

Gwydir Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

33 Maitland Street
Bingara NSW 2404

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.gwydir.nsw.gov.au.

Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

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

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

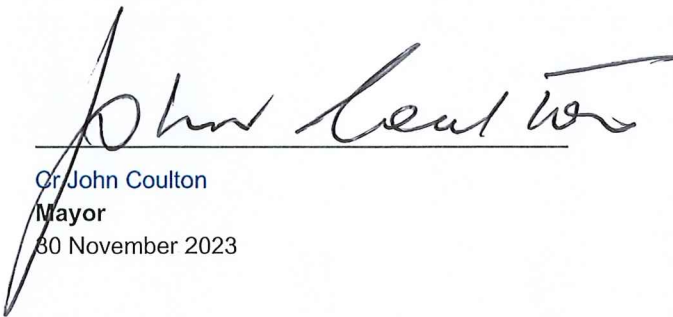
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

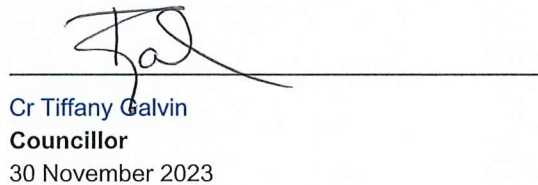
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 **30 November 2023**.



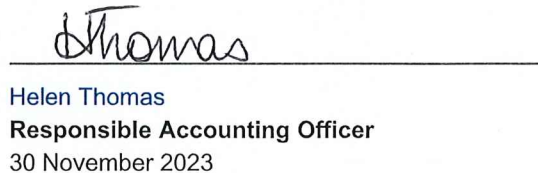
Cr John Coulton
Mayor
30 November 2023



Cr Tiffany Galvin
Councillor
30 November 2023



Leah Daley
Acting General Manager
30 November 2023



Helen Thomas
Responsible Accounting Officer
30 November 2023

Gwydir Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
	Income from continuing operations			
11,250	Rates and annual charges	B2-1	11,474	11,346
2,778	User charges and fees	B2-2	5,036	3,158
3,686	Other revenues	B2-3	4,739	3,809
9,235	Grants and contributions provided for operating purposes	B2-4	18,769	11,709
26,196	Grants and contributions provided for capital purposes	B2-4	19,985	14,152
29	Interest and investment income	B2-5	194	45
3,686	Other income	B2-6	306	474
600	Net gain from the disposal of assets	B4-1	–	188
57,460	Total income from continuing operations		60,503	44,881
	Expenses from continuing operations			
13,372	Employee benefits and on-costs	B3-1	13,407	13,503
8,545	Materials and services	B3-2	19,349	12,282
321	Borrowing costs	B3-3	495	486
7,796	Depreciation, amortisation and impairment of non-financial assets	B3-4	9,637	8,363
2,942	Other expenses	B3-5	661	645
–	Net loss from the disposal of assets	B4-1	147	–
32,976	Total expenses from continuing operations		43,696	35,279
24,484	Operating result from continuing operations		16,807	9,602
24,484	Net operating result for the year attributable to Council		16,807	9,602
(1,712)	Net operating result for the year before grants and contributions provided for capital purposes		(3,178)	(4,550)

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

Gwydir Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	Restated 2022 ¹ \$ '000
Net operating result for the year – from Income Statement		16,807	9,602
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	38,725	35,826
Impairment Reversal	C1-7	1,164	–
Impairment loss relating to infrastructure, property, plant and equipment	C1-7,G4-1	(3,009)	(2,595)
Total items which will not be reclassified subsequently to the operating result		36,880	33,231
Total other comprehensive income for the year		36,880	33,231
Total comprehensive income for the year attributable to Council		53,687	42,833
Total comprehensive income attributable to Council		53,687	42,833

(1) Prior Year has been restated, refer to Note C1-7 and G4-1

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

Gwydir Shire Council

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	Restated 2022 ¹ \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	29,009	3,187
Investments	C1-2	–	13,796
Receivables	C1-4	7,873	6,450
Inventories	C1-5	325	260
Contract assets and contract cost assets	C1-6	1,258	65
Other	C1-11	10	10
Total current assets		38,475	23,768
Non-current assets			
Infrastructure, property, plant and equipment (IPPE) ¹	C1-7	498,062	452,082
Total non-current assets		498,062	452,082
Total assets		536,537	475,850
LIABILITIES			
Current liabilities			
Payables	C3-1	4,601	4,853
Contract liabilities	C3-2	9,796	5,799
Borrowings	C3-3	1,064	2,009
Employee benefit provisions	C3-4	3,357	3,181
Provisions	C3-5	61	61
Total current liabilities		18,879	15,903
Non-current liabilities			
Borrowings	C3-3	9,953	3,997
Employee benefit provisions	C3-4	147	114
Provisions	C3-5	4,821	6,786
Total non-current liabilities		14,921	10,897
Total liabilities		33,800	26,800
Net assets		502,737	449,050
EQUITY			
Accumulated surplus		309,702	292,895
IPPE revaluation reserve	C4-1	193,035	156,155
Total equity		502,737	449,050

(1) See Note G4-1

(1) Prior Year has been restated, refer to Note G4-1

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

Gwydir Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve ¹	Total equity	Accumulated surplus	IPPE revaluation reserve ¹	Total equity
		\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		292,895	158,750	451,645	283,293	122,924	406,217
Correction of prior period errors ¹	G4-1	–	(2,595)	(2,595)	–	–	–
Restated opening balance		292,895	156,155	449,050	283,293	122,924	406,217
Net operating result for the year		16,807	–	16,807	9,602	–	9,602
Other comprehensive income							
Correction of prior period errors ¹	G4-1	–	–	–	–	(2,595)	(2,595)
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	38,725	38,725	–	35,826	35,826
Impairment Reversal		–	1,164	1,164	–	–	–
– Impairment loss relating to IPP&E	C1-7	–	(3,009)	(3,009)	–	–	–
Restated Other comprehensive income		–	36,880	36,880	–	33,231	33,231
Total comprehensive income		16,807	36,880	53,687	9,602	33,231	42,833
Closing balance at 30 June		309,702	193,035	502,737	292,895	156,155	449,050

