barellan Change Room	Lake Talbot Water Park
Lender (by purpose)	Water Fund	Waste Fund
Date of Minister's approval	26/10/2017	
Date raised	30/06/2018	31/12/2020
Term years	10	15
Dates of maturity	30/06/2028	31/12/2035
Rate of interest (%)	.52%	.52%
Amount originally raised (\$'000)	50	1,450
Total repaid during year (principal and interest) (\$'000)	5	101
Principal outstanding at end of year (\$'000)	31	1,310

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2022 ¹	2022 ¹
		Net profit	Net assets
Western Riverina Library Services	Provision of library services to member local government areas	57	621

Reasons for non-recognition

Council holds 7.45% equity share in Western Riverina Library Service, and has assessed this as not material, hence not recognised. The information provided above is for 2021 as this is the latest information available at the time of Council preparing the Financial Statements.

(1) This year represents 2021 year for the Western Riverina Library Services

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

(a) Market risk – interest rate 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	292	267

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The level of outstanding receivables is reported to Council monthly. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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)

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	642	41	683
2021				
Gross carrying amount	–	739	45	784

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	2,130	60	10	23	–	2,223
Expected loss rate (%)	0.00%	0.00%	0.00%	23.68%	0.00%	0.25%
ECL provision	–	–	–	5	–	5
2021						
Gross carrying amount	1,937	191	3	38	–	2,169
Expected loss rate (%)	0.00%	0.00%	0.00%	23.68%	0.00%	0.41%
ECL provision	–	–	–	9	–	9

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.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	176	1,496	–	–	1,672	2,003
Borrowings	2.01%	–	144	606	1,298	2,048	2,048
Total financial liabilities		176	1,640	606	1,298	3,720	4,051
2021							
Payables	0.00%	242	1,703	–	–	1,945	2,237
Borrowings	1.49%	–	59	237	267	563	525
Total financial liabilities		242	1,762	237	267	2,508	2,762

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

Fair value hierarchy

All assets measured at fair value are 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: Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by Council:

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss – designated at fair value on initial recognition		–	–	10	10	10	10
Total financial assets		–	–	10	10	10	10
Infrastructure, property, plant and equipment							
	C1-7						
Plant and equipment		–	–	3,761	4,007	3,761	4,007
Plant and equipment - specialised		–	–	2,395	2,040	2,395	2,040
Office equipment		–	–	506	589	506	589
Furniture and fittings		–	–	12	18	12	18
Operational land		2,396	2,180	–	–	2,396	2,180
Community land		–	–	5,021	5,612	5,021	5,612
Land under roads (post 30/06/08)		–	–	25	–	25	–
Land Improvements – non-depreciable		–	–	251	251	251	251
Land Improvements - depreciable		–	–	211	217	211	217
Buildings – non-specialised		–	–	10,328	10,325	10,328	10,325
Buildings – specialised		–	–	8,805	6,480	8,805	6,480
Other structures		–	–	11,102	9,215	11,102	9,215
Roads, bridges, footpaths, bulk earthworks		–	–	122,098	121,262	122,098	121,262
Stormwater drainage		–	–	7,283	6,822	7,283	6,822
Sewerage network		–	–	15,565	18,426	15,565	18,426
Water supply network		–	–	20,235	18,626	20,235	18,626
Library books		–	–	184	170	184	170
Swimming pools		–	–	3,036	3,065	3,036	3,065
Other open space/recreational assets		–	–	839	836	839	836
Tip assets		–	–	406	–	406	–
Other		–	–	–	–	–	–

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021	2022	2021
Total infrastructure, property, plant and equipment		2,396	2,180	212,063	207,961	214,459	210,141

E2-1 Fair value measurement (continued)

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 & Equipment, Office Equipment, Furniture & Fittings, Land Improvements and Library Books

Plant & Equipment, Office Equipment, Furniture & Fittings, Land Improvements and Library Books 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 due to the nature of the items. Examples of assets within these classes are as follows:

- Plant & Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computer, photocopiers, tablets etc.
- Furniture & Fittings - Chairs, desks, cupboards etc.
- Land Improvements - Formation of land.
- Library Books - Books and audio visual.

Land improvement assets have been revalued internally as at 30 June 2021.

There has been no change to the valuation process during the reporting period.

Operational & Community Land

Community land was revalued as at 30 June 2022 inhouse using the Land Value provided by the Valuer-General where available. Community land has been valued using level 3 valuation inputs.

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2018 by Nicholas Lucas, Valuation Services) using level 2 inputs.

The valuation is the valuer's opinion of the Market Value of the property as at the date of inspection having regard to the supply and demand conditions for this category of property.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

An assessment has been undertaken resulting in an indexation applied to operational land for 30 June 2022.

Buildings – Non-Specialised & Specialised

Non-Specialised & Specialised Buildings are valued by an external valuer, AssetVal Pty Ltd and have been revalued as at 30 June 2021. The cost approach has been used whereby replacement cost was estimated for each asset. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied to Buildings non-specialised and Buildings specialised for 30 June 2022.

Other Structures

Other Structures comprise of lighting, irrigation systems, fencing, shade structures etc.

The cost approach has been used whereby replacement cost was estimated for each asset. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

Other Structures have been revalued by an external valuer AssetVal Pty Ltd as at 30 June 2021 and there has been no change to the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied to Other Structures for 30 June 2022.

E2-1 Fair value measurement (continued)

Roads

Roads include bulk earthworks, carriageway, roadside shoulders & kerb & gutter. The cost approach using level 3 inputs was used to value this asset class. A revaluation was undertaken as at 30 June 2020 in-house based on actual costs and assumptions from Council's Technical Services Department. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

A revaluation decrement was recorded for 2022 relating to the impairment of road assets following storm and flood events during the financial year.

There has been no change to the valuation process during the reporting period.

Bridges

Bridges were valued under the cost approach using level 3 inputs. A revaluation was undertaken as at 30 June 2020 in-house based on actual costs and assumptions from Council's Technical Services Department. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

A revaluation decrement was recorded for 2022 relating to the impairment of bridge assets following storm and flood events during the financial year.

There has been no change to the valuation process during the reporting period.

Footpaths

Footpaths were revalued in-house by Council's Technical Services Department as at 30 June 2020 and were based on actual cost per square meter of works carried out during the year.

