

Kyogle Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Kyogle Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	77
On the Financial Statements (Sect 417 [3])	80

Overview

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

1 Stratheden Street
Kyogle NSW 2474

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.kyogle.nsw.gov.au.

Kyogle 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 12 December 2022.



Kylie Thomas

Mayor

12 December 2022



Tom Cooper

Councillor

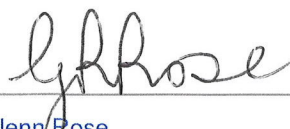
12 December 2022



Graham Kennett

General Manager

12 December 2022



Glenn Rose

Responsible Accounting Officer

12 December 2022

Kyogle Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
11,474	Rates and annual charges	B2-1	11,509	11,081
6,763	User charges and fees	B2-2	9,996	7,770
6	Other revenues	B2-3	25	16
7,881	Grants and contributions provided for operating purposes	B2-4	17,731	8,532
22,886	Grants and contributions provided for capital purposes	B2-4	23,403	15,495
197	Interest and investment income	B2-5	115	66
80	Net gain from the disposal of assets	B4-1	–	–
49,287	Total income from continuing operations		62,779	42,960
Expenses from continuing operations				
8,895	Employee benefits and on-costs	B3-1	10,076	9,103
5,776	Materials and services	B3-2	7,932	8,291
283	Borrowing costs	B3-3	352	217
8,453	Depreciation, amortisation and impairment of non-financial assets	B3-4	9,296	7,613
371	Other expenses	B3-5	339	306
–	Net loss from the disposal of assets	B4-1	4,177	3,882
23,778	Total expenses from continuing operations		32,172	29,412
25,509	Operating result from continuing operations		30,607	13,548
25,509	Net operating result for the year attributable to Council		30,607	13,548
2,623	Net operating result for the year before grants and contributions provided for capital purposes		7,204	(1,947)

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

Kyogle Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		30,607	13,548
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	28,832	(3,779)
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-6	(18,944)	(3,815)
Total items which will not be reclassified subsequently to the operating result		9,888	(7,594)
Total other comprehensive income for the year		9,888	(7,594)
Total comprehensive income for the year attributable to Council		40,495	5,954

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

Kyogle Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021 ¹	Restated 1 July 2020 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	40,329	14,129	16,394
Receivables	C1-3	6,838	5,998	5,691
Inventories	C1-4	3,509	1,878	1,532
Contract assets and contract cost assets	C1-5	400	3,741	915
Total current assets		51,076	25,746	24,532
Non-current assets				
Infrastructure, property, plant and equipment (IPPE) ¹	C1-6	476,237	444,335	435,746
Total non-current assets		476,237	444,335	435,746
Total assets		527,313	470,081	460,278
LIABILITIES				
Current liabilities				
Payables	C3-1	4,614	3,391	3,125
Contract liabilities	C3-2	9,715	2,787	–
Borrowings	C3-3	1,771	871	842
Employee benefit provisions	C3-4	2,562	2,558	2,600
Total current liabilities		18,662	9,607	6,567
Non-current liabilities				
Payables	C3-1	192	104	67
Borrowings	C3-3	13,347	5,527	6,282
Employee benefit provisions	C3-4	243	303	173
Provisions	C3-5	2,002	2,168	771
Total non-current liabilities		15,784	8,102	7,293
Total liabilities		34,446	17,709	13,860
Net assets		492,867	452,372	446,418
EQUITY				
Accumulated surplus ¹		222,979	192,372	178,824
IPPE revaluation reserve	C4-1	269,888	260,000	267,594
Council equity interest		492,867	452,372	446,418
Total equity		492,867	452,372	446,418

(1) Please refer to Note G3-1 restated comparatives

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

Kyogle Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve	Total equity Restated
Opening balance at 1 July		192,372	260,000	452,372	177,095	267,594	444,689
Correction of prior period errors	G3-1	–	–	–	1,729	–	1,729
Restated opening balance		192,372	260,000	452,372	178,824	267,594	446,418
Net operating result for the year		30,607	–	30,607	13,548	–	13,548
Net operating result for the period		30,607	–	30,607	13,548	–	13,548
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	28,832	28,832	–	(3,779)	(3,779)
– Impairment (loss) reversal relating to IPP&E	C1-6	–	(18,944)	(18,944)	–	(3,815)	(3,815)
Other comprehensive income		–	9,888	9,888	–	(7,594)	(7,594)
Total comprehensive income		30,607	9,888	40,495	13,548	(7,594)	5,954
Closing balance at 30 June		222,979	269,888	492,867	192,372	260,000	452,372

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

Kyogle 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>				
11,474	Rates and annual charges		11,557	11,100
6,763	User charges and fees		10,431	8,886
197	Interest received		91	70
30,767	Grants and contributions		49,411	21,788
–	Bonds, deposits and retentions received		178	74
6	Other		3,907	(468)
<i>Payments:</i>				
(8,895)	Payments to employees		(10,030)	(8,960)
(5,776)	Payments for materials and services		(13,075)	(9,688)
(283)	Borrowing costs		(261)	(205)
(371)	Other		(561)	1,111
33,882	Net cash provided from (or used in) operating activities	G1-1	51,648	23,708
Cash flows from investing activities				
<i>Receipts:</i>				
80	Proceeds from sale of IPPE		547	775
<i>Payments:</i>				
(37,619)	Payments for IPPE		(34,715)	(26,022)
(37,539)	Net cash provided from (or used in) investing activities		(34,168)	(25,247)
Cash flows from financing activities				
<i>Receipts:</i>				
10,000	Proceeds from borrowings		10,000	–
–	Bank overdraft		–	8
<i>Payments:</i>				
(1,210)	Repayment of borrowings		(1,219)	(734)
–	Bank overdraft		(61)	–
8,790	Net cash flow provided from (used in) financing activities		8,720	(726)
5,133	Net change in cash and cash equivalents		26,200	(2,265)
14,129	Cash and cash equivalents at beginning of year		14,129	16,394
19,262	Cash and cash equivalents at end of year	C1-1	40,329	14,129

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

Kyogle Council

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

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	n/a
B1 Functions or activities	n/a
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	14
B2 Sources of income	16
B2-1 Rates and annual charges	16
B2-2 User charges and fees	17
B2-3 Other revenues	18
B2-4 Grants and contributions	19
B2-5 Interest and investment income	23
B3 Costs of providing services	24
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	24
B3-3 Borrowing costs	25
B3-4 Depreciation, amortisation and impairment of non-financial assets	26
B3-5 Other expenses	27
B4 Gains or losses	28
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
B5 Performance against budget	29
B5-1 Material budget variations	29
C Financial position	30
C1 Assets we manage	30
C1-1 Cash and cash equivalents	30
C1-2 Restricted and allocated cash, cash equivalents and investments	31
C1-3 Receivables	33
C1-4 Inventories	34
C1-5 Contract assets and Contract cost assets	35
C1-6 Infrastructure, property, plant and equipment	36
C2 Leasing activities	40
C2-1 Council as a lessee	40
C3 Liabilities of Council	41
C3-1 Payables	41
C3-2 Contract Liabilities	42
C3-3 Borrowings	43
C3-4 Employee benefit provisions	45
C3-5 Provisions	47
C4 Reserves	48
C4-1 Nature and purpose of reserves	48

Kyogle Council

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

D Council structure	49
D1 Results by fund	49
D1-1 Income Statement by fund	49
D1-2 Statement of Financial Position by fund	50
D2 Interests in other entities	51
D2-1 Subsidiaries, joint arrangements and associates not recognised	51
E Risks and accounting uncertainties	52
E1-1 Risks relating to financial instruments held	52
E2-1 Fair value measurement	55
E3-1 Contingencies	62
F People and relationships	65
F1 Related party disclosures	65
F1-1 Key management personnel (KMP)	65
F1-2 Councillor and Mayoral fees and associated expenses	66
F2 Other relationships	67
F2-1 Audit fees	67
G Other matters	68
G1-1 Statement of Cash Flows information	68
G2-1 Commitments	69
G3 Changes from prior year statements	70
G3-1 Correction of errors	70
G4 Statement of developer contributions as at 30 June 2022	71
G4-1 Summary of developer contributions	71
G4-2 Developer contributions by plan	71
G5 Statement of performance measures	72
G5-1 Statement of performance measures – consolidated results	72
G5-2 Statement of performance measures by fund	73
H Additional Council disclosures (unaudited)	75
H1-1 Statement of performance measures – consolidated results (graphs)	75

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 12 December 2022. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-3.

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated fund has been included in the financial statements of Council.

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

- General purpose operations
- Water service
- Sewerage service
- Domestic Waste Management

A1-1 Basis of preparation (continued)

The Trust Fund

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- Companion Animals Receipts.
- Unclaimed Monies.
- Monumental Deposits.
- Long Services Levies.

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 has minimal dependence on volunteer services, these services have not been recognised in the income statement as they are not material.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been adopted.

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

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

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2022. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021 ¹ Restated
Functions or activities										
Governance	–	–	536	424	(536)	(424)	–	–	–	–
Administration	–	–	1,153	1,131	(1,153)	(1,131)	–	–	32,556	12,819
Personnel	53	37	421	826	(368)	(789)	29	27	–	–
Finance	11,730	10,347	771	630	10,959	9,717	4,116	2,985	–	–
Crown reserves	466	334	79	474	387	(140)	466	334	–	–
Town planning	158	223	470	553	(312)	(330)	–	50	–	–
Environmental health	198	164	528	442	(330)	(278)	34	12	–	–
Building control	44	56	87	85	(43)	(29)	–	–	–	–
Animal control	389	20	189	211	200	(191)	375	–	57	54
Other waste management	1,470	961	944	1,111	526	(150)	308	74	3,007	2,813
Strategic, community & cultural services	2,035	432	1,147	850	888	(418)	2,029	414	3,470	723
Pre schools	–	–	63	68	(63)	(68)	–	–	–	–
Public libraries	88	134	533	564	(445)	(430)	88	133	7	8
Regional roads	3,913	6,666	2,076	1,776	1,837	4,890	3,913	6,666	63,525	62,492
Urban roads	304	218	961	861	(657)	(643)	304	218	16,105	13,521
Rural roads	11,232	5,481	7,664	6,042	3,568	(561)	11,232	5,481	144,304	138,102
Bridges	14,649	5,463	3,479	3,691	11,170	1,772	14,650	5,460	138,077	117,328
Emergency services	224	43	922	1,413	(698)	(1,370)	223	43	3,946	3,813
Swimming pools	114	137	781	756	(667)	(619)	–	–	3,924	3,652
Parks & gardens	2,074	952	915	761	1,159	191	2,063	948	6,362	5,239
Community buildings	709	642	275	364	434	278	586	496	12,230	9,715
Public cemeteries	162	104	222	159	(60)	(55)	–	–	144	141
Stormwater drainage	539	614	159	114	380	500	349	430	27,724	26,141
Engineering administration	64	104	(3,561)	309	3,625	(205)	–	–	–	–
Water supplies	1,858	1,981	1,779	1,555	79	426	5	244	25,181	28,786
Sewerage services	2,085	1,656	1,286	1,258	799	398	324	12	32,901	30,326
Domestic waste management	1,109	1,058	1,058	1,103	51	(45)	–	–	106	116
State highways	7,067	5,093	8,340	4,875	(1,273)	218	40	–	–	1,099
Quarries	–	–	(398)	(296)	398	296	–	–	2,049	2,182
Other	–	–	–	–	–	–	–	–	–	159
Plant fund	45	40	(707)	(2,698)	752	2,738	–	–	11,638	10,852
Total functions and activities	62,779	42,960	32,172	29,412	30,607	13,548	41,134	24,027	527,313	470,081

(1) Please refer to Note G3-1 restated comparatives

B1-2 Components of functions or activities

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

Governance

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

Administration

Includes corporate support and other support services and any Council Policy compliance.