(1) Prior years have been restated, refer to Note G4-1

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

Gwydir Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
Cash flows from operating activities				
Receipts:				
11,064	Rates and annual charges		11,305	11,383
2,470	User charges and fees		5,325	3,311
30	Interest received		233	243
18,965	Grants and contributions		41,569	20,587
–	Bonds, deposits and retentions received		7	6
732	Other		6,434	5,705
Payments:				
(12,945)	Payments to employees		(15,652)	(13,225)
(12,509)	Payments for materials and services		(21,482)	(10,249)
(401)	Borrowing costs		(321)	(445)
(3,178)	Other		76	(246)
4,228	Net cash flows from operating activities	G1-1	27,494	17,070
Cash flows from investing activities				
Receipts:				
–	Sale of investments		13,796	7,346
450	Proceeds from sale of IPPE		787	1,438
Payments:				
–	Purchase of investments		–	(12,699)
(1,400)	Payments for IPPE		(21,266)	(16,971)
(950)	Net cash flows from investing activities		(6,683)	(20,886)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings		7,000	–
Payments:				
(1,500)	Repayment of borrowings		(1,989)	(1,106)
(1,500)	Net cash flows from financing activities		5,011	(1,106)
1,778	Net change in cash and cash equivalents		25,822	(4,922)
3,000	Cash and cash equivalents at beginning of year		3,187	8,109
4,778	Cash and cash equivalents at end of year	C1-1	29,009	3,187
3,000	plus: Investments on hand at end of year	C1-2	–	13,796
7,778	Total cash, cash equivalents and investments		29,009	16,983

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

Gwydir Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 30 November 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7.
- (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 – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

A1-1 Basis of preparation (continued)

- Waste management
- Naroo Aged Care

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.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for the community transport program, Aged Care, events and information centres. The value of these services cannot be reliably measured and as such have not been included within the financials.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

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

AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

This Standard modifies AASB 13 Fair Value Measurement for application by not-for-profit public sector entities such as Council.

It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.

This includes guidance and clarification regarding the determination of an assets highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.

Although Council is yet to fully determine the impact of this standard, the changes will be evaluated in the future assessment of all property and infrastructure assets measured at fair value.

The standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;

A1-1 Basis of preparation (continued)

- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The standard may have significant impact on Council as it requires Council to consider the materiality of the accounting policy information to be included in the financial statements.

AASB 101 Presentation of Financial Statements requires the disclosure of material accounting policy information rather than significant accounting policies.

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

Accounting policy information is likely to be considered material if that information relates to material transactions, other events or conditions and:

- the entity has changed accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements.
- the entity (or OLG) chose the accounting policy from one or more options permitted by Australian Accounting Standards.
- the accounting policy was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an Australian Accounting Standard that specifically applies.
- the accounting policy relate to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in the financial statements
- the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions.

Further AASB 101 notes that *'Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.'*

This standard has an effective date for the 30 June 2024 reporting period.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i> ¹
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>Restated</i> <i>\$ '000</i>
Functions or activities										
Social	5,724	4,277	6,153	5,373	(429)	(1,096)	1,991	2,897	22,398	26,806
Other	-	-	-	-	-	-	4,323	-	5,287	30,667
Economic	30,229	16,508	16,439	13,161	13,790	3,347	21,555	14,908	320,243	276,569
Environment	3,509	2,920	3,659	2,732	(150)	188	702	302	25,779	33,652
Civic Leadership	722	861	1,770	1,422	(1,048)	(561)	-	-	4,460	5,028
Governance	20,319	20,315	15,675	12,591	4,644	7,724	10,183	7,754	158,370	103,128
Total functions and activities	60,503	44,881	43,696	35,279	16,807	9,602	38,754	25,861	536,537	475,850

(1) Prior year has been restated, refer to Note G4-1

B1-2 Components of functions or activities

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

Social

Includes aged and disability services, social services, library, emergency services, parks and urban spaces, public health.

Economic

Includes Gwydir Learning Region, shire roads, asset management, sewerage services, marketing & promotion.

Environment

Includes development and land use management, water supply, environmental protection, waste operations and circular economy.

Civic Leadership

Includes organisational development & recreational facilities.

Governance

Includes technical services, governance, financial operations, information services, compliance, town utilities and plant operations.

B2 Sources of income

B2-1 Rates and annual charges

	Timing	2023 \$ '000	2022 \$ '000
Ordinary rates			
Residential	2	1,353	1,350
Farmland	2	6,780	6,712
Business	2	339	337
Less: pensioner rebates (mandatory)	2	(87)	(91)
Rates levied to ratepayers		8,385	8,308
Pensioner rate subsidies received	2	48	50
Total ordinary rates		8,433	8,358
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)			
Domestic waste management services	2	548	537
Stormwater management services	2	40	40
Water supply services	2	837	829
Sewerage services	2	719	705
Waste management services (non-domestic)	2	962	942
Less: pensioner rebates (mandatory)	2	(141)	(143)
Annual charges levied		2,965	2,910
Pensioner annual charges subsidies received:			
– Water	2	23	24
– Sewerage	2	20	20
– Domestic waste management	2	33	34
Total annual charges		3,041	2,988
Total rates and annual charges		11,474	11,346
Timing of revenue recognition for rates and annual charges			
Rates and annual charges recognised at a point in time (2)		11,474	11,346
Total rates and annual charges		11,474	11,346

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts. 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 and are recognised within the underlying revenue item based on their substance.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