There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise of pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear meters of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

A revaluation was undertaken as at 30 June 2020 in-house by council technical services staff and there has been no change to the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied to Stormwater drainage for 30 June 2022.

Water Supply Network

Assets within this class comprise of bores, water treatment plant, reservoirs, pumping stations and water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear meters of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

The assets in this class of assets were subject to a validation process and then a revaluation of each component, and there has been a subsequent upward movement in the Fair Value of these assets.

The assets in this class of assets were revalued by an external valuer AssetVal Pty Ltd as at 30 June 2022 and there has been no change to the valuation process during the reporting period.

Sewerage Network

Assets within this class comprise of treatment works, pumping stations and sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear meters of certain diameter

E2-1 Fair value measurement (continued)

pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

The assets in this class of assets were subject to a validation process and then a revaluation of each component, and there has been a subsequent upward movement in the Fair Value of these assets.

The assets in this class of assets were revalued by an external valuer AssetVal Pty Ltd as at 30 June 2022 and there has been no change to the valuation process during the reporting period.

Swimming Pools

Swimming pools were valued using the cost approach. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

Swimming Pools have been revalued by an external valuer, AssetVal Pty Ltd as at 30 June 2021 and there has been no change to the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied to Swimming pool assets for 30 June 2022.

Other Open Space/Recreational Assets

Assets within this class comprise of BBQ's and outdoor play equipment.

Other Open Space/Recreational Assets were valued using the cost approach. No Market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using level 3 valuation inputs.

Open Space and Recreation Assets have been revalued by an external valuer, AssetVal Pty Ltd as at 30 June 2021 and there has been no change to the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied to Other open space/recreational assets for 30 June 2022.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Financial assets		
Unlisted equity securities	Level 3 Valued at cost	
Total financial assets		
Infrastructure, property, plant and equipment		
Plant and Equipment	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Office Equipment	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Furniture and Fittings	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life • Residual value
Community Land	Level 3 Based on Valuer-General valuation	<ul style="list-style-type: none"> • Land value (price per square metre)
Land Improvements- Non-dep	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life
Land Improvements - depreciable	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Remaining useful life
Buildings & other Structures	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Roads, bridges, footpaths, bulk earthworks	Level 3 Internal valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Stormwater Drainage	Level 3 Internal valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Water Supply Network	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Sewerage Network	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Swimming Pools	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Open Space and Recreational	Level 3 External valuation using cost approach	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Library Books	Level 3 Valued at cost	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum for 1 July 2019 to 31 December 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employers share of 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.

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$ 82,094.21. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$58,286 Council's expected contribution to the plan for the next annual reporting period is \$80,346.48.

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 share of any funding surplus or deficit that can be attributed to Council is .0.15%

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.

(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.

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

E3-1 Contingencies (continued)

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

(ii) Quarries

Council operates a number gravel quarries and will have to rehabilitate the sites at some time in the future. As at 30 June 2022 Council is unable to reliably estimate the financial cost of such work.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

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	802	774
Post-employment benefits	55	51
Other long-term benefits	22	20
Total	879	845

Other transactions with KMP and their related parties

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2022					
Employee expenses relating to close family members of KMP	266	–	Council staff award	–	–
Related Parties, which are Suppliers of Council, supplying goods and services, such as printing services.	74	–	Contracts, purchase orders or tenders	–	–
2021					
Employee expenses relating to close family members of KMP	179	–	Council staff award	–	–
Related Parties, which are Suppliers of Council, supplying goods and services, such as printing services.	11	–	Contracts, purchase orders or tenders	–	–

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	25	27
Councillors' fees	93	88
Other Councillors' expenses (including Mayor)	27	20
Total	145	135

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	52	42
Remuneration for audit and other assurance services	52	42
Total Auditor-General remuneration	52	42
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal Audit	37	43
Remuneration for audit and other assurance services	37	43
Total audit fees	89	85

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021 ¹
Net operating result from Income Statement	7,161	9,145
Add / (less) non-cash items:		
Depreciation and amortisation	5,937	5,113
(Gain) / loss on disposal of assets	(363)	(11)
Non-cash capital grants and contributions	(527)	–
– Revaluation decrements / impairments of IPP&E direct to P&L	43	–
Unwinding of discount rates on reinstatement provisions	11	–
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	439	(767)
(Increase) / decrease of inventories	77	119
(Increase) / decrease of other current assets	24	(24)
(Increase) / decrease of contract asset	(393)	147
Increase / (decrease) in payables	(311)	408
Increase / (decrease) in other accrued expenses payable	111	31
Increase / (decrease) in other liabilities	(34)	83
Increase / (decrease) in contract liabilities	460	91
Increase / (decrease) in employee benefit provision	(61)	34
Increase / (decrease) in other provisions	421	–
Net cash flows from operating activities	12,995	14,369

(1) 2020/21 Balance Restated

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	–	171
Buildings	2,585	1,555
Recreation	172	–
Road infrastructure	125	–
Total commitments	2,882	1,726

These expenditures are payable as follows:

Within the next year	2,882	1,726
Total payable	2,882	1,726

Sources for funding of capital commitments:

Future grants and contributions	2,359	704
Unexpended grants	302	620
Unexpended Contributions	–	–
Externally restricted reserves	–	171
Internally restricted reserves	221	231
Total sources of funding	2,882	1,726

Details of capital commitments

2022

Balance of contract - Narrandera Destination & Discovery Hub \$2,252,087, Narrandera Sportsground Changerooms upgrade \$190,393, Lake Talbot Water Park Entrance \$44,000, Barellan Hall Toilet refurbishment \$79,723, Ndra Stadium Insulated Panels \$62,375, Northbank Pedestrian Bridge \$127,318, Somerset Bridge \$125,300.

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Correction of errors

First time recognition of Rural Fire Service Red Fleet assets which is included as 'plant and equipment - specialised' within Infrastructure, property, plant & equipment (Note C1-7).

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2020) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction of errors, displayed in the tables below.

There were no reported changes to the Red Fleet assets for the 2021 Financial year and therefore the only reported change is depreciation.