Personnel

Includes costs relating to payroll, human resources and workplace health and safety.

Finance

Includes rates, accounts receivable, accounts payable and annual financial reporting requirements.

Crown reserves

Includes costs relating to reserves not controlled by council.

Town Planning

Includes costs relating to planning activities.

Environmental health

Includes costs relating to environmental activities.

Building control

Includes costs relating to building inspections.

Animal control

Includes costs relating to regulatory activities.

Other waste management

Includes costs relating to waste management.

Strategic, community and cultural services

Includes costs relating to Economic development, tourism, visitor information centre, community services and art galleries.

Pre schools

Includes building maintenance and operating contributions to local pre schools.

Public libraries

Includes costs relating to the regional library.

Regional roads

Includes costs relating to sealed and unsealed regional roads and bridges.

Urban roads

Includes costs relating to sealed and unsealed urban roads and footpaths.

Rural roads

Includes costs relating to sealed and unsealed rural roads.

Bridges

Includes costs relating to rural bridges.

Emergency services

Includes costs relating to rural fire brigades, town brigade and state emergency services.

Swimming pools

Includes costs relating to Kyogle, Bonalbo and Woodenbong pool.

B1-2 Components of functions or activities (continued)

Parks and gardens

Includes costs relating to parks, gardens and sporting fields.

Community buildings

Includes costs relating to community buildings.

Public cemeteries

Includes costs relating to cemeteries, lawn cemetery and columbarium walls.

Stormwater drainage

Includes costs relating to drainage improvements and flood mitigation.

Engineering administration

Includes costs relating to provision of engineering services.

Water supplies

All matters relating to the provision of water supplies.

Sewerage services

All matters relating to the provision of sewerage services.

Domestic waste management

Includes costs relating to collection of residential and commercial bins.

State highways

All matters relating to works conducted on state highways.

Quarries

All matters relating to the production of quarry materials for council roadworks.

Plant fund

All matters relating to councils vehicle fleet.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	3,682	3,586
Farmland	3,559	3,459
Business	320	310
Less: pensioner rebates (mandatory)	(212)	(218)
Rates levied to ratepayers	7,349	7,137
Pensioner rate subsidies received	117	122
Total ordinary rates	7,466	7,259
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,130	1,081
Water supply services	1,041	960
Sewerage services	1,417	1,345
Drainage	189	185
Waste management services (non-domestic)	330	318
Less: pensioner rebates (mandatory)	(147)	(152)
Annual charges levied	3,960	3,737
Pensioner subsidies received:		
– Water	27	28
– Sewerage	26	27
– Domestic waste management	30	30
Total annual charges	4,043	3,822
Total rates and annual charges	11,509	11,081

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	828	789
Sewerage services	1	362	318
Waste management services (non-domestic)	1	968	703
Total specific user charges		2,158	1,810
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building services – other	2	12	17
Inspection services	2	77	78
Planning and building regulation	2	149	164
Private works – section 67	1	25	66
Section 603 certificates	2	29	32
Other	2	129	122
Art galleries	2	5	12
Caravan parks	2	82	106
Cemeteries	2	162	104
Pools	2	114	137
Quarries	2	27	29
Transport for NSW works (State roads not controlled by council)	1	7,027	5,093
Total fees and charges – statutory/regulatory		7,838	5,960
Total other user charges and fees		7,838	5,960
Total user charges and fees		9,996	7,770
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		9,210	6,969
User charges and fees recognised at a point in time (2)		786	801
Total user charges and fees		9,996	7,770

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
Other	2	25	16
Total other revenue		25	16

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		-	-
Other revenue recognised at a point in time (2)		25	16
Total other revenue		25	16

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 ³	2	2,523	2,219	–	–
Payment in advance - future year allocation					
Financial assistance ³	2	3,881	2,376	–	–
Amount recognised as income during current year		6,404	4,595	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	1	–	–	(23)	209
Sewerage services	1	–	–	324	12
Library	2	88	133	–	–
LIRS subsidy	2	28	35	–	–
Storm/flood damage	2	29	–	–	–
Community projects	1	3,804	946	1,987	1,320
Flood mitigation	1	–	–	12	430
Waste sustainability	2	55	55	–	–
Street lighting	2	35	35	–	–
Transport (other roads and bridges funding)	1	6,142	1,654	19,703	13,282
Roads and bridges	2	–	–	123	242
Transport for NSW contributions (regional roads, block grant)	2	946	946	–	–
Other contributions	2	102	82	–	–
Total special purpose grants and non-developer contributions – cash		11,229	3,886	22,126	15,495
Non-cash contributions					
Bushfire services	2	–	–	204	–
Drainage	2	–	–	337	–
Roads and bridges	2	–	–	736	–
Total other contributions – non-cash		–	–	1,277	–
Total special purpose grants and non-developer contributions (tied)		11,229	3,886	23,403	15,495
Total grants and non-developer contributions		17,633	8,481	23,403	15,495
Comprising:					
– Commonwealth funding		7,583	6,282	2,815	4,706
– State funding		9,961	2,113	19,392	10,542
– Other funding		89	86	1,196	247
		17,633	8,481	23,403	15,495

(3) \$3.881m of the 2022 - 2023 Financial Assistance Grant from the Commonwealth Government was received by Council in June 2022 and hence is reported as 2021 - 2022 income although it relates to the 2022 - 2023 financial year.

B2-4 Grants and contributions (continued)

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):	G4					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	98	51	–	–
Total developer contributions – cash			98	51	–	–
Total developer contributions			98	51	–	–
Total contributions			98	51	–	–
Total grants and contributions			17,731	8,532	23,403	15,495
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			9,946	2,600	22,003	15,253
Grants and contributions recognised at a point in time (2)			7,785	5,932	1,400	242
Total grants and contributions			17,731	8,532	23,403	15,495

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	828	1,020	3,182	102
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	3,947	530	9,936	3,182
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(828)	(722)	(3,182)	(102)
Less: Funds received in prior year but revenue recognised and funds spent in current year	-	-	-	-
Unspent funds at 30 June	3,947	828	9,936	3,182

Various grants for roads, bridges, parks, community buildings and community projects

Contributions

Unspent funds at 1 July	163	163	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	-	-
Unspent contributions at 30 June	163	163	-	-

Developer contributions under S7.11 and S64 plans.

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. 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.

B2-4 Grants and contributions (continued)

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	51	30
– Cash and investments	64	36
Total interest and investment income (losses)	115	66
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
General Council cash and investments	109	63
Restricted investments/funds – external:		
Water fund operations	1	1
Sewerage fund operations	2	1
Domestic waste management operations	3	1
Total interest and investment income	115	66

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	8,567	7,927
Employee leave entitlements (ELE)	1,809	1,844
Superannuation – defined contribution plans	891	798
Superannuation – defined benefit plans	146	162
Workers' compensation insurance	271	249
Fringe benefit tax (FBT)	24	10
Training costs (other than salaries and wages)	190	221
Other	138	137
Total employee costs	12,036	11,348
Less: capitalised costs	(1,960)	(2,245)
Total employee costs expensed	10,076	9,103
Number of 'full-time equivalent' employees (FTE) at year end	122	136

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		5,877	6,227
Audit Fees	F2-1	69	76
Councillor and Mayoral fees and associated expenses	F1-2	149	149
Advertising		66	74
Electricity and heating		245	273
Insurance		463	390
Street lighting		107	106
Subscriptions and publications		15	14
Telephone and communications		85	88
Emergency services		369	377
Regional library		460	492
Legal expenses:			
– Legal expenses: debt recovery		23	20
– Legal expenses: other		4	5
Total materials and services		7,932	8,291
Total materials and services		7,932	8,291

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		308	201
Total interest bearing liability costs		308	201
Total interest bearing liability costs expensed		308	201
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	44	16
Total other borrowing costs		44	16
Total borrowing costs expensed		352	217

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
Depreciation and amortisation			
Plant and equipment		1,399	1,209
Office equipment		63	67
Furniture and fittings		1	1
Land improvements (depreciable)		23	23
Infrastructure:	C1-6		
– Buildings – non-specialised		69	66
– Buildings – specialised		379	348
– Other structures		304	216
– Roads		4,705	3,666
– Bridges		1,506	1,191
– Footpaths		60	57
– Stormwater drainage		76	73
– Water supply network		344	305
– Sewerage network		246	197
– Swimming pools		70	69
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-6	4	11
– Quarry assets	C3-5,C1-6	47	114
Total gross depreciation and amortisation costs		9,296	7,613
Total depreciation and amortisation costs		9,296	7,613
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-6		
– Roads		19,026	3,815
– Bridges		(82)	–
Total gross IPPE impairment / revaluation decrement costs		18,944	3,815
Amounts taken through revaluation reserve	C1-6	(18,944)	(3,815)
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
Total depreciation, amortisation and impairment for non-financial assets		9,296	7,613

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

B3-5 Other expenses

\$ '000	2022	2021
Other		
Donations, contributions and assistance to other organisations (Section 356)	339	306
Total other	339	306
Total other expenses	339	306

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		–	247
Less: carrying amount of property assets sold/written off		–	(130)
Gain (or loss) on disposal		–	117
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		547	528
Less: carrying amount of plant and equipment assets sold/written off		(380)	(266)
Gain (or loss) on disposal		167	262
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(4,344)	(4,261)
Gain (or loss) on disposal		(4,344)	(4,261)
Net gain (or loss) from disposal of assets		(4,177)	(3,882)

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 15/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
User charges and fees Level of Transport NSW works higher than anticipated.	6,763	9,996	3,233	48% F
Other revenues Insurance recoveries higher than anticipated.	6	25	19	317% F
Operating grants and contributions Additional funding approved after original estimates adopted.	7,881	17,731	9,850	125% F
Capital grants and contributions Additional funding approved after original estimates adopted.	22,886	23,403	517	2% F
Interest and investment revenue Interest charges on overdue rates lower than anticipated.	197	115	(82)	(42)% U
Net gains from disposal of assets Council does not budget for disposal of infrastructure assets.	80	-	(80)	(100)% U
Expenses				
Employee benefits and on-costs Additional staffing required due to flood damage works.	8,895	10,076	(1,181)	(13)% U
Materials and services Level of Transport NSW works higher than anticipated. Additional projects approved through revotes.	5,776	7,932	(2,156)	(37)% U
Borrowing costs Borrowing costs on Reinstatement provisions not budgeted for.	283	352	(69)	(24)% U
Net losses from disposal of assets Council does not budget for disposal of infrastructure assets.	-	4,177	(4,177)	∞ U
Statement of cash flows				
Cash flows from operating activities Additional funding approved after initial estimates adopted.	33,882	51,648	17,766	52% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	20,329	8,129
Cash equivalent assets		
– Deposits at call	20,000	6,000
Total cash and cash equivalents	40,329	14,129

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	40,329	14,129
Balance as per the Statement of Cash Flows	40,329	14,129

Accounting policy

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

C1-2 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	40,329	14,129
Less: Externally restricted cash, cash equivalents and investments	<u>(15,167)</u>	<u>(4,898)</u>
Cash, cash equivalents and investments not subject to external restrictions	25,162	9,231
External restrictions		
External restrictions included in cash, cash equivalents and investments above comprise:		
Retention bonds and deposits	387	208
Specific purpose unexpended grants – general fund	13,118	4,010
Specific purpose unexpended grants – water fund	426	–
Specific purpose unexpended grants – sewer fund	339	–
External restrictions	14,270	4,218
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	108	109
Developer contributions – sewer fund	55	54
Water fund	119	193
Sewer fund	615	324
External restrictions – other	897	680
Total external restrictions	15,167	4,898

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.