B2-2 User charges and fees

	<i>Timing</i>	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)			
Water supply services	1	592	485
Sewerage services	1	38	48
Total specific user charges		630	533
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Inspection services	2	5	6
Planning and building regulation	2	119	112
Private works – section 67	1	27	26
Registration fees	2	10	10
Section 603 certificates	2	16	23
Total fees and charges – statutory/regulatory		177	177
(ii) Fees and charges – other (incl. general user charges (per s608))			
Caravan park	2	378	310
Cemeteries	2	48	49
Child care	2	2	3
Park rents	2	10	6
Transport for NSW works (state roads not controlled by Council)	1	3,210	1,533
Tourism	2	4	2
Gwydir learning region	2	78	85
Home and community care / community transport	2	150	212
Pre-school services	2	121	108
Roxy theatre	2	14	12
Community fitness	2	39	39
Other	2	2	2
Other	2	173	87
Total fees and charges – other		4,229	2,448
Total other user charges and fees		4,406	2,625
Total user charges and fees		5,036	3,158
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		3,777	2,092
User charges and fees recognised at a point in time (2)		1,259	1,066
Total user charges and fees		5,036	3,158

Accounting policy

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

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

B2-3 Other revenues

	<i>Timing</i>	2023 \$ '000	2022 \$ '000
Fines – other	2	7	10
Commissions and agency fees	2	104	104
Diesel rebate	2	119	145
Insurance claims recoveries	2	–	12
Sales – general	2	72	59
Emergency services reimbursements	2	–	50
Employee related	2	53	63
Festivals	2	14	9
Naroo	1	3,844	2,969
Sewer operations	2	2	(1)
Waste management revenues	2	213	232
Tourism	2	23	21
Insurance Incentives	2	94	38
Water supplies	2	10	4
Companion Animals Reimbursement	2	4	9
Advertising Income	2	3	17
Container Deposit reimbursement	2	4	–
Crown Land Assets Reconciliation		81	–
Other	2	92	68
Total other revenue		4,739	3,809

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	3,844	2,969
Other revenue recognised at a point in time (2)	895	840
Total other revenue	4,739	3,809

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 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.

Fines are recognised as revenue when the fine is paid.

B2-4 Grants and contributions

		Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	<i>Timing</i>				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	1,675	2,589	–	–
Payment in advance - future year allocation					
Financial assistance	2	6,051	3,982	–	–
Amount recognised as income during current year					
		7,726	6,571	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	1	–	–	149	–
Sewerage services	1	–	–	96	–
Aged care	1	14	23	441	179
Child care	2	18	18	166	–
Community care	2	351	204	–	–
Economic development	1	–	90	–	–
Employment and training programs	2	221	141	–	–
Library	2	77	76	–	–
Noxious weeds	1	127	104	–	–
NSW rural fire services	1	234	326	–	–
Recreation and culture	2	–	6	68	–
Storm/flood damage	1	–	–	6,851	3,162
Gwydir learning region	1	–	–	850	–
Dept of Communities & Justice programs	2	163	176	–	–
Street lighting	2	21	21	–	–
Preschool	2	403	403	–	–
Tharawonga operational	2	365	296	–	–
Transport (3x3, flood works, roads to recovery)	1	2,471	1,182	2	–
Drought Communities	1	58	39	259	159
Stronger Country Communities - Council Projects	1	–	–	204	603
Stronger Country Communities - Community Projects	1	659	4	–	–
Big River Dreaming	2	–	–	190	48
Caravan Park	1	–	–	9	165
Planning Portal	2	–	13	–	–
Local roads and community infrastructure	1	–	–	792	1,353
Showground stimulus	1	–	–	32	380
Transport (other roads and bridges funding)	1	–	–	8,050	6,255
Recreation and culture	1	4	16	147	492
Other specific grants	2	414	320	717	495
Sewerage (excl. section 64 contributions)	2	–	–	12	–
Transport for NSW contributions (regional roads, block grant)	1	5,222	1,671	230	272
Water supplies (excl. section 64 contributions)	1	–	–	1	–
Tourism	2	199	–	–	–
Other contributions	2	17	7	–	–
Community services	2	5	2	–	–
Total special purpose grants and non-developer contributions – cash					
		11,043	5,138	19,266	13,563
Non-cash contributions					
RFS assets	2	–	–	537	535
Total other contributions – non-cash					
		–	–	537	535

B2-4 Grants and contributions (continued)

		Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	<i>Timing</i>				
Total special purpose grants and non-developer contributions (tied)		11,043	5,138	19,803	14,098
Total grants and non-developer contributions		18,769	11,709	19,803	14,098
Comprising:					
– Commonwealth funding		9,760	8,642	6,472	7,147
– State funding		5,561	1,414	13,314	5,628
– Other funding		3,448	1,653	17	1,323
		18,769	11,709	19,803	14,098

Developer contributions

			Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	<i>Notes</i>	<i>Timing</i>				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	182	54
Total developer contributions – cash			–	–	182	54
Total grants and contributions			18,769	11,709	19,985	14,152
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			5,377	2,620	18,113	12,382
Grants and contributions recognised at a point in time (2)			13,392	9,089	1,872	1,770
Total grants and contributions			18,769	11,709	19,985	14,152

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:

	<i>Operating</i> 2023 \$ '000	<i>Operating</i> 2022 \$ '000	<i>Capital</i> 2023 \$ '000	<i>Capital</i> 2022 \$ '000
Unspent grants				
Unspent funds at 1 July	691	553	5,193	6,014
Add: operating grants recognised as income in the current period but not yet spent	248	85	–	–
Add: Funds received and not recognised as revenue in the current year	449	97	9,533	5,193
Less: grants recognised in a previous reporting period now spent	(73)	(44)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(5,193)	(6,014)
Unspent funds at 30 June	1,315	691	9,533	5,193
Contributions				
Unspent funds at 1 July	–	–	394	355
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	182	39
Add: contributions received and not recognised as revenue in the current year	–	–	145	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Unspent contributions at 30 June	–	–	721	394

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include milestones within AASB 15 grants. 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

	2023 \$ '000	2022 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	40	28
– Cash and investments	154	17
Total interest and investment income (losses)	194	45
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	22	26
General Council cash and investments	61	10
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1	1
Water fund operations	19	1
Sewerage fund operations	34	4
Domestic waste management operations	57	3
Total interest and investment income	194	45

Accounting policy

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

B2-6 Other income

	Notes	2023 \$ '000	2022 \$ '000
Rental income			
Other lease income			
Housing Rent		18	43
Commercial Property		29	32
Medical Centres		14	–
Roxy Theatre		7	2
Community Housing		149	141
Caravan Park		89	83
De-recognition of quarry assets remediation provision	C3-5	–	173
Total other income		306	474