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Infrastructure, property, plant & equipment	204,201	2,195	206,396
Total non-current assets	204,634	2,195	206,829
Total assets	236,674	2,195	238,869
Total liabilities	5,856	–	5,856
Net assets	230,818	2,195	233,013
Accumulated surplus	147,374	2,195	149,569
Total equity	230,818	2,195	233,013

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Infrastructure, property, plant & equipment	216,308	2,040	218,348
Total non-current assets	216,740	2,040	218,780
Total assets	246,829	2,040	248,869
Total liabilities	7,028	–	7,028
Net assets	239,801	2,040	241,841
Accumulated surplus	156,674	2,040	158,714
Total equity	239,801	2,040	241,841

G4-1 Correction of errors (continued)

Income Statement

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Total income from continuing operations	28,923	–	28,923
Depreciation, amortisation and impairment of non-financial assets	4,958	155	5,113
Total expenses from continuing operations	19,623	155	19,778
Net operating result for the year	9,300	(155)	9,145

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Net operating result for the year	9,300	(155)	9,145
Other comprehensive income	(317)	–	(317)
Total comprehensive income for the year	8,983	(155)	8,828

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					
Roads	35	20	-	-	-	-	55	-
S7.11 contributions – under a plan	35	20	-	-	-	-	55	-
S7.12 levies - under a plan	148	17	-	1	(5)	-	161	-
Total S7.11 and S7.12 revenue under plans	183	37	-	1	(5)	-	216	-
S7.4 planning agreements	-	250	-	1	-	-	251	-
S64 contributions	403	16	-	2	(172)	-	249	-
Total contributions	586	303	-	4	(177)	-	716	-

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.

G5-2 Developer contributions by 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					
CONTRIBUTION PLAN - Pine Hill								
Roads	35	20	-	-	-	-	55	-
Total	35	20	-	-	-	-	55	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	Indicators			Benchmark
	2022	2022	Restated 2021	2020	2019	
\$ '000						
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	64	0.28%	5.42%	8.65%	5.65%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	23,256					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	13,989	46.51%	44.46%	56.70%	51.81%	> 60.00%
Total continuing operating revenue	30,080					
3. Unrestricted current ratio						
Current assets less all external restrictions	17,494	5.99x	5.03x	6.07x	6.63x	> 1.50x
Current liabilities less specific purpose liabilities	2,921					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,040	44.41x	215.52x	0.00x	0.00x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	136					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	721	7.73%	9.25%	8.28%	7.70%	< 10.00%
Rates and annual charges collectable	9,325					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	29,232	18.40 mths	19.67 mths	20.77 mths	19.34 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	1,589					

(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	Restated 2021	2022	Restated 2021	2022	Restated 2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1.50%	4.43%	(19.09)%	4.34%	8.70%	17.77%	> 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	39.59%	36.29%	99.19%	99.82%	87.91%	96.97%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.99x	5.03x	53.09x	98.30x	30.42x	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	50.23x	72.37x	∞	∞	7.29x	∞	> 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	7.34%	8.78%	8.30%	10.00%	9.05%	10.83%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	15.27	15.84	42.42	60.49	24.09	10.21	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note G4-1 above.

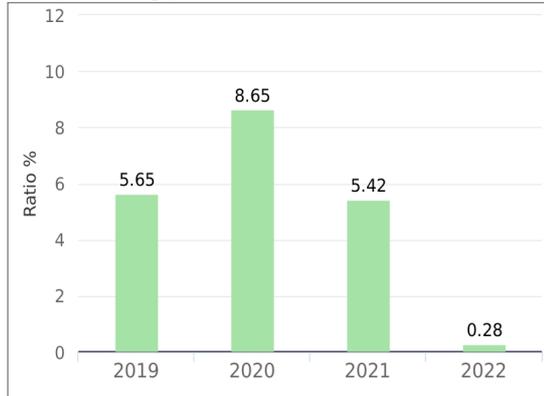
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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 0.28%

Council's operating performance is slightly above the benchmark. Additional expenses were incurred for flood and storm damage as well as depreciation expenses resulting from the construction of new assets.

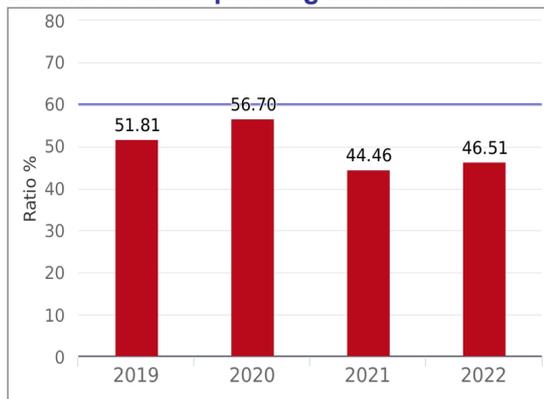
Benchmark: — > 0.00%

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 46.51%

Own source revenue has again been impacted by additional grant funding for Local Roads and Community Infrastructure (Covid-19 economic stimulus), Stronger Country Communities, Fixing Local Roads, Fixing Country Bridges and Regional Airport program.

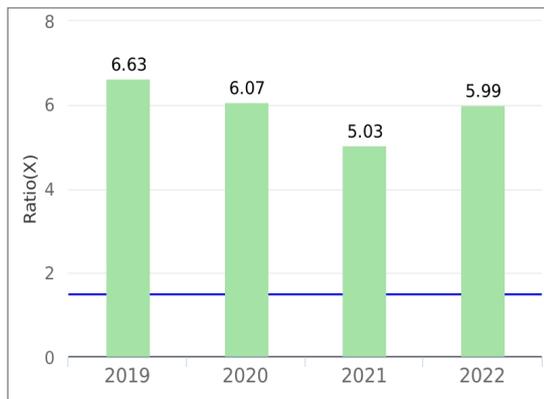
Benchmark: — > 60.00%

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 5.99x

Council's ratio remains well above the benchmark with more than adequate funds to satisfy its short term obligations.

Benchmark: — > 1.50x

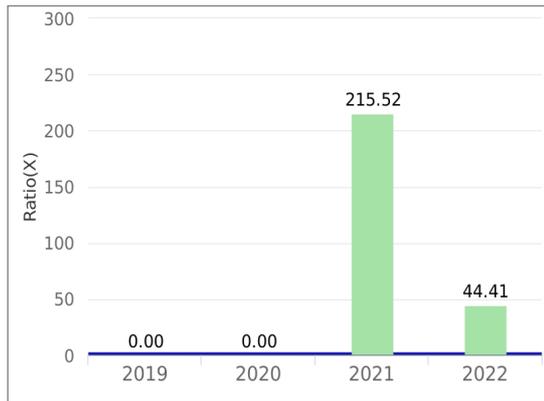
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 44.41x

Council currently has two external loans with the uptake of the Borellan sewer loan in 2022 and Lake Talbot pool in 2021. Internal loans exist from the Water fund to the General fund \$201,000

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 7.73%

Council's outstanding rates have improved considerably and are at a satisfactory level having been achieved through a fair debt recovery program.