C1-2 Restricted and allocated cash, cash equivalents and investments (continued)

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	25,162	9,231
Less: Internally allocated cash, cash equivalents and investments	<u>(18,581)</u>	<u>(9,185)</u>
Unrestricted and unallocated cash, cash equivalents and investments	6,581	46
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	2,917	413
Employees leave entitlement	1,378	1,451
Carry over works	10,916	3,507
Building replacement	150	150
Commercial waste	573	771
Emergency works	500	500
Information technology	100	100
Quarries	847	789
Roads and bridges	1,000	1,000
Stormwater management	200	200
Transport	-	304
Total internal allocations	18,581	9,185

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

C1-3 Receivables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Rates and annual charges	771	–	792	–
User charges and fees	1,641	–	1,135	–
Accrued revenues				
– Interest on investments	25	–	1	–
Amounts due from other councils	–	–	271	–
Government grants and subsidies	3,971	–	3,256	–
Net GST receivable	432	–	548	–
Other debtors	1	–	1	–
Total	6,841	–	6,004	–
Less: provision for impairment				
Other debtors	(3)	–	(6)	–
Total provision for impairment – receivables	(3)	–	(6)	–
Total net receivables	6,838	–	5,998	–

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	6	4
– amounts already provided for and written off this year	(3)	2
Balance at the end of the year	3	6

C1-3 Receivables (continued)

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-4 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	3,017	–	1,452	–
Trading stock	492	–	426	–
Total inventories at cost	3,509	–	1,878	–
Total inventories	3,509	–	1,878	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-5 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	400	-	3,741	-
Total contract assets and contract cost assets	400	-	3,741	-

Contract assets

Grants - Transport	400	-	3,741	-
Total contract assets	400	-	3,741	-

Significant changes in contract assets

The 2021 balance related to accrued works for Regional Roads, Flood Damage and Bridge Construction. In 2022 Council has contract assets relating to the Heavy Vehicle Safety and Productivity Program.

Accounting policy

Contract assets

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

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021 ¹			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount ¹ Restated	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss recognised in equity (ARR)	WIP transfers	Adjustments and transfers	Revaluation increments / (decreme- nts) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	6,172	–	6,172	17,097	1,347	–	–	–	(1,300)	–	–	23,316	–	23,316
Plant and equipment	21,231	(11,846)	9,385	808	–	(380)	(1,399)	–	–	–	–	21,108	(12,694)	8,414
Office equipment	790	(662)	128	–	–	–	(63)	–	–	–	–	790	(726)	64
Furniture and fittings	31	(24)	7	–	–	–	(1)	–	–	–	–	31	(24)	7
Land:														
– Crown land	1,442	–	1,442	–	–	–	–	–	–	–	186	1,628	–	1,628
– Operational land	4,306	–	4,306	–	–	–	–	–	–	–	556	4,862	–	4,862
– Community land	1,603	–	1,603	–	–	–	–	–	–	–	206	1,809	–	1,809
– Land under roads (pre 1/7/08)	1,873	–	1,873	–	–	–	–	–	–	–	242	2,115	–	2,115
– Land under roads (post 30/6/08)	3	–	3	–	–	–	–	–	–	–	–	3	–	3
Land improvements – depreciable	1,332	(393)	939	–	–	–	(23)	–	–	–	89	1,462	(457)	1,005
Infrastructure:														
– Buildings – non-specialised	4,168	(1,929)	2,239	–	–	–	(69)	–	–	–	352	4,715	(2,193)	2,522
– Buildings – specialised	26,965	(13,390)	13,575	116	33	–	(379)	–	21	–	1,322	29,461	(14,772)	14,689
– Other structures	7,843	(3,291)	4,552	362	617	(3)	(304)	–	190	–	(42)	9,350	(3,978)	5,372
– Roads	253,959	(75,066)	178,893	3,191	1,055	(2,276)	(4,705)	(19,026)	95	–	15,662	275,545	(102,656)	172,889
– Bridges	194,111	(79,247)	114,864	10,836	–	(1,999)	(1,506)	82	592	–	9,894	206,477	(73,714)	132,763
– Footpaths	3,828	(796)	3,032	–	304	(19)	(60)	–	173	–	30	4,368	(908)	3,460
– Bulk earthworks (non-depreciable)	15,046	–	15,046	–	–	–	–	–	–	–	1,159	16,205	–	16,205
– Stormwater drainage	29,513	(3,572)	25,941	31	337	(5)	(76)	–	1	–	1,295	31,351	(3,827)	27,524
– Water supply network	33,401	(5,945)	27,456	211	53	(41)	(344)	–	63	–	(3,800)	34,755	(11,158)	23,597
– Sewerage network	34,799	(5,073)	29,726	–	–	–	(246)	–	–	–	1,482	39,864	(8,902)	30,962
– Swimming pools	5,656	(3,534)	2,122	–	–	–	(70)	–	–	–	199	6,205	(3,954)	2,251
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	792	(472)	320	–	–	–	(4)	–	–	29	–	821	(476)	345
– Quarry assets	1,171	(460)	711	–	–	–	(47)	–	–	(229)	–	942	(507)	435
Total infrastructure, property, plant and equipment	650,035	(205,700)	444,335	32,652	3,746	(4,723)	(9,296)	(18,944)	(165)	(200)	28,832	717,183	(240,946)	476,237

(1) Please refer to Note G3-1 restated comparatives

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

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

By aggregated asset class	At 1 July 2020 ¹			Asset movements during the reporting period							At 30 June 2021 ¹			
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount ¹ Restated	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss recognised in equity (ARR)	WIP transfers	Adjustments and transfers	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount ¹ Restated
\$ '000														
Capital work in progress	7,733	–	7,733	3,876	1,011	–	–	–	(6,448)	–	–	6,172	–	6,172
Plant and equipment	22,056	(13,582)	8,474	2,717	–	(597)	(1,209)	–	–	–	–	21,231	(11,846)	9,385
Office equipment	905	(795)	110	84	–	–	(67)	–	–	–	–	790	(662)	128
Furniture and fittings	31	(23)	8	–	–	–	(1)	–	–	–	–	31	(24)	7
Land:														
– Operational land	4,392	–	4,392	–	45	(130)	–	–	–	–	–	4,306	–	4,306
– Community land	1,603	–	1,603	–	–	–	–	–	–	–	–	1,603	–	1,603
– Crown land	1,442	–	1,442	–	–	–	–	–	–	–	–	1,442	–	1,442
– Land under roads (pre 1/7/08)	1,744	–	1,744	–	–	–	–	–	–	–	129	1,873	–	1,873
– Land under roads (post 30/6/08)	2	–	2	–	–	–	–	–	–	–	1	3	–	3
Land improvements – depreciable	869	(363)	506	–	433	–	(23)	–	11	–	13	1,332	(393)	939
Infrastructure:														
– Buildings – non-specialised	4,040	(1,830)	2,210	56	–	–	(66)	–	–	–	40	4,168	(1,929)	2,239
– Buildings – specialised	26,020	(13,208)	12,812	437	460	(26)	(348)	–	202	–	37	26,965	(13,390)	13,575
– Other structures	6,801	(3,201)	3,600	240	647	(37)	(216)	–	171	–	149	7,843	(3,291)	4,552
– Roads	237,144	(69,451)	167,693	10,422	876	(1,396)	(3,666)	(3,815)	5,318	–	3,460	253,959	(75,066)	178,893
– Bridges	166,824	(44,058)	122,766	4,045	478	(2,289)	(1,191)	–	405	531	(9,881)	194,111	(79,247)	114,864
– Footpaths	3,702	(723)	2,979	–	93	(10)	(57)	–	–	–	27	3,828	(796)	3,032
– Bulk earthworks (non-depreciable)	14,644	–	14,644	–	54	(25)	–	–	–	–	373	15,046	–	15,046
– Stormwater drainage	28,771	(3,851)	24,920	9	–	–	(73)	–	–	–	1,084	29,513	(3,572)	25,941
– Water supply network	32,911	(5,620)	27,291	159	152	(105)	(305)	–	80	–	183	33,401	(5,945)	27,456
– Sewerage network	34,154	(5,464)	28,690	599	56	(43)	(197)	–	166	–	454	34,799	(5,073)	29,726
– Swimming pools	5,502	(3,463)	2,039	–	–	–	(69)	–	–	–	152	5,656	(3,534)	2,122
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	386	(327)	59	–	–	–	(11)	–	–	272	–	792	(472)	320
– Quarry assets	375	(346)	29	–	–	–	(114)	–	–	797	–	1,171	(460)	711
Total infrastructure, property, plant and equipment	602,051	(166,305)	435,746	22,644	4,305	(4,658)	(7,613)	(3,815)	(95)	1,600	(3,779)	650,035	(205,700)	444,335

(1) Please refer to Note G3-1 restated comparatives

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

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

Accounting policy

IPPE is measured initially at cost. Cost includes 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.

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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	Playground equipment	5 to 15
Office furniture	5	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	10 to 20	Buildings	
Heavy plant/road making equipment	10	Buildings: masonry	80 to 170
Other plant and equipment	10	Buildings: other	15 to 65
		Stormwater assets	
Water and sewer assets		Drains	144 to 203
Civil works	15 to 150	Culverts	150 to 203
Mechanical and electrical	15 to 60		
Reticulation pipes: Water	65 to 203		
Reticulation pipes: Sewer	133 to 319		
Transportation assets			
Sealed roads: surface	10 to 35		
Sealed roads: structure	100		
Unsealed roads	20 to 38		
Bridge: concrete	141		
Bridge: timber	141		
Road pavements	125		
Kerb, gutter and footpaths	30 to 70		

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

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

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

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".