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	11,412	11,025
Travel expenses	3	–
Employee leave entitlements (ELE)	2,816	2,316
Superannuation	1,437	1,339
Workers' compensation insurance	750	709
Fringe benefit tax (FBT)	22	29
Other	55	41
Total employee costs	16,495	15,459
Less: capitalised costs	(3,088)	(1,956)
Total employee costs expensed	13,407	13,503

Accounting policy

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

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

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

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

B3-2 Materials and services

	Notes	2023 \$ '000	2022 \$ '000
Raw materials and consumables		29,339	16,951
Contractor and consultancy costs			
– Consultants		437	158
– Domestic waste management contract		494	104
– Health services		14	7
– Pools		230	210
– Road infrastructure contractors		3,295	1,561
– Footpaths		417	–
– Other		1,565	2,833
Audit Fees	F2-1	69	71
Councillor and Mayoral fees and associated expenses	F1-2	248	269
Advertising		10	26
Bank charges		34	41
Computer software charges		4	–
Electricity and heating		518	459
Insurance		798	723
Street lighting		69	58
Subscriptions and publications		140	184
Telephone and communications		127	124
Valuation fees		29	28
Travel expenses		1	1
Contributions/levies to other levels of government			
Legal expenses:			
– Legal expenses: debt recovery		6	–
– Legal expenses: other		7	13
Expenses from leases of low value assets		8	6
Variable lease expense relating to usage		43	47
Total materials and services		37,902	23,874
Less: capitalised costs		(18,553)	(11,592)
Total materials and services		19,349	12,282

Accounting policy

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

B3-3 Borrowing costs

	Notes	2023 \$ '000	2022 \$ '000
(i) Interest bearing liability costs			
Interest on loans		287	385
Total interest bearing liability costs expensed		287	385
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	168	55
Amortisation of discounts and premiums: – unwinding discount on reduced interest loan		40	46
Total other borrowing costs		208	101
Total borrowing costs expensed		495	486

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

	Notes	2023 \$ '000	2022 \$ '000
Depreciation and amortisation			
Plant and equipment		1,433	1,274
Office equipment		104	96
Furniture and fittings		48	47
Land improvements (depreciable)		6	2
Infrastructure:	C1-7		
– Buildings – non-specialised		600	601
– Buildings – specialised		508	481
– Other structures		202	170
– Roads		5,170	4,059
– Bridges		355	437
– Footpaths		32	29
– Stormwater drainage		40	38
– Water supply network		358	342
– Sewerage network		176	179
– Swimming pools		54	64
Other assets:			
– Other		10	12
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-7	462	514
– Quarry assets	C1-7	79	18
Total depreciation and amortisation costs		9,637	8,363
Total depreciation, amortisation and impairment for non-financial assets		9,637	8,363

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 C1-7 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 not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

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

B3-5 Other expenses

	Notes	2023 \$ '000	2022 \$ '000
Impairment of receivables			
Other		–	3
Total impairment of receivables	C1-4	–	3
Fair value decrement on investments			
Fair value decrement on financial investment		–	107
Total Fair value decrement on investments	C1-2	–	107
Other			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		581	445
– Other contributions/levies		5	–
Donations, contributions and assistance to other organisations (Section 356)		75	90
Total other		661	535
Total other expenses		661	645

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

	Notes	2023 \$ '000	2022 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		603	1,114
Less: carrying amount of property assets sold/written off		(506)	(975)
Gain (or loss) on disposal		97	139
Gain (or loss) on disposal of plant and equipment			
Proceeds from disposal – plant and equipment	C1-7	184	324
Less: carrying amount of plant and equipment assets sold/written off		(169)	(262)
Gain (or loss) on disposal		15	62
Gain (or loss) on disposal of infrastructure			
Less: carrying amount of infrastructure assets sold/written off	C1-7	(259)	(13)
Gain (or loss) on disposal		(259)	(13)
Gain (or loss) on disposal of investments			
Proceeds from disposal/redemptions/maturities – investments	C1-2	13,796	7,346
Less: carrying amount of investments sold/redeemed/matured		(13,796)	(7,346)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(147)	188

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 29 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 <i>Budget</i>	2023 <i>Actual</i>	2023 <i>Variance</i>		
Revenues					
Rates and annual charges	11,250	11,474	224	2%	F
User charges and fees	2,778	5,036	2,258	81%	F
A significant amount of RMS Works was completed during the Financial Year.					
Other revenues	3,686	4,739	1,053	29%	F
Aged Care Revenue was higher than expected.					
Operating grants and contributions	9,235	18,769	9,534	103%	F
Council successfully secured grant funding throughout the Financial Year that was not anticipated.					
Capital grants and contributions	26,196	19,985	(6,211)	(24)%	U
Budget included expected grant funds for the year. Actual includes adjustment for unspent grant funds transferred to liability for reporting as income next year.					
Interest and investment revenue	29	194	165	569%	F
Increase in interest rates throughout the Financial Year seen higher than expected returns on term deposits.					
Net gains from disposal of assets	600	-	(600)	(100)%	U
Budgeted figures for a profit on disposals did not materialise.					
Other income	3,686	306	(3,380)	(92)%	U
Warialda Temporary Accommodation Revenue yet to be received. Roxy Revenue budgeted for at the incorrect resource group level.					

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----		
Expenses					
Employee benefits and on-costs	13,372	13,407	(35)	0%	U
Materials and services	8,545	19,349	(10,804)	(126)%	U
Increased use of contractors to complete works within timeframes for funding deadlines.					
Borrowing costs	321	495	(174)	(54)%	U
Increase in borrowings due to loans for Bingara Sewer Extension and to cover the delay in payments for funded projects.					
Depreciation, amortisation and impairment of non-financial assets	7,796	9,637	(1,841)	(24)%	U
Increase in depreciation due to indexation and revaluation results in water and sewer.					
Other expenses	2,942	661	2,281	78%	F
Changes to the mapping for some other expenses being reallocated to the other categories created this variation. Budget also includes over allowances for various costs that did not materialise.					
Net losses from disposal of assets	-	147	(147)	∞	U
Statement of cash flows					
Cash flows from operating activities	4,228	27,494	23,266	550%	F
Increased cash inflow from successful grant applications throughout the year. Council has also seen an increase in user charges and fees due to drier weather and increased water usage.					
Cash flows from investing activities	(950)	(6,683)	(5,733)	603%	U
Actual includes expenditure for capitalisations transferred from budgeted for a operating activities.					
Cash flows from financing activities	(1,500)	5,011	6,511	(434)%	F
Actuals exceed the budgeted amount due to loan being drawn down in June for Buildings.					