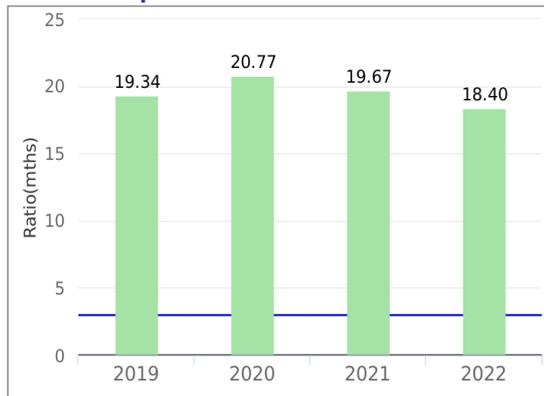
Benchmark: — < 10.00%

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 18.40 mths

Council has more than adequate cash to meet ongoing expenses for over 18 months without requiring additional cash inflows.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

141 East Street
Narrandera NSW 2700

Contact details

Mailing Address:

141 East Street
Narrandera NSW 2700

Opening hours:

Office Hours
Monday to Friday
9.00am - 4:30pm

Telephone: 02 6959 5510

Internet: www.narrandera.nsw.gov.au

Email: council@narrandera.nsw.gov.au

Officers

General Manager

Mr George Cowan

Responsible Accounting Officer

Mr Martin Hiscox

Public Officer

Mr Martin Hiscox

Auditors

NSW Audit Office
Level 19
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

GPO Box 12
Sydney NSW 2001

Elected members

Mayor

Cr Neville Kschenka

Councillors

Cr Cameron Lander
Cr Jenny Clarke
Cr Tracey Lewis
Cr Kevin Morris
Cr Peter Dawson
Cr Narelle Payne
Cr Braden Lyons
Cr Sue Ruffles

Other information

ABN: 96 547 765 569



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Narrandera Shire Council

To the Councillors of Narrandera Shire Council

Opinion

I have audited the accompanying financial statements of Narrandera Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'S. H. Soh', with a horizontal line underneath the signature.

Hong Wee Soh
Delegate of the Auditor-General for New South Wales

30 September 2022
SYDNEY



Cr Neville Kschenka
Mayor
Narrandera Shire Council
141 East Street
NARRANDERA NSW 2705

Contact: Hong Wee Soh
Phone no: 02 9275 7397
Our ref: D2219749/1768

30 September 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Narrandera Shire Council**

I have audited the general purpose financial statements (GPFS) of the Narrandera Shire Council (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2022	2021*	Variance
	\$m	\$m	%
Rates and annual charges revenue	8.4	8.2	↑ 2.4
Grants and contributions revenue	16.1	16.1	↑ <1.0
Operating result from continuing operations	7.2	9.1	↓ 20.9
Net operating result before capital grants and contributions	0.3	1.1	↓ 72.7

* The 2021 comparatives have been restated to correct a prior period error relating to the Rural Fire Service Red Fleet assets. Note G4-1 of the financial statements provides details of the prior period error.

Rates and annual charges revenue (\$8.4 million) increased by \$0.2 million (2.4 per cent) in 2021–22, with the main increase due to the IPART rate peg increase of 2.0 per cent.

Grants and contributions revenue (\$16.1 million) remained consistent with the prior year for 2021–22 due to:

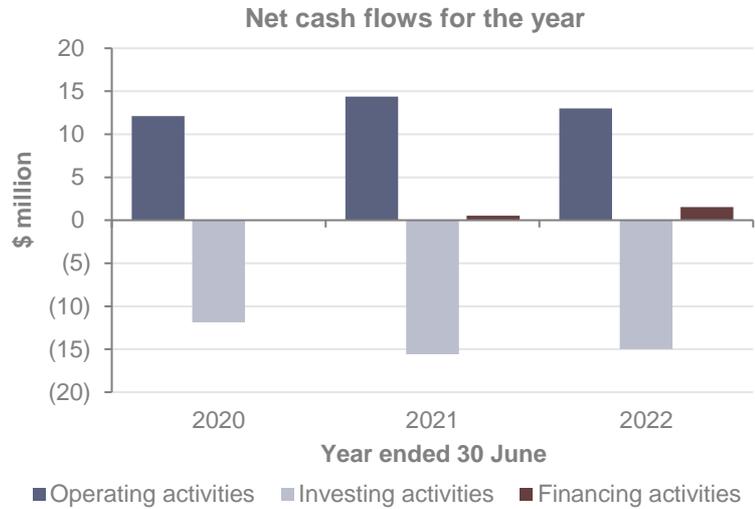
- Increase in the Financial Assistance Grant of \$1.7 million (from \$5.1 million in 2020-2021, to \$6.8 million in 2021-22), due to an additional advance payment received in 2021-22;
- Decrease in the capital grant revenue associated with the Playground on The Murrumbidgee program of \$1.1 million (from \$2.9 million in 2020-2021, to \$1.8 million in 2021-2022); and
Decrease in the Roads to Recovery funding of \$0.5 million (from \$1.5 million in 2020-2021 to \$1.0 million in 2021-22).

The Council's operating result from continuing operations (\$7.2 million including depreciation and amortisation expense of \$6.0 million) was \$1.9 million lower than the 2020–21 result. This was driven by the \$1.2 million decrease in grants and contributions provided for capital purposes, which decreased from \$8.0 million in 2020-21 to \$6.8 million in 2021-22.

The net operating result before capital grants and contributions (\$0.3 million) was \$0.8 million lower than the 2020–21 result. This is a result of additional expenditure from flood and storm damage, as well as additional depreciation from newly constructed assets.

STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents was \$1.4 million at 30 June 2022 (\$1.9 million at 30 June 2021). There was a net decrease in cash and cash equivalents of \$0.5 million during 2021-22 financial year.
- Net cash provided by operating activities has decreased by \$1.3 million. This is mainly due to the increase in payments for materials and services of \$2.4 million, offset by the increase in user charges and fees of \$1.0 million.
- Net cash used in investing activities has decreased by \$0.6 million, which is driven by the decrease in purchase of infrastructure, property, plant and equipment of \$5.2 million, offset by the increase in net purchase / sale of investments and term deposits of \$4.8 million.
- Net cash from financing activities increased by \$1.0 million, as a new \$1.6 million external borrowing was drawn by the Council during 2021-22 (for the Barellan sewer project).