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

Infrastructure, property, plant and equipment – current year impairments

\$ '000	2022	2021
(i) Impairment losses recognised direct to equity (ARR):		
Roads assets impaired during various flood events 2020 & 2021	18,944	3,815
Total impairment losses	18,944	3,815
Impairment of assets – direct to equity (ARR)	18,944	3,815

C2 Leasing activities

C2-1 Council as a lessee

Council is not party to any lease arrangements that would require recognition under AASB 16.

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market value for land and buildings which are used for Pre Schools.

The leases are generally between 1 and 20 years and require payments of less than \$1,000 per year.

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 asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	1,814	–	887	–
Goods and services – capital expenditure	1,818	–	1,776	–
Accrued expenses:				
– Borrowings	80	–	33	–
– Salaries and wages	357	–	255	–
– Other expenditure accruals	164	–	176	–
Security bonds, deposits and retentions	195	192	105	104
Prepaid rates	186	–	159	–
Total payables	4,614	192	3,391	104

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)	9,715	-	2,787	-
Total grants received in advance		9,715	-	2,787	-
Total contract liabilities		9,715	-	2,787	-

Notes

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

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)	2,787	-
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,787	-

Significant changes in contract liabilities

Council has received funding in advance for "Fixing Country Bridges", "Fixing Local Roads", "Kyogle Bridge Package", "Local Roads and Community infrastructure Program", "Public Spaces Legacy Program" and "Bushfire Local Economic Recovery Fund"

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 Current	2022 Non-current	2021 Current	2021 Non-current
Bank overdraft	55	–	116	–
Loans – secured ¹	1,716	13,347	755	5,527
Total borrowings	1,771	13,347	871	5,527

(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.

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	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
\$ '000							
Loans – secured	6,282	8,781	–	–	–	–	15,063
Total liabilities from financing activities	6,282	8,781	–	–	–	–	15,063

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	7,016	(734)	–	–	–	–	6,282
Total liabilities from financing activities	7,016	(734)	–	–	–	–	6,282

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	12	12
Total financing arrangements	12	12
Undrawn facilities		
– Credit cards/purchase cards	12	12
Total undrawn financing arrangements	12	12

Additional financing arrangements information

Breaches and defaults

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	1,105	–	1,088	–
Long service leave	1,250	243	1,269	303
Other leave – time in lieu	50	–	56	–
ELE on-costs	157	–	145	–
Total employee benefit provisions	2,562	243	2,558	303

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

\$ '000	2022	2021
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The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	1,066	1,098
	1,066	1,098

C3-4 Employee benefit provisions (continued)

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		2021	
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,002	–	2,168
Sub-total – asset remediation/restoration	–	2,002	–	2,168
Total provisions	–	2,002	–	2,168

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	2,168	2,168
Changes to provision:		
– Revised costs	(201)	(201)
Unwinding of discount	44	44
Remeasurement effects	(9)	(9)
Total other provisions at end of year	2,002	2,002
2021		
At beginning of year	771	771
Changes to provision:		
– Revised costs	1,317	1,317
Unwinding of discount	16	16
Remeasurement effects	64	64
Total other provisions at end of year	2,168	2,168

Nature and purpose of provisions

Asset remediation

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

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2022	2021
Tip Remediation - Kyogle	2051	628	593
Tip Remediation - Mallanganee	2027	17	20
Tip Remediation - Woodenbong	2048	152	158
Quarry Remediation - Millers	2029	536	434
Quarry Remediation - Medhurst	2029	466	674
Quarry Remediation - Griffiths	2026	69	98
Quarry Remediation - Lloyds	2026	134	191
Balance at the end of the reporting period		2,002	2,168

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.

C3-5 Provisions (continued)

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

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

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	9,092	1,020	1,397
User charges and fees	8,801	832	363
Interest and investment revenue	112	1	2
Other revenues	25	–	–
Grants and contributions provided for operating purposes	17,703	28	–
Grants and contributions provided for capital purposes	23,102	(23)	324
Total income from continuing operations	58,835	1,858	2,086
Expenses from continuing operations			
Employee benefits and on-costs	9,607	286	183
Materials and services	6,200	1,002	730
Borrowing costs	258	37	57
Depreciation, amortisation and impairment of non-financial assets	8,706	344	246
Other expenses	142	126	71
Net losses from the disposal of assets	4,137	40	–
Total expenses from continuing operations	29,050	1,835	1,287
Operating result from continuing operations	29,785	23	799
Net operating result for the year	29,785	23	799
Net operating result attributable to each council fund	29,785	23	799
Net operating result for the year before grants and contributions provided for capital purposes	6,683	46	475

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	38,775	545	1,009
Receivables	5,946	350	542
Inventories	3,509	–	–
Contract assets and contract cost assets	400	–	–
Total current assets	48,630	895	1,551
Non-current assets			
Infrastructure, property, plant and equipment	420,602	24,285	31,350
Total non-current assets	420,602	24,285	31,350
Total assets	469,232	25,180	32,901
LIABILITIES			
Current liabilities			
Payables	4,482	128	4
Contract liabilities	8,950	426	339
Borrowings	1,508	236	27
Employee benefit provision	2,391	85	86
Total current liabilities	17,331	875	456
Non-current liabilities			
Payables	192	–	–
Borrowings	12,028	585	734
Employee benefit provision	243	–	–
Provisions	2,002	–	–
Total non-current liabilities	14,465	585	734
Total liabilities	31,796	1,460	1,190
Net assets	437,436	23,720	31,711
EQUITY			
Accumulated surplus	197,049	15,470	10,460
Revaluation reserves	240,387	8,250	21,251
Council equity interest	437,436	23,720	31,711
Total equity	437,436	23,720	31,711

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 Net loss	2022 Net assets
Newlog	Vehicle Weight Limits	(21)	41

Reasons for non-recognition

The Council is a member of the North-East Weight of Loads Group. The constitution of the group specifies the council as having a part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally promote the aims of reducing damage to Councils roads by policing of vehicles weight limits.

Council's share of the operations (12.5%) have been deemed as "immaterial" and therefore have not been incorporated into these Financial Statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	40,329	14,129	40,329	14,129
Receivables	6,838	5,998	6,838	5,998
Total financial assets	47,167	20,127	47,167	20,127
Financial liabilities				
Measured at amortised cost				
Bank overdraft	55	116	55	116
Payables	4,806	3,495	4,806	3,495
Loans/advances	15,063	6,282	15,934	7,391
Total financial liabilities	19,924	9,893	20,795	11,002

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	403	141

(b) Credit risk

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

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to 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 rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	738	33	–	771
2021				
Gross carrying amount	765	27	–	792

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.

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	6,470	–	–	–	–	6,470
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2021						
Gross carrying amount	8,953	–	–	–	–	8,953
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Bank overdraft	0.00%	55	–	–	–	55	55
Payables	0.00%	387	4,419	–	–	4,806	4,806
Borrowings	2.09%	–	2,022	7,770	7,183	16,975	15,063
Total financial liabilities		442	6,441	7,770	7,183	21,836	19,924
2021							
Bank overdraft	0.00%	116	–	–	–	116	116
Payables	0.00%	368	3,127	–	–	3,495	3,495
Borrowings	3.01%	–	939	3,719	2,964	7,622	6,282
Total financial liabilities		484	4,066	3,719	2,964	11,233	9,893

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

\$ '000	Date of latest valuation 2022	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021 ¹	2022	2021 ¹
					Restated		Restated
	Notes						
Recurring fair value measurements							
Infrastructure, property, plant and equipment C1-6							
Plant & Equipment	30/06/22	–	–	8,414	9,385	8,414	9,385
Office Equipment	30/06/22	–	–	64	128	64	128
Furniture & Fittings	30/06/22	–	–	7	8	7	8
Land Operational	30/06/18	–	–	4,862	4,306	4,862	4,306
Land Community	30/06/18	–	–	1,809	1,603	1,809	1,603
Land Crown	30/06/18	–	–	1,628	1,442	1,628	1,442
Land under Roads	30/06/21	–	–	2,118	1,876	2,118	1,876
Land Improvements	30/06/18	–	–	1,005	940	1,005	940
Buildings	30/06/18	–	–	17,210	15,814	17,210	15,814
Other Structures	30/06/18	–	–	5,372	4,552	5,372	4,552
Roads	31/03/20	–	–	172,889	178,893	172,889	178,893
Bridges	30/06/21	–	–	132,763	114,864	132,763	114,864
Footpaths	31/03/20	–	–	3,460	3,031	3,460	3,031
Earthworks	31/03/20	–	–	16,205	15,046	16,205	15,046
Stormwater Drainage	01/07/21	–	–	27,524	25,941	27,524	25,941
Water Supply	01/07/21	–	–	23,597	27,455	23,597	27,455
Sewerage Network	01/07/21	–	–	30,962	29,725	30,962	29,725
Swimming Pools	30/06/18	–	–	2,251	2,122	2,251	2,122
Reinstatement Assets	30/06/22	–	–	780	1,032	780	1,032
Total infrastructure, property, plant and equipment		–	–	452,920	438,163	452,920	438,163

Note that Capital WIP is not included above since it is carried at cost.

(1) Please refer to Note G3-1 restated comparatives

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 and Furniture & Fittings

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, servers etc.
- Furniture & Fittings - Chairs & desks etc.

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

Operational & Community Land & Land Improvements

The key unobservable input to the valuation of these classes of assets is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd, Director Robert Lee Muller BSc (Hons) MRICS MAPM MAIPM AAPI, Chartered Valuation Surveyor.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

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

Crown Land

Council's Crown Land (including land managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access. Many of these parcels of land have no feasible alternative use, such as parks and reserves. Community land is valued using the 'Market Approach'.

Fair value is derived by adjusting observable market inputs using unobservable inputs. The resulting measurement is categorised within level 3. Crown Land was revalued as at 30 June 2018. There has been no change to the valuation process during the reporting period.

Land Under Roads

Land under roads has been valued using the Engloba method for nearby or adjacent Community Land having regard to the highest and best use for this land. Land under roads was revalued at 30 June 2021 by internal staff.

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

Buildings - Non-Specialised & Specialised

Buildings were valued by AssetVal Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

E2-1 Fair value measurement (continued)

Other Structures

These assets include all other structures not included in the category of Buildings. Examples include statues, fences, monuments and clocktowers. Other Structures were valued by AssetVal Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost for each structure by componentising the structures into significant parts with different useful lives and taking into account a range of factors. While all structures were physically inspected inputs such as pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

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

Roads & Footpaths (including Bulk Earthworks)

Roads & Footpaths were revalued at 31 March 2020 by internal staff valuation. The calculation of unit rates has been based on a series of project construction costs. A sample of 6 projects was taken which represents a range of construction types. The costs used in the analysis were based on figures derived from Council 'Work Order' system. The total cost and area for each project were used to derive an average unit cost. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and road type. This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

This asset class includes the road formation (bulk earthworks) road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges

Bridges were revalued at 30 June 2021 by internal staff valuation. The calculation of unit rates has been based on a series of project construction costs (estimated or actual). This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

Drainage Infrastructure

Assets within this class comprise pits and pipes.