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash on hand and at bank	25,594	2,779
Cash equivalent assets		
– Deposits at call	3,415	408
Total cash and cash equivalents	29,009	3,187

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	29,009	3,187
Balance as per the Statement of Cash Flows	29,009	3,187

Accounting policy

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

C1-2 Financial investments

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Financial assets at fair value through the profit and loss				
Managed funds	–	–	13,796	–
Total financial investments	–	–	13,796	–
Total cash assets, cash equivalents and investments	29,009	–	16,983	–

Accounting policy

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

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

Financial assets

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

Classification

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

- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

Financial assets through profit or loss

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

C1-2 Financial investments (continued)

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

Council's financial assets measured at fair value through profit or loss comprise investments in Managed Funds in the Statement of Financial Position.

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

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	29,009	16,983
Less: Externally restricted cash, cash equivalents and investments	<u>(24,541)</u>	<u>(14,847)</u>
Cash, cash equivalents and investments not subject to external restrictions	4,468	2,136
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – sewer	2,000	–
Aged care bonds	569	625
Specific purpose unexpended grants – general fund	<u>10,603</u>	<u>5,799</u>
External restrictions – included in liabilities	13,172	6,424
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	721	539
Regional and Local Roads Repair Program	3,412	–
Specific purpose unexpended grants – general fund	245	85
Water fund	1,235	912
Sewer fund	1,359	2,845
Waste management	<u>4,397</u>	<u>4,042</u>
External restrictions – other	11,369	8,423
Total external restrictions	24,541	14,847

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.

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

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions

	4,468	2,136
--	-------	-------

Less: Internally restricted cash, cash equivalents and investments

	(3,964)	(1,661)
--	---------	---------

Unrestricted and unallocated cash, cash equivalents and investments

	504	475
--	-----	-----

Internal allocations

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

Employees leave entitlement	900	400
Deposits, retentions and bonds	64	61
Advance Payment Financial Assistance Grant	3,000	1,200
Total internal allocations	3,964	1,661

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

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	504	475
--	------------	------------

Negative unrestricted cash

The Council acknowledges it has used externally restricted funds for purposes other than their intended use between 1 July 2022 and 31 August 2022. In doing so, Council has not complied with section 409 of the Local Government Act 1993 (the Act).

In addition, the Council has determined it is unable to verify that funds raised by special rates or charges were not used to pay for general fund expenses between 1 July 2022 and 31 August 2022. The Council acknowledges it may have used restricted special rates and charges funds for purposes other than their intended use, without Ministerial approval. Such unapproved use would not comply with section 410 of the Act.

C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	758	-	578	-
Interest and extra charges	43	-	77	-
User charges and fees	237	-	195	-
Accrued revenues				
– Interest on investments	-	-	5	-
– Other income accruals	1,645	-	401	-
Government grants and subsidies	4,657	-	4,945	-
Developer Contributions	-	-	-	-
Net GST receivable	555	-	262	-
Sundry trade debtors	46	-	20	-
Other debtors	56	-	91	-
Total	7,997	-	6,574	-
Less: provision for impairment				
User charges and fees	(5)	-	(5)	-
Sundry debtors	(119)	-	(119)	-
Total provision for impairment – receivables	(124)	-	(124)	-
Total net receivables	7,873	-	6,450	-

	2023 \$ '000	2022 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year	124	124
Balance at the end of the year	124	124

C1-4 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 estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

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

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

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

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

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

C1-5 Inventories

	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
(i) Inventories at cost				
Stores and materials	325	–	260	–
Total inventories at cost	325	–	260	–
Total inventories	325	–	260	–

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.

C1-6 Contract assets and Contract cost assets

	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Contract assets	1,258	–	65	–
Total contract assets and contract cost assets	1,258	–	65	–

Contract assets

Construction of roads	–	–	–	–
Construction of recreation assets	1,236	–	65	–
Community assets	22	–	–	–
Total contract assets	1,258	–	65	–

Significant changes in contract assets

The rise in contracted assets can be attributed to delayed receipt of funding reimbursements, which were not received until the 2024 Financial Year.

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.