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	29.2	26.7	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$1.3 million is primarily due to a \$1.6 million increase in specific purpose unexpended loans – relating to the Barellan sewer project.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	14.7	13.4	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of the Council to reflect identified programs of works and any forward plans identified by the Council. The increase of \$1.4 million in the internal restrictions is primarily due to a \$1.5 million increase in the Financial Assistance Grant restriction.
• Internal allocations	14.4	13.0	
• Unrestricted	0.1	0.3	<ul style="list-style-type: none"> Unrestricted cash and investments was \$0.1 million, which is available to provide liquidity for day-to-day operations of the Council. There was a \$0.1 million decrease in the unrestricted cash and investments balance.

Debt

The Council has \$2.0 million of borrowings as at 30 June 2022 (2021: \$0.5 million). The borrowings are drawn through CBA related to the refurbishment and upgrading of Lake Talbot Water Park, and New South Wales Treasury Corporation related to the Barellan sewer project.

The Council also has a \$0.35 million bank overdraft facility, which was not drawn as at 30 June 2022 and 30 June 2021.

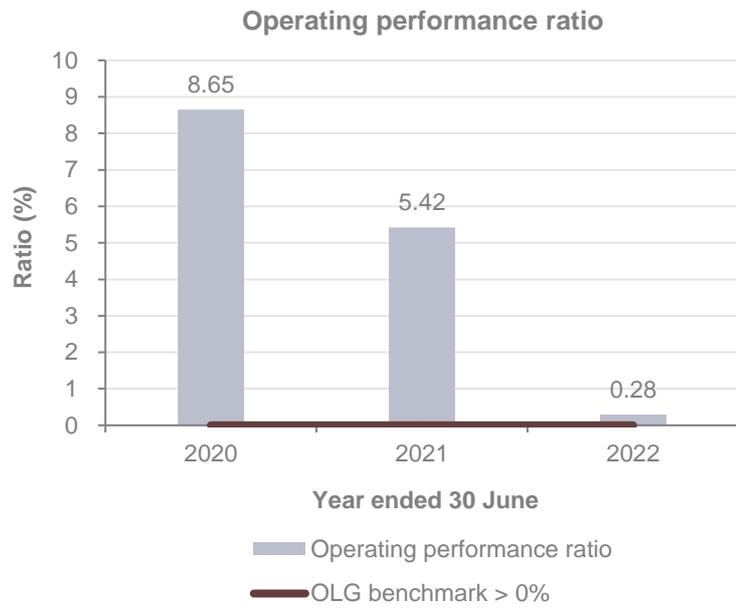
PERFORMANCE

Performance measures

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

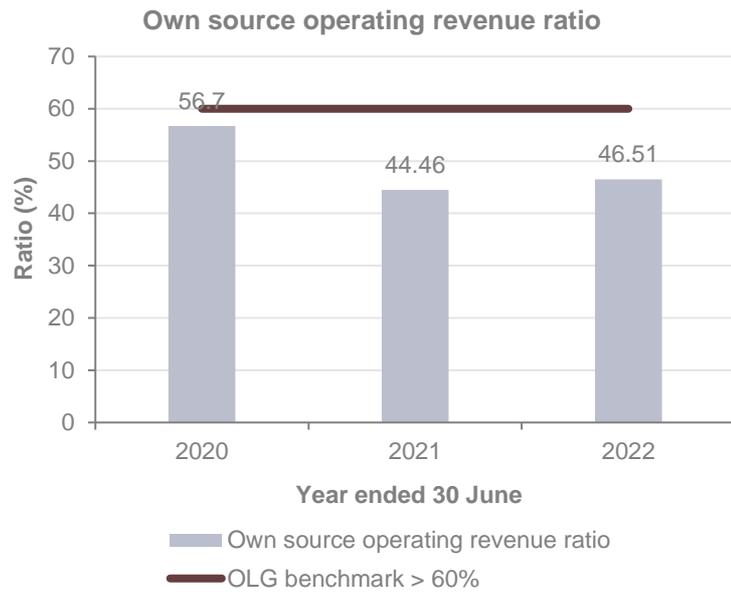
Operating performance ratio

- The 'operating performance ratio' measures how well the Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council met the OLG benchmark for the current reporting period.
- The 2021 ratio was restated to correct a prior period error.
- The operating performance ratio decreased to 0.28 per cent (2021: 5.42 per cent), due to additional expenditure from flood and storm damage, as well as additional depreciation from newly constructed assets.



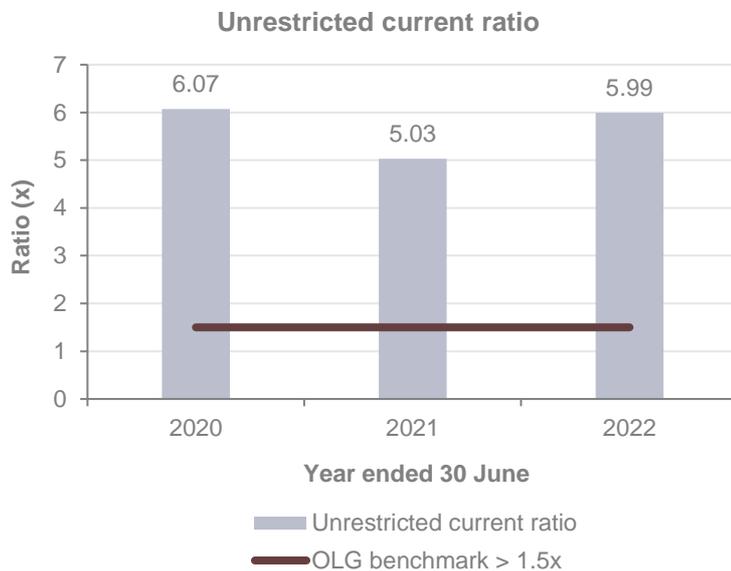
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures the Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council did not meet the OLG benchmark for the current reporting period. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio remained relatively consistent across 2022 and 2021, due to the consistent level of grants and contributions.