Drainage infrastructure was revalued at 1 July 2021 by internal staff valuation. 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 metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Water Supply

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

Water Supply infrastructure was revalued as at 1 July 2021 by internal staff valuation. 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 metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, 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 DPE - Water.

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

E2-1 Fair value measurement (continued)

Sewerage Network

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

Sewerage Network infrastructure was revalued at 1 July 2021 by internal staff valuation. 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 metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, 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 DPE - Water.

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

Fair value measurements using significant unobservable inputs (level 3)

b. The valuation process for level 3 fair value measurements

Fair Value Techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

'Cost Approach': A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

'Income Approach': A valuation technique that converts future amounts (cash inflows / outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

'Market Approach': A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Valuation Techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. 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:

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input, whereby maximising observable inputs and minimising unobservable inputs as below:

- * Quoted prices for similar asset in active markets
- * Current replacement cost concept
- * Purchase price
- * Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used for this technique were:

- * Pattern of consumption
- * Asset condition
- * Unit rates
- * Useful life

E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Operational land	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	9,385	8,474	128	110	8	8	4,306	4,392
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	556	–
Other movements								
Purchases (GBV)	808	2,717	–	84	–	–	–	44
Disposals (WDV)	(380)	(597)	–	–	–	–	–	(130)
Depreciation and impairment	(1,399)	(1,209)	(64)	(66)	(1)	–	–	–
Closing balance	8,414	9,385	64	128	7	8	4,862	4,306

\$ '000	Community land		Crown lands		Land under Roads		Land improvements	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	1,603	1,603	1,442	1,442	1,876	1,746	939	506
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	206	–	186	–	242	130	89	12
Other movements								
Purchases (GBV)	–	–	–	–	–	–	–	444
Depreciation and impairment	–	–	–	–	–	–	(23)	(23)
Closing balance	1,809	1,603	1,628	1,442	2,118	1,876	1,005	939

E2-1 Fair value measurement (continued)

\$ '000	Buildings non specialised		Building specialised		Other structures		Roads	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	2,240	2,210	13,574	12,812	4,552	3,599	178,892	167,692
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	352	40	1,322	37	(42)	149	(3,364)	(355)
Other movements								
Purchases (GBV)	–	56	170	1,099	1,169	1,057	4,342	16,617
Disposals (WDV)	–	–	–	(26)	(3)	(37)	(2,276)	(1,396)
Depreciation and impairment	(70)	(66)	(378)	(348)	(304)	(216)	(4,705)	(3,666)
Closing balance	2,522	2,240	14,688	13,574	5,372	4,552	172,889	178,892

\$ '000	Bridges		Footpaths		Bulk earthworks		Stormwater drainage	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	114,865	122,767	3,032	2,979	15,046	14,644	25,942	24,922
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	9,975	(9,350)	30	27	1,159	373	1,295	1,084
Other movements								
Purchases (GBV)	11,428	4,928	477	93	–	54	368	9
Disposals (WDV)	(1,999)	(2,289)	(19)	(10)	–	(25)	(5)	–
Depreciation and impairment	(1,506)	(1,191)	(60)	(57)	–	–	(76)	(73)
Closing balance	132,763	114,865	3,460	3,032	16,205	15,046	27,524	25,942

E2-1 Fair value measurement (continued)

\$ '000	Water supply network		Sewerage network		Swimming pools		Reinstatement assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	27,454	27,290	29,725	28,689	2,122	2,039	1,032	89
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	(3,800)	183	1,483	454	199	152	–	–
Other movements								
Purchases (GBV)	329	391	–	822	–	–	(201)	1,068
Disposals (WDV)	(41)	(105)	–	(43)	–	–	–	–
Depreciation and impairment	(344)	(305)	(246)	(197)	(70)	(69)	(51)	(125)
Closing balance	23,598	27,454	30,962	29,725	2,251	2,122	780	1,032

\$ '000	Total	
	2022	2021
Opening balance	438,163	428,013
Recognised in other comprehensive income – revaluation surplus	9,888	(7,064)
Purchases (GBV)	18,890	29,483
Disposals (WDV)	(4,723)	(4,658)
Depreciation and impairment	(9,297)	(7,611)
Closing balance	452,921	438,163

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

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

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.

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 \$ 146,643.04. The last valuation of the Scheme was performed by Richard Boyland FIAA, and covers the period ended 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$44,838.96. Council's expected contribution to the plan for the next annual reporting period is \$129,658.20.

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 this deficit that is broadly attributed to Council is estimated to be in the order of \$44,838.96 as at 30 June 2022.

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

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

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

* Plus promotional increases

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

(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.

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

(ii) Richmond Upper-Clarence Regional Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Richmond Upper-Clarence Regional Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

(iii) Section 7.11 Infrastructure

Council has significant obligations to provide Section 7.11 infrastructure in new release areas. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference (Refer Note G4).

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	936	878
Post-employment benefits	78	69
Other long-term benefits	6	12
Total	1,020	959

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
2022						
Employee expenses relating to close family members of KMP	1	89	-		-	-
2021						
Employee expenses relating to close family members of KMP	1	99	-		-	-

1 One (1) close family member of Council's KMP is employed by the Council under the relevent pay award on an arms length basis

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	25
Councillors' fees	102	110
Other Councillors' expenses (including Mayor)	22	14
Total	149	149

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	64	63
Other audit services	5	-
Remuneration for audit and other assurance services	69	63

(ii) Non-assurance services

Other audit services	-	13
Remuneration for non-assurance services	-	13

Total Auditor-General remuneration	69	76
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Total audit fees	69	76
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G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	30,607	13,548
Add / (less) non-cash items:		
Depreciation and amortisation	9,296	7,613
(Gain) / loss on disposal of assets	4,177	3,882
Non-cash capital grants and contributions	(1,277)	–
Unwinding of discount rates on reinstatement provisions	44	16
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(837)	(309)
Increase / (decrease) in provision for impairment of receivables	(3)	2
(Increase) / decrease of inventories	(1,631)	(346)
(Increase) / decrease of contract asset	3,341	(2,826)
Increase / (decrease) in payables	927	(1,051)
Increase / (decrease) in accrued interest payable	47	(4)
Increase / (decrease) in other accrued expenses payable	90	91
Increase / (decrease) in other liabilities	205	233
Increase / (decrease) in contract liabilities	6,928	2,787
Increase / (decrease) in employee benefit provision	(56)	88
Increase / (decrease) in other provisions	(210)	(16)
Net cash flows from operating activities	51,648	23,708

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		
Bridge Infrastructure	8,369	1,859
Plant and equipment	510	–
Other	103	–
Total commitments	8,982	1,859
These expenditures are payable as follows:		
Within the next year	5,353	1,859
Later than one year and not later than 5 years	3,629	–
Total payable	8,982	1,859
Sources for funding of capital commitments:		
Future grants and contributions	4,169	1,859
Unexpended grants	4,303	–
Internally restricted reserves	510	–
Total sources of funding	8,982	1,859

Details of capital commitments

Construction of 7 concrete bridges, purchase of 3 tractors and design of Kyogle civic precinct.

G3 Changes from prior year statements

G3-1 Correction of errors

First time recognition of Rural Fire Service Red Fleet assets which is included in 'plant and equipment' within Infrastructure, property, plant & equipment (Note C1-6).

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.

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	434,017	1,729	435,746
Total non-current assets	434,017	1,729	435,746
Total assets	458,549	1,729	460,278
Net assets	444,689	1,729	446,418
Accumulated surplus	177,095	1,729	178,824
Total equity	444,689	1,729	446,418

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, plant & equipment	442,606	1,729	444,335
Total non-current assets	442,606	1,729	444,335
Total assets	468,352	1,729	470,081
Net assets	450,643	1,729	452,372
Accumulated surplus	190,643	1,729	192,372
Total equity	450,643	1,729	452,372

G4 Statement of developer contributions as at 30 June 2022

G4-1 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	88	98	-	-	(98)	-	88	-
Open space	21	-	-	-	-	-	21	-
S7.11 contributions – under a plan	109	98	-	-	(98)	-	109	-
Total S7.11 and S7.12 revenue under plans	109	98	-	-	(98)	-	109	-
S64 contributions	54	-	-	-	-	-	54	-
Total contributions	163	98	-	-	(98)	-	163	-

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.

G4-2 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 NUMBER 1								
Roads	88	98	-	-	(98)	-	88	-
Open space	21	-	-	-	-	-	21	-
Total	109	98	-	-	(98)	-	109	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	11,381	28.90%	7.05%	11.87%	8.55%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	39,376					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	21,645	34.48%	44.07%	48.13%	56.19%	> 60.00%
Total continuing operating revenue	62,779					
3. Unrestricted current ratio						
Current assets less all external restrictions	35,017	14.70x	5.20x	5.95x	3.76x	> 1.50x
Current liabilities less specific purpose liabilities	2,382					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	21,029	13.39x	10.27x	16.55x	24.94x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,571					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	771	6.24%	6.73%	5.80%	6.86%	< 10.00%
Rates and annual charges collectable	12,352					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	40,329	19.25 months	9.18 months	10.78 months	9.73 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	2,095					

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	30.28%	4.92%	4.57%	18.17%	26.96%	26.11%	> 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	30.65%	39.55%	99.73%	87.68%	84.47%	99.27%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	14.70x	5.20x	1.06x	1.21x	(1.20)x	3.93x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	16.16x	9.94x	1.77x	14.63x	9.37x	11.61x	> 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	5.48%	5.88%	11.08%	11.95%	7.44%	8.39%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	19.77 months	10.10 months	10.88 months	1.75 months	12.06 months	4.36 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G5-1 above.

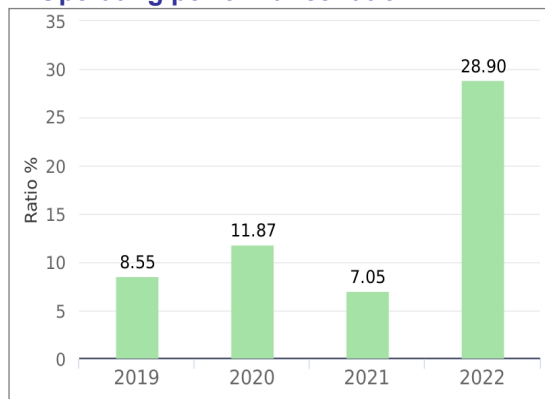
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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 28.90%

Council's Operating performance ratio is above the benchmark of 0%. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve its operating performance.