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022 ²			Asset movements during the reporting period										At 30 June 2023		
	Gross carrying amount ¹ Restated	Accumulated depreciation and impairment	Net carrying amount ¹ Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal recognised in equity (ARR)	WIP transfers	Adjustments and transfers	Contributed (from Note B2-4)	Impairment decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	7,319	–	7,319	3,552	10,726	–	–	–	(4,865)	(63)	–	–	–	16,669	–	16,669
Plant and equipment ³	28,123	(15,436)	12,687	–	1,441	(224)	(1,433)	–	–	(24)	537	–	–	29,399	(16,416)	12,983
Office equipment	1,271	(822)	449	–	34	–	(104)	–	–	–	–	–	–	1,305	(925)	380
Furniture and fittings	1,310	(682)	628	–	112	–	(48)	–	–	–	–	–	–	1,423	(731)	692
Land:																
– Operational land	6,171	–	6,171	–	53	(70)	–	–	–	–	–	–	440	6,593	–	6,593
– Community land	3,160	–	3,160	–	81	–	–	–	–	–	–	–	232	3,472	–	3,472
Land improvements – depreciable	201	(5)	196	–	–	–	(6)	–	38	–	–	–	16	255	(12)	243
Infrastructure:																
– Buildings – non-specialised	43,045	(16,209)	26,836	318	15	(436)	(600)	–	303	–	–	–	1,890	46,195	(17,868)	28,327
– Buildings – specialised	42,518	(10,453)	32,065	–	284	–	(508)	–	161	–	–	–	2,288	46,035	(11,745)	34,290
– Other structures	9,655	(2,550)	7,105	–	353	–	(202)	–	286	–	–	–	385	10,820	(2,892)	7,928
– Roads ²	228,330	(40,394)	187,936	3,207	–	(40)	(5,170)	1,164	4,005	–	–	(3,009)	11,466	249,302	(49,743)	199,559
– Bridges	49,334	(9,921)	39,413	–	–	–	(355)	–	–	–	–	–	2,330	52,238	(10,850)	41,388
– Footpaths	3,118	(1,523)	1,595	–	–	–	(32)	–	72	–	–	–	97	3,379	(1,646)	1,733
– Bulk earthworks (non-depreciable)	95,041	–	95,041	1,036	–	(9)	–	–	–	–	–	–	5,678	101,746	–	101,746
– Stormwater drainage	4,538	(2,378)	2,160	–	–	(6)	(40)	–	–	–	–	–	2,644	6,614	(1,856)	4,758
– Water supply network	25,116	(9,537)	15,579	66	–	(67)	(358)	–	–	(2)	–	–	3,366	27,473	(8,890)	18,583
– Sewerage network	14,537	(8,890)	5,647	51	–	(82)	(176)	–	–	26	–	–	7,752	18,958	(5,741)	13,217
– Swimming pools	3,694	(871)	2,823	–	–	–	(54)	–	–	–	–	–	141	3,883	(973)	2,910
– Other infrastructure	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets:																
– Other	233	(86)	147	–	–	–	(10)	–	–	–	–	–	–	233	(96)	137
Reinstatement, rehabilitation and restoration assets:																
– Tip assets	6,328	(1,542)	4,786	–	–	–	(462)	–	–	(2,010)	–	–	–	4,318	(2,004)	2,314
– Quarry assets	372	(33)	339	–	–	–	(79)	–	–	(121)	–	–	–	252	(112)	140
Total infrastructure, property, plant and equipment	573,414	(121,332)	452,082	8,230	13,099	(934)	(9,637)	1,164	–	(2,194)	537	(3,009)	38,725	630,562	(132,500)	498,062

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

(2) Prior year has been restated, refer to Note G4-1

(3) RFS Assets Rural Fire Fighting Assets are separately disclosed to provide Users of the Financial Statements with beneficial information of the value of the assets contributed to Council by the Rural Fire Service (RFS) as a non-cash capital contribution. As a non-cash contribution, these assets do not represent a renewal or new asset in accordance with the asset renewal or other asset ratios reported separately in the financial statements and special schedules.

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

	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022 ²		
	Gross carrying amount ²	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Contributed (from Note B2-4)	Impairment decrements to equity (ARR) ² Restated	Revaluation increments to equity (ARR)	Gross carrying amount ² Restated	Accumulated depreciation and impairment	Net carrying amount ² Restated
By aggregated asset class	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	13,020	–	13,020	6,471	–	–	–	(11,674)	(498)	–	–	–	7,319	–	7,319
Plant and equipment	23,320	(12,196)	11,124	–	2,149	(261)	(1,274)	315	–	535	–	99	28,123	(15,436)	12,687
Office equipment	1,173	(726)	447	–	81	–	(96)	17	–	–	–	–	1,271	(822)	449
Furniture and fittings	1,312	(635)	677	–	–	–	(47)	–	–	–	–	–	1,310	(682)	628
Land:															
– Operational land	5,918	–	5,918	–	13	(40)	–	–	–	–	–	280	6,171	–	6,171
– Community land	2,880	–	2,880	–	–	–	–	–	–	–	–	280	3,160	–	3,160
Land improvements – depreciable	64	(3)	61	–	137	–	(2)	–	–	–	–	–	201	(5)	196
Infrastructure:															
– Buildings – non-specialised	39,478	(13,869)	25,609	198	149	(199)	(601)	38	–	–	–	1,642	43,045	(16,209)	26,836
– Buildings – specialised	38,825	(8,223)	30,602	197	529	(160)	(481)	304	–	–	–	1,074	42,518	(10,453)	32,065
– Other structures	7,531	(2,241)	5,290	23	713	–	(170)	785	–	–	–	464	9,655	(2,550)	7,105
– Roads ²	198,695	(31,392)	167,303	1,065	–	–	(4,059)	8,578	–	–	(2,595)	17,644	228,330	(40,394)	187,936
– Bridges	43,860	(8,802)	35,058	–	1,050	–	(437)	–	–	–	–	3,742	49,334	(9,921)	39,413
– Footpaths	2,841	(1,387)	1,454	–	16	–	(29)	–	–	–	–	154	3,118	(1,523)	1,595
– Bulk earthworks (non-depreciable)	82,968	–	82,968	153	1,766	–	–	1,187	–	–	–	8,969	95,041	–	95,041
– Stormwater drainage	4,232	(2,211)	2,021	–	36	–	(38)	26	–	–	–	115	4,538	(2,378)	2,160
– Water supply network	23,639	(8,687)	14,952	58	–	(13)	(342)	87	–	–	–	837	25,116	(9,537)	15,579
– Sewerage network	13,361	(8,230)	5,131	1	73	–	(179)	337	–	–	–	284	14,537	(8,890)	5,647
– Swimming pools	3,360	(755)	2,605	52	–	–	(64)	–	–	–	–	230	3,694	(871)	2,823
– Other infrastructure	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets:															
– Other	215	(68)	147	–	–	–	(12)	–	–	–	–	12	233	(86)	147
Reinstatement, rehabilitation and restoration assets:															
– Tip assets	3,306	(1,028)	2,278	–	–	–	(514)	–	3,022	–	–	–	6,328	(1,542)	4,786
– Quarry assets	398	(127)	271	–	–	–	(18)	–	86	–	–	–	372	(33)	339
Total infrastructure, property, plant and equipment	510,396	(100,580)	409,816	8,218	6,712	(673)	(8,363)	–	2,610	535	(2,595)	35,826	573,414	(121,332)	452,082