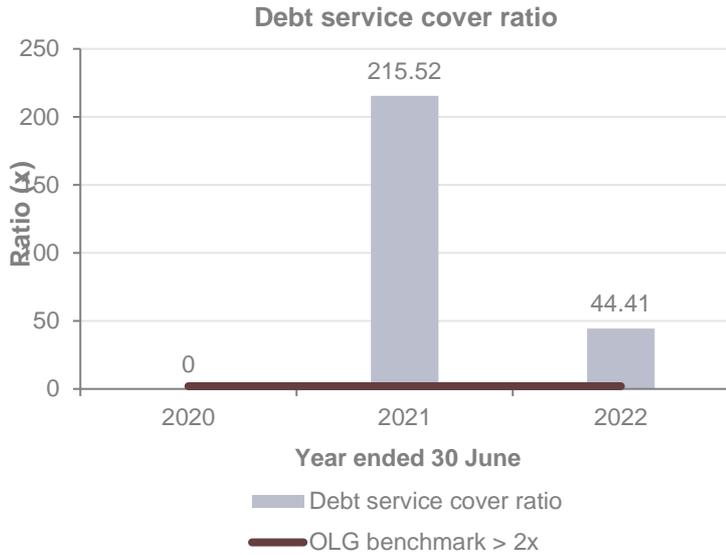
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents the Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council exceeded the OLG benchmark for the current reporting period.
- The Council's unrestricted current ratio has remained relatively steady.



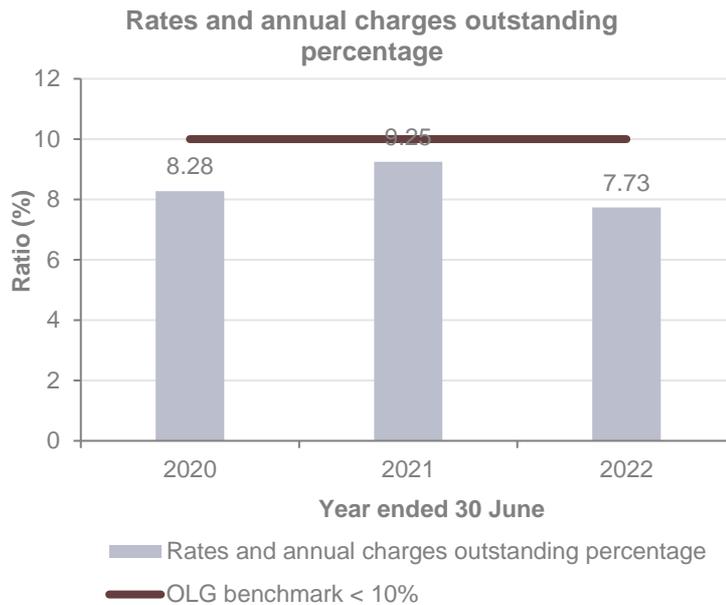
Debt service cover ratio

- The ‘debt service cover ratio’ measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council exceeded the OLG benchmark for the current reporting period.
- The Council has increased external borrowings in 2022, compared to 2021. As such, there is a reduced debt service cover ratio.



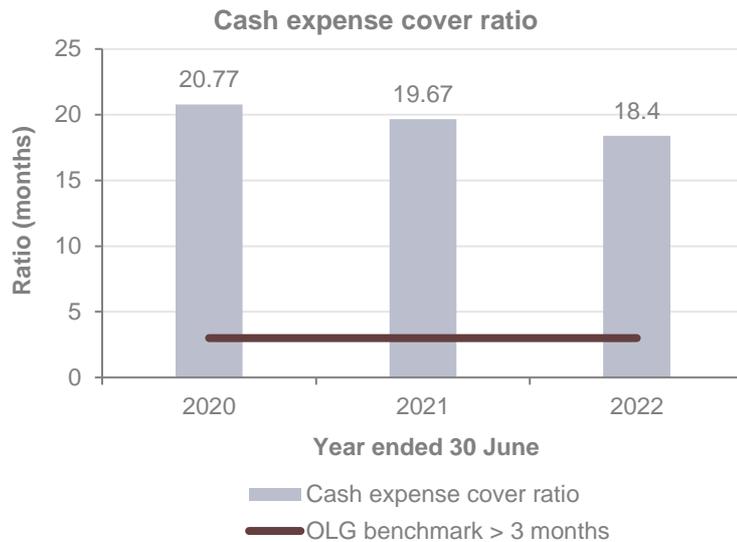
Rates and annual charges outstanding percentage

- The ‘rates and annual charges outstanding percentage’ assesses the impact of uncollected rates and annual charges on the Council’s liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council met the OLG benchmark for the current reporting period which is a reflection of sound debt recovery procedures at the Council.
- The rates and annual charges outstanding percentage has decreased from the previous year as debt recovery actions have recommenced post COVID-19 impact.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council exceeded the OLG benchmark for the current reporting period. This indicates that the Council had the capacity to cover 18.4 months of operating cash expenditure without additional cash inflows at 30 June 2022.
- The cash expense cover ratio has remained steady.



Infrastructure, property, plant and equipment renewals

The Council renewed \$7.6 million of assets in the 2021-22 financial year, compared to \$8.9 million of assets in the 2020-21 financial year. The decrease is primarily due to:

- Decrease of \$1.4 million of direct renewals for roads;
- Decrease of \$1.4 million of direct renewals for swimming pool; and
- Offset by a \$1.0 million increase in direct renewals for buildings and other structures.

OTHER MATTERS

Legislative compliance

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

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

Hong Wee Soh
Delegate of the Auditor-General for New South Wales

cc: Mr George Cowan, General Manager
Mr John Batchelor, Chair of Audit, Risk and Improvement Committee
Mr Michael Cassel, Secretary of the Department of Planning and Environment

Special Purpose Financial Statements

Year Ending
June 2022



Narrandera Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

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

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

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

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

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

Narrandera Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 16 August 2022.