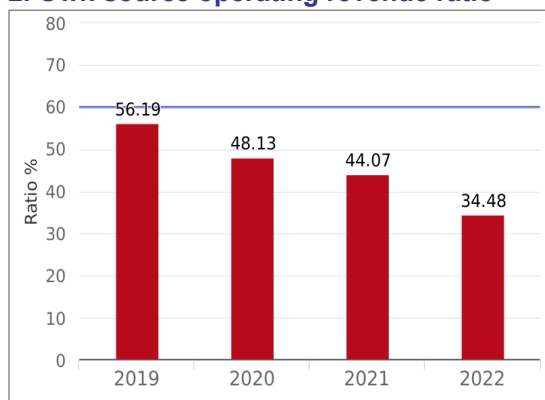
Benchmark: — > 0.00%

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 34.48%

This ratio can fluctuate dramatically each year depending on the level of grant funding. Fixing Country Bridges funding of \$11.0 million, Flood damage funding of \$5.9 million, advance payment of financial assistance grants of \$3.9 million and Clarence Way funding of \$2.2 million have impacted this ratio.

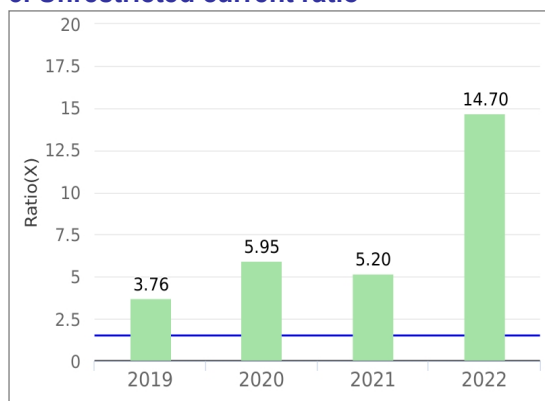
Benchmark: — > 60.00%

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 14.70x

Council has adequate unrestricted cash & internal reserves to satisfy its current obligations and has adequate levels of internally restricted funds to meet identified needs.

Benchmark: — > 1.50x

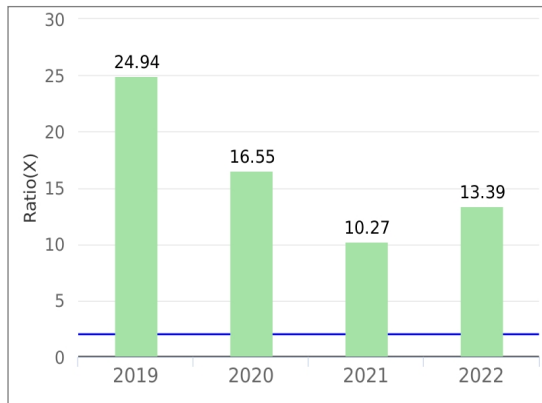
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 13.39x

Council's ability to generate sufficient cash to cover its debt payments is sound & is in excess of the required benchmark.

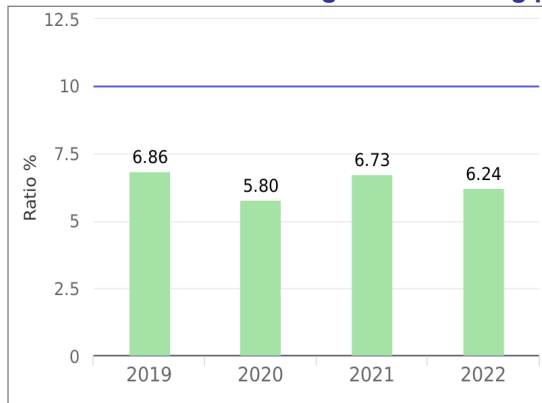
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 6.24%

This ratio is within the required benchmark of <10.00%. Council will continue to monitor and pursue all outstanding debts.

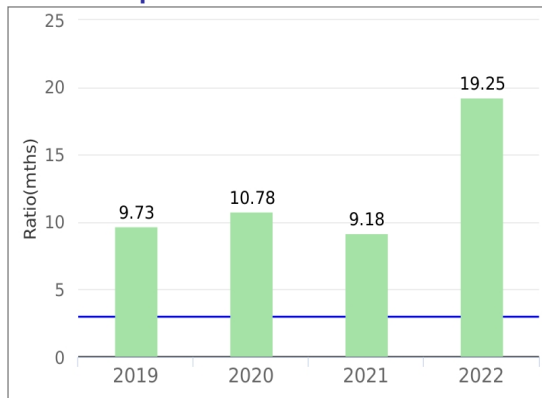
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 19.25 months

Council's ability to continue paying for its immediate expenses without additional cash inflow is sound & is in excess of the required benchmark.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Kyogle Council

To the Councillors of Kyogle Council

Opinion

I have audited the accompanying financial statements of Kyogle 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:

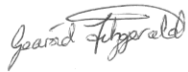
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

13 December 2022
SYDNEY



Ms Kylie Thomas
 Mayor
 Kyogle Council
 PO Box 11
 KYOGLE NSW 2474

Contact: Gearoid Fitzgerald
 Phone no: 02 9275 7392
 Our ref: D2226652/1749

13 December 2022

Dear Mayor

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





I have audited the general purpose financial statements (GPFS) of the Kyogle 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	11.5	11.1	 3.6
Grants and contributions revenue	41.1	24.0	 71.3
Depreciation, amortisation, and impairment	9.3	7.6	 22.4
Operating result from continuing operations	30.6	13.5	 126.7

Net operating result
before capital grants and
contributions

7.2

(1.9)

478.9

The Council's operating result from continuing operations (\$30.6 million including depreciation and amortisation expense of \$9.3 million) was \$17.1 million higher than the 2020–21 result. The increase is largely attributable to the following:

- Rates and annual charges revenue (\$11.5 million) increased by \$0.4 million (3.6 per cent) in 2021–22 due to the IPART approved rate peg which increased general rates revenue by 2.0 per cent in 2021–22. Annual charges are not subject to rating limits.

Grants and contributions revenue (\$41.1 million) increased by \$17.1 million (71.3 per cent) in 2021–22 due to:

- increase of \$1.8 million of financial assistance grant funding
- increase of \$6.6 million in special purpose capital grants, majority of which relates to funding received under the Fixing Country Bridges program.
- increase of \$7.3 million in special purpose operating grants, majority of which was received for general flood assistance

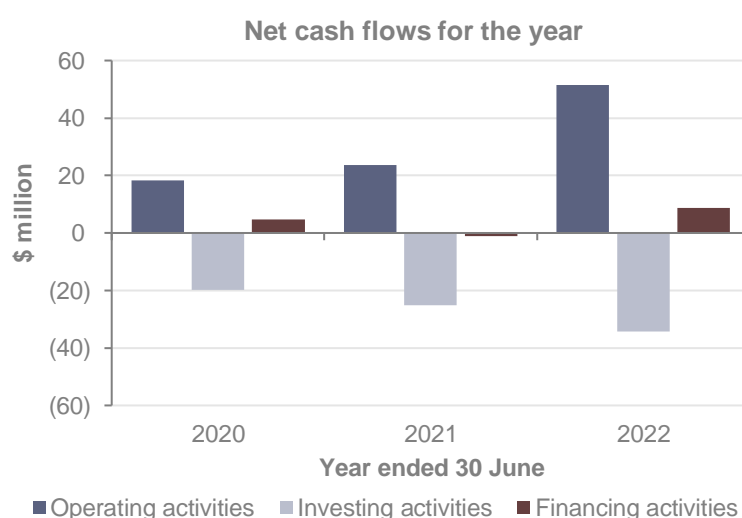
The net operating result before capital grants and contributions of \$7.2 million improved by \$9.1 million compared to the 2020–21 result.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities increased by \$28.0 million driven by an increase in grant funding received.

Net cash used in investing activities increased by \$9.0 million, mainly due to the construction of IPPE funded by capital grants.

Net cash from financing activities has increased by \$9.4 million mainly as a result of \$10.0 million of new borrowings taken out to fund timber bridge replacement.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	40.3	14.1	Externally restricted cash and investments has increased by \$10.3 million and represents an increase

Restricted and allocated cash, cash equivalents and investments:

• External restrictions	15.2	4.9
• Internal allocations	18.6	9.2

in specific purpose unexpended grants.

Internally allocated cash and investments have increased by \$9.4 million, \$7.4 million of which relates to an increase in carry over works.

PERFORMANCE

Performance measures

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

Operating performance ratio

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

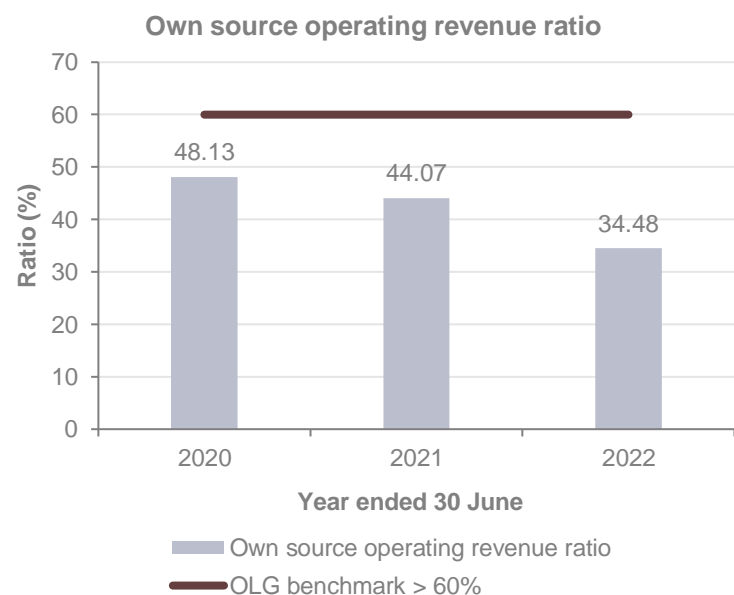
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council did not meet the OLG benchmark for the current reporting period. The ratio has been negatively impacted due to higher levels of capital grants and contributions.