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

(2) Prior year has been restated, refer to Note G4-1

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	9 to 30	Benches, seats etc.	10 to 20
Vehicles, plant and equipment	5 to 50	Other structures	5 to 100
Water and sewer assets		Buildings	
Dams and reservoirs	80 to 100	Buildings	8 to 262
Bores	20 to 40		
Reticulation pipes: PVC	70 to 80	Stormwater assets	
Reticulation pipes: other	25 to 75	Drains	80 to 100
Pumps and telemetry	15 to 20	Culverts	50 to 80
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 36	Bulk earthworks	infinite
Sealed roads: structure	36 to 200	Swimming pools	60
Unsealed roads	12 to 200	Other Assets	10 to 100
Bridge: concrete	150		
Bridge: other	100		
Kerb and gutter	100		
Footpaths	100		

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

Revaluation model

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

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

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

Land under roads

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

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

C1-7 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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise rural fire service assets including land, buildings, plant and vehicles.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over buildings and photocopiers. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council also leases the former St Mary's school for community purposes, this lease is for 3 years, expires on 30 June 2021 and has been renewed until 30 June 2024.

Right of Use Assets have not been bought in for these leases as they are short term with low annual rental.

Office and IT equipment

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

(a) Income Statement

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

	2023 \$ '000	2022 \$ '000
Variable lease payments based on usage not included in the measurement of lease liabilities	43	94
Expenses relating to low-value leases	8	12
	51	106

(b) Statement of Cash Flows

Total cash outflow for leases	51	53
	51	53

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

Council has a lease at significantly below market for a building which is used for:

- a gymnasium

The lease is on-going at council discretion and requires a payment of a maximum amount of \$10 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that the lease in place is 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-

C2-1 Council as a lessee (continued)

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.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties for housing, caravan park residents, medical centres, cafe and commercial premises; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer Note C1-7). They have not been classified under AASB 140 Investment Property as they are either occupied by council employees, aged and permanent residents or held for strategic purposes.

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

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

(i) Assets held as property, plant and equipment

Council leases out a number of properties for housing, caravan park residents, medical centres, cafe and commercial premises, the table relates to operating leases on assets disclosed in note C1-7.

Lease income (excluding variable lease payments not dependent on an index or rate)	306	474
Total income relating to operating leases for Council assets	306	474

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

< 1 year	259	264
1–2 years	259	264
2–3 years	259	264
3–4 years	259	264
4–5 years	259	264
> 5 years	259	264
Total undiscounted lease payments to be received	1,554	1,584

C2-2 Council as a lessor (continued)

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Goods and services – operating expenditure	550	–	2,618	–
Accrued expenses:				
– Borrowings	42	–	36	–
– Other expenditure accruals	2,019	–	291	–
Prepaid rates	348	–	337	–
Security bonds, deposits and retentions	69	–	62	–
Aged care deposits and bonds	1,431	–	1,376	–
Sundry	11	–	16	–
Other	131	–	117	–
Total payables	4,601	–	4,853	–

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

	2023	2022
	\$ '000	\$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	773	752
Total payables	773	752

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

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	9,533	–	5,165	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	263	–	634	–
Total contract liabilities		9,796	–	5,799	–

Notes

(i) Council has received funding to construct assets including sporting and aged care facilities, 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.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 and AASB 1058 being satisfied since the performance obligations are ongoing.

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

	2023 \$ '000	2022 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	2,804	65
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,804	65

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured ¹	1,064	9,953	2,009	3,997
Total borrowings	1,064	9,953	2,009	3,997

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

(a) Changes in liabilities arising from financing activities

	2022		Non-cash movements				2023
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	6,006	(1,989)	7,000	–	–	–	11,017
Total liabilities from financing activities	6,006	(1,989)	7,000	–	–	–	11,017

	2021		Non-cash movements				2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	7,112	(1,106)	–	–	–	–	6,006
Total liabilities from financing activities	7,112	(1,106)	–	–	–	–	6,006

(b) Financing arrangements

	2023 \$ '000	2022 \$ '000
Total facilities		
Bank overdraft facilities ¹	500	100
Credit cards/purchase cards	100	100
Total financing arrangements	600	200
Drawn facilities		
– Credit cards/purchase cards	28	23
Total drawn financing arrangements	28	23
Undrawn facilities		
– Bank overdraft facilities	500	100
– Credit cards/purchase cards	72	77
Total undrawn financing arrangements	572	177

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

Accounting policy

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

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

C3-3 Borrowings (continued)

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

	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
	\$ '000	\$ '000	\$ '000	\$ '000
Annual leave	1,464	–	1,439	–
Long service leave	1,893	147	1,742	114
Total employee benefit provisions	3,357	147	3,181	114

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

	2023	2022
	\$ '000	\$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,101	1,701
	3,101	1,701

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

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	61	4,821	61	6,786
Total provisions	61	4,821	61	6,786

Description of and movements in provisions

	Asset remediation \$ '000	Other provisions Total \$ '000
2023		
At beginning of year	6,847	6,847
Unwinding of discount	168	168
Remeasurement effects	(2,133)	(2,133)
Total other provisions at end of year	4,882	4,882
2022		
At beginning of year	3,857	3,857
Unwinding of discount	55	55
De-recognition	(173)	(173)
Remeasurement effects	1,142	1,142
Other	1,966	1,966
Total other provisions at end of year	6,847	6,847

Nature and purpose of provisions

Asset remediation

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

Accounting policy

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Asset remediation – tips and quarries

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

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

C3-5 Provisions (continued)

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

The cost estimate for landfill rehabilitation has been based on phytocapping treatment which is yet to be approved by the EPA that recommends clay compaction. Estimated costs will increase if the EPA does not approve the different rehabilitation treatment.