Mr Neville Kchenka

Mayor

16 August 2022



Mr Cameron Lander

Councillor

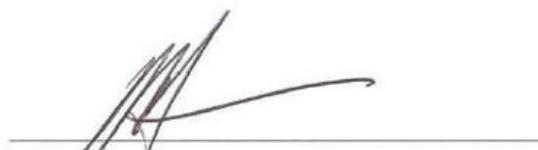
16 August 2022



Mr George Cowan

General Manager

16 August 2022



Mr Martin Hiscox

Responsible Accounting Officer

16 August 2022



Mr Shane Wilson

Deputy General Manager Infrastructure

16 August 2022

Narrandera 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	792	774
User charges	1,067	1,229
Fees	31	28
Interest and investment income	51	87
Total income from continuing operations	1,941	2,118
Expenses from continuing operations		
Employee benefits and on-costs	452	379
Materials and services	1,348	1,142
Depreciation, amortisation and impairment	515	503
Net loss from the disposal of assets	18	46
Total expenses from continuing operations	2,333	2,070
Surplus (deficit) from continuing operations before capital amounts	(392)	48
Grants and contributions provided for capital purposes	16	4
Surplus (deficit) from continuing operations after capital amounts	(376)	52
Surplus (deficit) from all operations before tax	(376)	52
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(12)
Surplus (deficit) after tax	(376)	40
Plus accumulated surplus	18,609	18,555
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	12
Closing accumulated surplus	18,233	18,607
Return on capital %	(1.7)%	0.2%
Subsidy from Council	1,224	244
Calculation of dividend payable:		
Surplus (deficit) after tax	(376)	40
Less: capital grants and contributions (excluding developer contributions)	(16)	(4)
Surplus for dividend calculation purposes	–	36
Potential dividend calculated from surplus	–	18

Narrandera Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	1,459	1,389
User charges	164	163
Interest and investment income	20	16
Total income from continuing operations	1,643	1,568
Expenses from continuing operations		
Employee benefits and on-costs	377	298
Borrowing costs	20	–
Materials and services	792	683
Depreciation, amortisation and impairment	311	308
Net loss from the disposal of assets	–	2
Total expenses from continuing operations	1,500	1,291
Surplus (deficit) from continuing operations before capital amounts	143	277
Grants and contributions provided for capital purposes	226	49
Surplus (deficit) from continuing operations after capital amounts	369	326
Surplus (deficit) from all operations before tax	369	326
Less: corporate taxation equivalent (25%) [based on result before capital]	(36)	(72)
Surplus (deficit) after tax	333	254
Plus accumulated surplus	12,091	11,765
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	36	72
Closing accumulated surplus	12,460	12,091
Return on capital %	1.0%	1.4%
Subsidy from Council	436	13
Calculation of dividend payable:		
Surplus (deficit) after tax	333	254
Less: capital grants and contributions (excluding developer contributions)	(226)	(49)
Surplus for dividend calculation purposes	107	205
Potential dividend calculated from surplus	54	103

Narrandera Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	313	567
Investments	6,050	7,100
Receivables	326	394
Total current assets	6,689	8,061
Non-current assets		
Receivables	165	198
Infrastructure, property, plant and equipment	22,739	19,623
Total non-current assets	22,904	19,821
Total assets	29,593	27,882
LIABILITIES		
Current liabilities		
Payables	126	82
Total current liabilities	126	82
Total liabilities	126	82
Net assets	29,467	27,800
EQUITY		
Accumulated surplus	18,233	18,607
Revaluation reserves	11,234	9,193
Total equity	29,467	27,800

Narrandera 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	137	35
Investments	2,300	800
Receivables	201	166
Contract assets and contract cost assets	130	40
Total current assets	2,768	1,041
Non-current assets		
Infrastructure, property, plant and equipment	16,365	19,431
Total non-current assets	16,365	19,431
Total assets	19,133	20,472
LIABILITIES		
Current liabilities		
Borrowings	91	–
Total current liabilities	91	–
Non-current liabilities		
Borrowings	1,484	–
Total non-current liabilities	1,484	–
Total liabilities	1,575	–
Net assets	17,558	20,472
EQUITY		
Accumulated surplus	12,460	12,091
Revaluation reserves	5,098	8,381
Total equity	17,558	20,472

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Narrandera Council Water Supply

Council's water supply activities servicing the town of Narrandera, and which is established as a Special Rate Fund of Council.

Category 2

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

a. Narrandera Sewerage Service

Council's sewerage reticulation & treatment activities servicing the town of Narrandera, and which is established as a Special Rate Fund of Council.

Taxation equivalent charges

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

Notional rate applied (%)

Corporate income tax rate – **25%** (20/21 26%)

Note – Significant Accounting Policies (continued)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 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 Department of Planning, Industry & Environment – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

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

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (20/21 26%).

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 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

Note – Significant Accounting Policies (continued)

(iii) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Narrandera Shire Council

To the Councillors of Narrandera Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Narrandera Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Soh' with a stylized flourish underneath.

Hong Wee Soh
Delegate of the Auditor-General for New South Wales

30 September 2022
SYDNEY

Special Schedules

Year Ending
June 2022



Narrandera Shire Council

Special Schedules

for the year ended 30 June 2022

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Narrandera 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	5,104	5,193
Plus or minus adjustments ²	b	(1)	21
Notional general income	c = a + b	5,103	5,214
Permissible income calculation			
Special variation percentage ³	d	0.00%	0.00%
Or rate peg percentage	e	2.00%	2.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c + g)	–	–
Or plus rate peg amount	i = e x (c + g)	102	104
Or plus Crown land adjustment and rate peg amount	j = f x (c + g)	–	–
Sub-total	k = (c + g + h + i + j)	5,205	5,318
Plus (or minus) last year's carry forward total	l	(2)	17
Less valuation objections claimed in the previous year	m	–	(7)
Sub-total	n = (l + m)	(2)	10
Total permissible income	o = k + n	5,203	5,328
Less notional general income yield	p	5,193	5,308
Catch-up or (excess) result	q = o – p	10	20
Plus income lost due to valuation objections claimed ⁴	r	7	–
Less unused catch-up ⁵	s	–	–
Carry forward to next year ⁶	t = q + r + s	17	20

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Narrandera Shire Council

To the Councillors of Narrandera Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Narrandera Shire Council (the Council) for the year ending 30 June 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'S. Soh', with a horizontal line underneath.