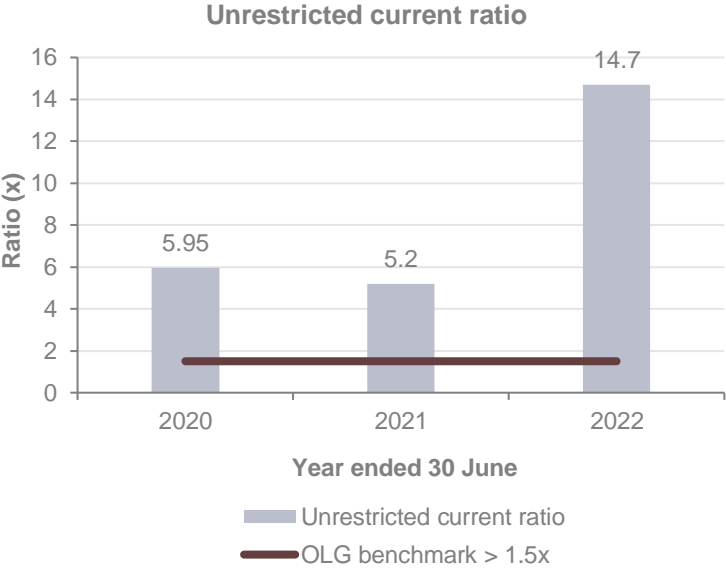
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

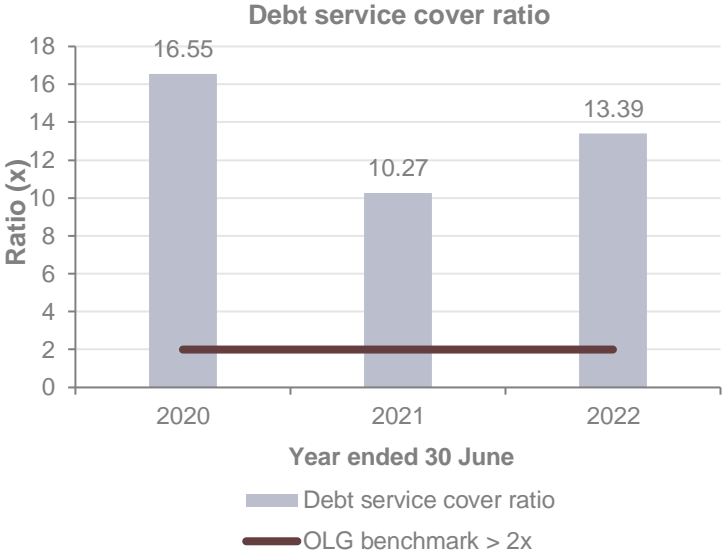
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

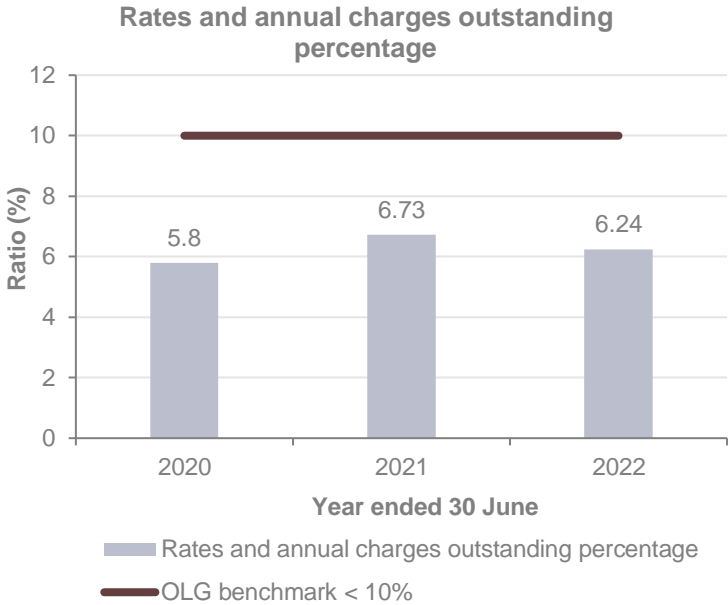
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

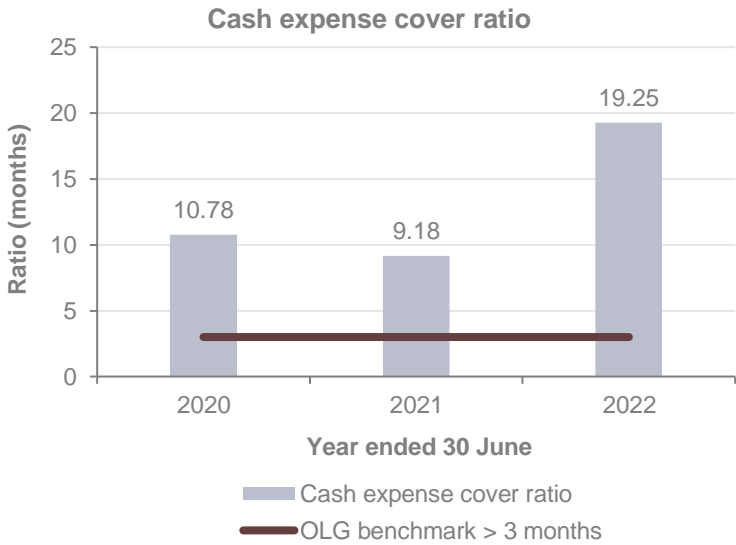
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2021-22 year was \$32.7 million (2020-21: \$22.6 million). The capital works program included significant spend on the replacement of bridges, a major upgrade of the Clarence Way between Urbenville to Woodenbong and renewal of flood affected roads.

OTHER MATTERS

Legislative compliance

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

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

The Council's:

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Graham Kennett, General Manager
Andrew Stevens, Chair of the Internal Audit Committee
Michael Cassel, Secretary of the Department of Planning and Environment

Kyogle Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Income Statement of Domestic Waste	6
Income Statement of Quarries	7
Income Statement of Transport	8
Statement of Financial Position of water supply business activity	9
Statement of Financial Position of sewerage business activity	10
Statement of Financial Position of Domestic Waste	11
Statement of Financial Position of Quarries	12
Statement of Financial Position of Transport	13
Note – Significant Accounting Policies	14
Auditor's Report on Special Purpose Financial Statements	17

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).

Kyogle 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.

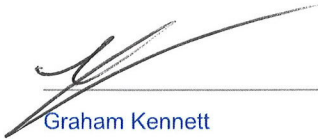
Signed in accordance with a resolution of Council made on 12 December 2022.



Kylie Thomas
Mayor
12 December 2022



Tom Cooper
Councillor
12 December 2022



Graham Kennett
General Manager
12 December 2022



Glenn Rose
Responsible Accounting Officer
12 December 2022

Kyogle Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	1,020	938
User charges	828	789
Fees	4	9
Interest and investment income	1	1
Grants and contributions provided for operating purposes	28	35
Total income from continuing operations	1,881	1,772
Expenses from continuing operations		
Employee benefits and on-costs	286	258
Borrowing costs	37	46
Materials and services	1,002	692
Depreciation, amortisation and impairment	344	305
Net loss from the disposal of assets	40	105
Other expenses	126	149
Total expenses from continuing operations	1,835	1,555
Surplus (deficit) from continuing operations before capital amounts	46	217
Grants and contributions provided for capital purposes	(23)	209
Surplus (deficit) from all operations before tax	23	426
Less: corporate taxation equivalent (25%) [based on result before capital]	(12)	(56)
Surplus (deficit) after tax	11	370
Plus opening accumulated surplus	15,447	15,021
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	12	56
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing accumulated surplus	15,470	15,447
Return on capital %	0.3%	0.9%
Subsidy from Council	806	158
Calculation of dividend payable:		
Surplus (deficit) after tax	12	370
Less: capital grants and contributions (excluding developer contributions)	23	(209)
Surplus for dividend calculation purposes	35	161
Potential dividend calculated from surplus	17	81

Kyogle Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	1,397	1,324
User charges	258	234
Liquid trade waste charges	105	84
Interest and investment income	2	1
Total income from continuing operations	1,762	1,643
Expenses from continuing operations		
Employee benefits and on-costs	183	252
Borrowing costs	57	59
Materials and services	730	636
Depreciation, amortisation and impairment	246	197
Net loss from the disposal of assets	-	43
Other expenses	71	70
Total expenses from continuing operations	1,287	1,257
Surplus (deficit) from continuing operations before capital amounts	475	386
Grants and contributions provided for capital purposes	324	12
Surplus (deficit) from continuing operations after capital amounts	799	398
Surplus (deficit) from all operations before tax	799	398
Less: corporate taxation equivalent (25%) [based on result before capital]	(119)	(100)
Surplus (deficit) after tax	680	298
Plus opening accumulated surplus	9,661	9,263
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	119	100
Closing accumulated surplus	10,460	9,661
Return on capital %	1.7%	1.5%
Subsidy from Council	615	-
Calculation of dividend payable:		
Surplus (deficit) after tax	680	298
Less: capital grants and contributions (excluding developer contributions)	(324)	(12)
Surplus for dividend calculation purposes	356	286
Potential dividend calculated from surplus	178	143

Kyogle Council

Income Statement of Domestic Waste

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
Annual charges	1,106	1,056
Interest and investment income	3	1
Total income from continuing operations	1,109	1,057
Expenses from continuing operations		
Materials and services	1,058	1,102
Total expenses from continuing operations	1,058	1,102
Surplus (deficit) from continuing operations before capital amounts	51	(45)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	51	(45)
Surplus (deficit) from all operations before tax	51	(45)
Less: corporate taxation equivalent (25%) [based on result before capital]	(13)	–
Surplus (deficit) after tax	38	(45)
Plus opening accumulated surplus	–	45
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	13	–
Closing accumulated surplus	51	–
Return on capital %	0.0%	0.0%
Subsidy from Council	–	45

Kyogle Council

Income Statement of Quarries

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	1,452	901
Net gain from the disposal of assets	–	117
Total income from continuing operations	1,452	1,018
Expenses from continuing operations		
Employee benefits and on-costs	206	94
Borrowing costs	37	15
Materials and services	773	490
Depreciation, amortisation and impairment	55	122
Total expenses from continuing operations	1,071	721
Surplus (deficit) from continuing operations before capital amounts	381	297
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	381	297
Surplus (deficit) from all operations before tax	381	297
Less: corporate taxation equivalent (25%) [based on result before capital]	(95)	(77)
Surplus (deficit) after tax	286	220
Plus opening accumulated surplus	326	1,106
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	95	77
Less:		
– Dividend paid	(350)	(1,077)
Closing accumulated surplus	357	326
Return on capital %	58.9%	32.3%
Subsidy from Council	–	–

Kyogle Council

Income Statement of Transport

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	7,067	5,093
Total income from continuing operations	7,067	5,093
Expenses from continuing operations		
Employee benefits and on-costs	615	621
Materials and services	6,342	4,254
Total expenses from continuing operations	6,957	4,875
Surplus (deficit) from continuing operations before capital amounts	110	218
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	110	218
Surplus (deficit) from all operations before tax	110	218
Less: corporate taxation equivalent (25%) [based on result before capital]	(28)	(57)
Surplus (deficit) after tax	82	161
Plus opening accumulated surplus	1,099	1,406
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	28	57
Less:		
– Dividend paid	(1,382)	(525)
Closing accumulated surplus	(173)	1,099
Return on capital %	0.0%	0.0%
Subsidy from Council	–	–

Kyogle 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	545	193
Receivables	350	372
Total current assets	895	565
Non-current assets		
Infrastructure, property, plant and equipment	24,285	28,222
Total non-current assets	24,285	28,222
Total assets	25,180	28,787
LIABILITIES		
Current liabilities		
Payables	128	136
Income received in advance	426	–
Borrowings	236	227
Employee benefit provisions	85	105
Total current liabilities	875	468
Non-current liabilities		
Borrowings	585	821
Total non-current liabilities	585	821
Total liabilities	1,460	1,289
Net assets	23,720	27,498
EQUITY		
Accumulated surplus	15,470	15,447
Revaluation reserves	8,250	12,051
Total equity	23,720	27,498