Hong Wee Soh
Delegate of the Auditor-General for New South Wales

30 September 2022
SYDNEY

Narrandera Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance			1	2	3	4	5		
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000							
Buildings	Buildings – non-specialised	431	–	446	182	10,328	29,571	1.0%	11.0%	47.0%	38.0%	3.0%		
	Buildings – specialised	204	–	221	89	8,805	15,974	32.0%	3.0%	24.0%	39.0%	2.0%		
	Sub-total	635	–	667	271	19,133	45,545	11.9%	8.2%	38.9%	38.4%	2.6%		
Other structures	Other structures	466	–	217	416	11,102	19,217	38.0%	6.0%	26.0%	26.0%	4.0%		
	Sub-total	466	–	217	416	11,102	19,217	38.0%	6.0%	26.0%	26.0%	4.0%		
Water supply network	Water supply network	9,811	–	581	1,113	20,235	40,666	16.0%	7.0%	42.0%	28.0%	7.0%		
	Sub-total	9,811	–	581	1,113	20,235	40,666	16.0%	7.0%	42.0%	28.0%	7.0%		
Roads	Sealed roads pavement	6,030	–	160	394	20,138	32,050	3.0%	3.0%	93.0%	0.0%	1.0%		
	Sealed roads surface	5,513	–	397	982	8,237	17,771	17.0%	4.0%	16.0%	51.0%	12.0%		
	Unsealed roads pavement	3,342	–	255	761	18,154	25,341	64.0%	8.0%	7.0%	4.0%	17.0%		
	Bridges	1,743	–	75	–	9,190	15,203	7.0%	45.0%	43.0%	0.0%	5.0%		
	Footpaths	11	–	2	19	982	1,464	20.0%	77.0%	2.0%	0.0%	1.0%		
	Bulk earthworks	–	–	–	–	58,836	58,836	100.0%	0.0%	0.0%	0.0%	0.0%		
	Flood-ways	–	–	–	–	1,846	1,877	100.0%	0.0%	0.0%	0.0%	0.0%		
	Guardrail	16	–	1	–	289	378	50.0%	34.0%	14.0%	0.0%	2.0%		
	Kerb and guttering	–	–	6	34	3,602	6,124	0.0%	100.0%	0.0%	0.0%	0.0%		
	Traffic devices	38	–	1	–	824	978	76.0%	5.0%	19.0%	0.0%	0.0%		
Sub-total	16,693	–	897	2,190	122,098	160,022	52.0%	11.2%	25.8%	6.3%	4.7%			
Sewerage network	Sewerage network	2,963	–	162	801	15,565	23,780	30.0%	27.0%	31.0%	5.0%	7.0%		
	Sub-total	2,963	–	162	801	15,565	23,780	30.0%	27.0%	31.0%	5.0%	7.0%		
Stormwater drainage	Stormwater drainage	–	–	9	–	7,283	11,152	13.0%	87.0%	0.0%	0.0%	0.0%		
	Sub-total	–	–	9	–	7,283	11,152	13.0%	87.0%	0.0%	0.0%	0.0%		
Open space / recreational assets	Swimming pools	–	–	32	128	3,036	4,217	75.0%	0.0%	0.0%	25.0%	0.0%		
	Open Space & Recreational	103	–	14	–	839	1,602	28.0%	40.0%	15.0%	7.0%	10.0%		
	Sub-total	103	–	46	128	3,875	5,819	62.1%	11.0%	4.1%	20.0%	2.8%		
Total – all assets		30,671	–	2,579	4,919	199,291	306,201	37.4%	13.9%	29.0%	15.1%	4.6%		

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

Narrandera Shire Council

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

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

Narrandera Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	7,609					
Depreciation, amortisation and impairment	4,921	154.62%	214.32%	113.12%	66.81%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	30,671					
Net carrying amount of infrastructure assets	208,996	14.68%	14.52%	10.53%	1.27%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	4,919					
Required asset maintenance	2,579	190.73%	119.07%	170.30%	208.37%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	-	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost	306,201					

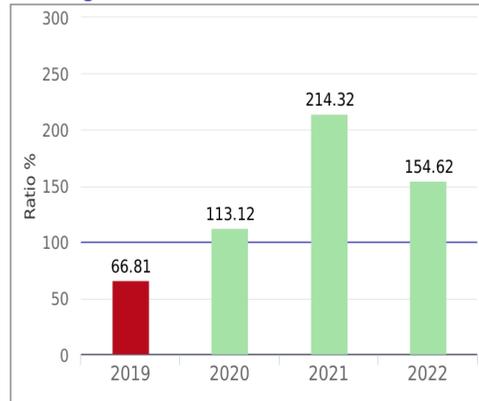
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Narrandera 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	154.62%
At 30 June 2022 Council has a significant amount of renewal projects listed as work in progress	

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	190.73%
Council is expending sufficient funds to ensure the infrastructure backlog ratio remains at a satisfactory level	

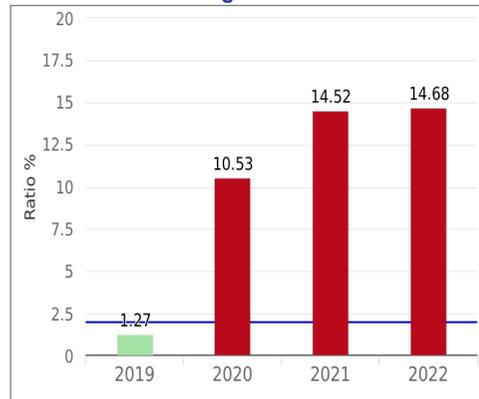
Benchmark: — $> 100.00\%$

■ 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	14.68%
Council is currently maintaining the infrastructure backlog ratio	

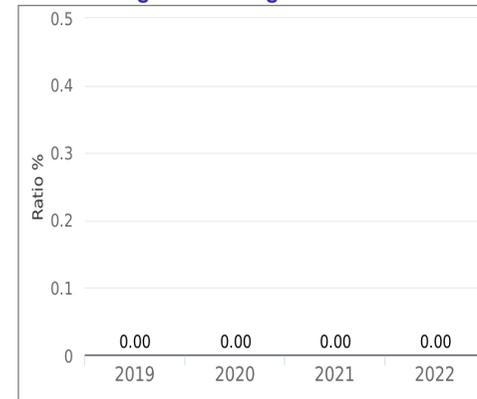
Benchmark: — $< 2.00\%$

■ 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	0.00%

Narrandera 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							
Asset renewals							
Depreciation, amortisation and impairment	177.93%	224.31%	0.00%	177.08%	91.80%	166.01%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	10.33%	13.10%	48.49%	22.44%	19.04%	19.31%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	163.67%	93.44%	191.57%	199.67%	494.44%	247.49%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	