Kyogle Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	1,009	378
Receivables	542	207
Total current assets	1,551	585
Non-current assets		
Infrastructure, property, plant and equipment	31,350	29,740
Total non-current assets	31,350	29,740
Total assets	32,901	30,325
LIABILITIES		
Current liabilities		
Payables	4	4
Income received in advance	339	–
Borrowings	27	26
Employee benefit provisions	86	105
Total current liabilities	456	135
Non-current liabilities		
Borrowings	734	761
Total non-current liabilities	734	761
Total liabilities	1,190	896
Net assets	31,711	29,429
EQUITY		
Accumulated surplus	10,460	9,661
Revaluation reserves	21,251	19,768
Total equity	31,711	29,429

Kyogle Council

Statement of Financial Position of Domestic Waste

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Receivables	106	116
Total current assets	106	116
Total assets	106	116
LIABILITIES		
Current liabilities		
Bank overdraft	55	116
Total current liabilities	55	116
Total liabilities	55	116
Net assets	51	—
EQUITY		
Accumulated surplus	51	—
Total equity	51	—

Kyogle Council

Statement of Financial Position of Quarries

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	847	789
Inventories	492	427
Total current assets	1,339	1,216
Non-current assets		
Infrastructure, property, plant and equipment	710	966
Total non-current assets	710	966
Total assets	2,049	2,182
LIABILITIES		
Non-current liabilities		
Provisions	1,204	1,397
Total non-current liabilities	1,204	1,397
Total liabilities	1,204	1,397
Net assets	845	785
EQUITY		
Accumulated surplus	357	326
Revaluation reserves	488	459
Total equity	845	785

Kyogle Council

Statement of Financial Position of Transport

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	–	304
Receivables	1,209	795
Total current assets	1,209	1,099
Total assets	1,209	1,099
LIABILITIES		
Current liabilities		
Borrowings	1,382	–
Total current liabilities	1,382	–
Total liabilities	1,382	–
Net assets	(173)	1,099
EQUITY		
Accumulated surplus	(173)	1,099
Total equity	(173)	1,099

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. Transport

Contract Road Construction and Maintenance

Category 2

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

a. Water

Water Supply

b. Sewer

Sewerage Services

Note – Significant Accounting Policies (continued)

c. Domestic Waste

Domestic Waste Management

d. Quarries

Quarrying Operations

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% (2020/21 : 26%)

Land tax – the first \$822,000 of combined land values attracts 0%. For the combined land values in excess of \$822,001 up to \$5,026,000 the rate is 1.6% + \$100. 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 & 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 *Local Government Act, 1993*.

Achievement of substantial compliance to the DPE – 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%. (2020/21 : 26%)

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

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

The rate applied of 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.

Note – Significant Accounting Policies (continued)

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.

(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 DPE – 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 2020 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 DPE – Water.

Kyogle Council

Special Purpose Financial Statements

for the year ended 30 June 2022



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Kyogle Council

To the Councillors of Kyogle Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Kyogle 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
- Domestic waste
- Quarries
- Transport.

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:

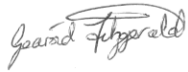
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

13 December 2022
SYDNEY

Kyogle Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Kyogle Council

Special Schedules

for the year ended 30 June 2022

Contents

Page

Special Schedules:

Permissible income for general rates

3

Report on infrastructure assets as at 30 June 2022

7

Kyogle 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	7,547	7,754
Plus or minus adjustments ²	b	14	51
Notional general income	c = a + b	7,561	7,805
Permissible income calculation			
Special variation percentage ³	d	0.00%	2.50%
Or rate peg percentage	e	2.00%	0.00%
Plus special variation amount	h = d x (c + g)	–	195
Or plus rate peg amount	i = e x (c + g)	151	–
Sub-total	k = (c + g + h + i + j)	7,712	8,000
Plus (or minus) last year's carry forward total	l	35	(7)
Sub-total	n = (l + m)	35	(7)
Total permissible income	o = k + n	7,747	7,993
Less notional general income yield	p	7,754	7,940
Catch-up or (excess) result	q = o – p	(7)	53
Carry forward to next year ⁴	t = q + r + s	(7)	53

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, the Crown land adjustment.
- (4) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. 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

Kyogle Council

To the Councillors of Kyogle Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Kyogle 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.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

13 December 2022
SYDNEY

Kyogle Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	493	493	101	166	17,211	34,176	22.2%	64.3%	11.9%	1.6%	0.0%	
	Sub-total	493	493	101	166	17,211	34,176	22.2%	64.3%	11.9%	1.6%	0.0%	
Other structures	Other structures	38	38	125	88	5,372	9,350	52.1%	27.1%	20.4%	0.4%	0.0%	
	Sub-total	38	38	125	88	5,372	9,350	52.1%	27.1%	20.4%	0.4%	0.0%	
Roads	Sealed roads	25,683	25,683	1,797	2,801	141,162	212,959	51.1%	33.4%	10.6%	4.4%	0.6%	
	Unsealed roads	11,813	11,813	1,892	1,053	31,727	62,586	29.7%	49.5%	14.0%	5.6%	1.2%	
	Bridges	11,510	11,510	459	139	132,763	206,477	55.0%	18.9%	20.3%	5.8%	0.0%	
	Footpaths	119	119	95	48	3,460	4,368	61.6%	18.7%	16.3%	3.0%	0.5%	
	Bulk earthworks	–	–	–	–	16,205	16,205	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	49,125	49,125	4,243	4,041	325,317	502,595	51.7%	28.2%	14.7%	4.9%	0.4%	
Water supply network	Water supply network	20	20	285	430	23,597	34,755	19.2%	51.9%	28.8%	0.1%	0.0%	
	Sub-total	20	20	285	430	23,597	34,755	19.2%	51.9%	28.8%	0.1%	0.0%	
Sewerage network	Sewerage network	1,223	1,223	219	294	30,962	39,864	50.3%	12.5%	32.8%	3.7%	0.6%	
	Sub-total	1,223	1,223	219	294	30,962	39,864	50.3%	12.5%	32.8%	3.7%	0.6%	
Stormwater drainage	Stormwater drainage	1,246	1,246	48	78	27,524	31,351	91.5%	0.8%	2.9%	0.8%	4.0%	
	Sub-total	1,246	1,246	48	78	27,524	31,351	91.5%	0.8%	2.9%	0.8%	4.0%	
Open space / recreational assets	Swimming pools	–	–	63	78	2,251	6,205	0.0%	80.4%	19.7%	0.0%	0.0%	
	Sub-total	–	–	63	78	2,251	6,205	0.0%	80.4%	19.7%	0.0%	0.0%	
Total – all assets		52,145	52,145	5,084	5,175	432,234	658,296	49.8%	29.6%	16.0%	4.1%	0.6%	

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

Infrastructure asset condition assessment 'key'

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

Kyogle 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	31,846					
Depreciation, amortisation and impairment	26,703	119.26%	123.11%	108.86%	210.94%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	52,145					
Net carrying amount of infrastructure assets	439,345	11.87%	8.89%	5.83%	2.86%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	5,175					
Required asset maintenance	5,084	101.79%	112.51%	102.53%	109.27%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	52,145	7.92%	5.96%	4.19%	2.04%	
Gross replacement cost	658,296					

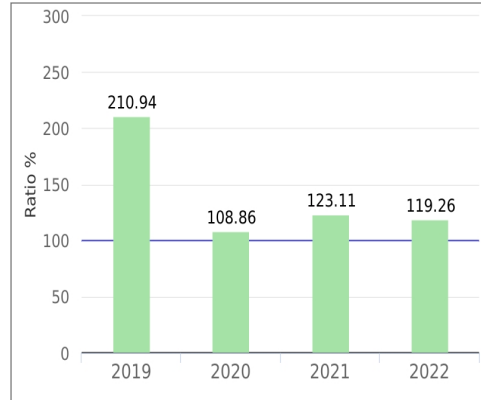
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Kyogle 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 119.26%

This ratio continues to track above the required benchmark. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve the long term management of Council's infrastructure assets.

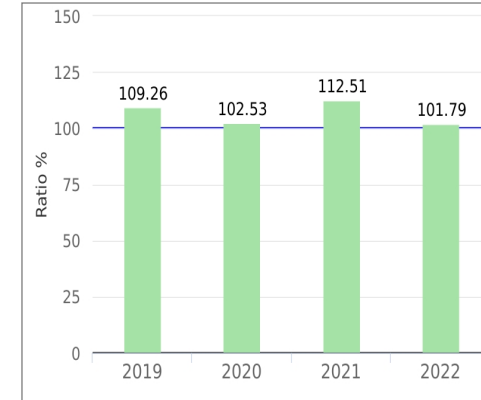
Benchmark: — $\geq 100.00\%$

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 101.79%

This ratio continues to track above the required benchmark. Council has developed strategies & actions within its delivery & operational plan as well as the long term financial plan to improve the long term management of Council's infrastructure assets.

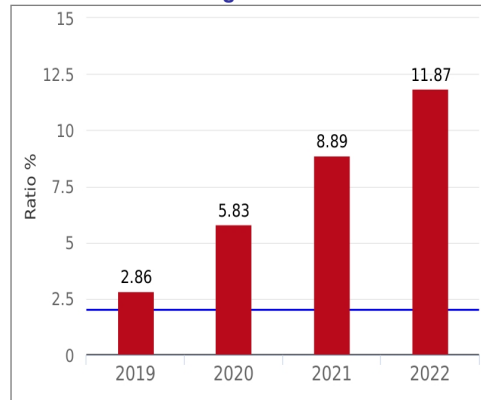
Benchmark: — $> 100.00\%$

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 11.87%

Council acknowledges its Infrastructure Backlog Ratio is outside Tcorp's benchmark. Council is continually focusing on asset renewal expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Recent floods have impacted this ratio.

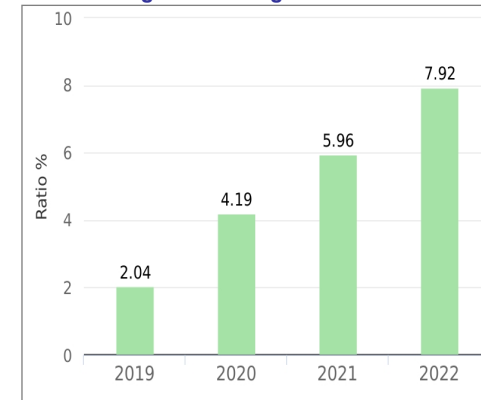
Benchmark: — $< 2.00\%$

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 7.92%

Council is continually focusing on asset expenditure but like all other NSW council's faces a large impost associated with asset backlogs & maintenance. Council will continue to focus on this area of expenditure.

Kyogle 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 ¹							
Depreciation, amortisation and impairment	120.78%	121.81%	70.64%	72.79%	26.42%	304.06%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	12.69%	9.74%	0.08%	0.07%	3.95%	2.04%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	97.18%	109.45%	150.88%	139.07%	134.25%	142.52%	> 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	8.72%	6.60%	0.06%	0.05%	3.07%	1.74%	

(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.