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

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
Income from continuing operations			
Rates and annual charges	9,953	818	703
User charges and fees	4,053	861	122
Interest and investment revenue	141	19	34
Other revenues	4,727	10	2
Grants and contributions provided for operating purposes	18,769	–	–
Grants and contributions provided for capital purposes	19,727	150	108
Other income	306	–	–
Total income from continuing operations	57,676	1,858	969
Expenses from continuing operations			
Employee benefits and on-costs	12,570	449	388
Materials and services	18,338	632	379
Borrowing costs	405	87	3
Depreciation, amortisation and impairment of non-financial assets	9,061	391	185
Other expenses	649	2	10
Net losses from the disposal of assets	(46)	111	82
Total expenses from continuing operations	40,977	1,672	1,047
Operating result from continuing operations	16,699	186	(78)
Net operating result for the year	16,699	186	(78)
Net operating result for the year before grants and contributions provided for capital purposes	(3,028)	36	(186)

D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	24,415	1,235	3,359
Receivables	7,454	318	101
Inventories	304	20	1
Contract assets and contract cost assets	1,258	–	–
Other	10	–	–
Total current assets	33,441	1,573	3,461
Non-current assets			
Infrastructure, property, plant and equipment	462,121	20,461	15,480
Total non-current assets	462,121	20,461	15,480
Total assets	495,562	22,034	18,941
LIABILITIES			
Current liabilities			
Payables	4,549	52	–
Contract liabilities	9,796	–	–
Borrowings	862	155	47
Employee benefit provision	3,357	–	–
Provisions	61	–	–
Total current liabilities	18,625	207	47
Non-current liabilities			
Borrowings	7,109	891	1,953
Employee benefit provision	147	–	–
Provisions	4,821	–	–
Total non-current liabilities	12,077	891	1,953
Total liabilities	30,702	1,098	2,000
Net assets	464,860	20,936	16,941
EQUITY			
Accumulated surplus	288,383	13,010	8,309
Revaluation reserves	176,477	7,926	8,632
Total equity	464,860	20,936	16,941

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

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

The risks associated with the 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.
- **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

	2023	2022
	\$ '000	\$ '000
The impact on result for the year and equity of a reasonably possible movement in the 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	180	80

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

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	<i>Not yet overdue \$ '000</i>	<i>overdue rates and annual charges</i>		<i>Total \$ '000</i>
		<i>< 5 years \$ '000</i>	<i>≥ 5 years \$ '000</i>	
2023				
Gross carrying amount	–	558	200	758
2022				
Gross carrying amount	–	526	52	578

Receivables - non-rates and annual charges and contract assets

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

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

	<i>Not yet overdue \$ '000</i>	<i>0 - 30 days \$ '000</i>	<i>Overdue debts</i>			<i>Total \$ '000</i>
			<i>31 - 60 days \$ '000</i>	<i>61 - 90 days \$ '000</i>	<i>> 91 days \$ '000</i>	
2023						
Gross carrying amount	8,434	21	8	5	29	8,497
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	45.60%	0.16%
ECL provision	–	–	–	–	13	13
2022						
Gross carrying amount	5,069	357	132	–	7	5,565
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	45.60%	0.06%
ECL provision	–	–	–	–	124	124

(1) 2021 figures were adjusted on contract assets.

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

(c) Liquidity risk

Payables 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.

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in:</i>			<i>Total contractu al cash flows \$ '000</i>	<i>Actual carrying values \$ '000</i>
			<i>≤ 1 Year,¹ \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>> 5 Years \$ '000</i>		
2023							
Payables	0.00%	69	4,257	275	–	4,601	4,601
Borrowings	7.10%	–	1,154	3,052	10,255	14,461	11,017
Total financial liabilities		69	5,411	3,327	10,255	19,062	15,618
2022							
Payables	0.00%	62	4,473	318	–	4,853	4,853
Borrowings	6.59%	–	2,025	2,325	1,656	6,006	6,006
Total financial liabilities		62	6,498	2,643	1,656	10,859	10,859

(1) 2021 figures were adjusted on prepaid rates.

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).

		Fair value measurement hierarchy								
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total		
		2023	2022	2023	2022	2023	2022 ¹	2023	2022	
							Restated	Restated	Restated	
Recurring fair value measurements										
Financial assets										
Financial investments	C1-2									
At fair value through profit or loss		30/06/23	30/06/2022	-	13,796	-	-	-	13,796	
Total financial assets				-	13,796	-	-	-	13,796	
Infrastructure, property, plant and equipment										
	C1-7									
Plant & Equipment		30/06/20	30/06/20	-	-	12,983	12,687	12,983	12,687	
Office Equipment		30/06/20	30/06/20	-	-	380	449	380	449	
Furniture & Fittings		30/06/20	30/06/20	-	-	692	628	692	628	
Operational Land		30/06/22	30/06/22	-	-	6,593	6,171	6,593	6,171	
Community Land		30/06/21	30/06/21	-	-	3,472	3,160	3,472	3,160	
Land Improvements - depreciable		30/06/20	30/06/20	-	-	243	196	243	196	
Buildings Specialised		30/06/22	30/06/22	-	-	34,290	32,065	34,290	32,065	
Buildings Non-Specialised		30/06/22	30/06/22	-	-	28,327	26,836	28,327	26,836	
Other Structures		30/06/21	30/06/21	-	-	7,928	7,105	7,928	7,105	
Roads and bulk earthworks ¹		30/06/20	30/06/20	-	-	301,305	282,977	301,305	282,977	
Bridges		30/06/20	30/06/20	-	-	41,388	39,413	41,388	39,413	
Footpaths		30/06/20	30/06/20	-	-	1,733	1,595	1,733	1,595	
Stormwater Drainage		30/06/23	30/06/18	-	-	4,758	2,160	4,758	2,160	
Water Supply Network		30/06/23	30/06/18	-	-	18,583	15,579	18,583	15,579	
Sewerage Network		30/06/23	30/06/18	-	-	13,217	5,647	13,217	5,647	
Swimming Pools		30/06/21	30/06/21	-	-	2,910	2,823	2,910	2,823	
Other		30/06/21	30/06/21	-	-	137	147	137	147	
Total infrastructure, property, plant and equipment				-	-	478,939	439,638	478,939	439,638	

(1) Restated - see note G4-1

Transfers between level 1 and level 2 fair value hierarchies

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

E2-1 Fair value measurement (continued)

Valuation techniques

All assets have been valued at level 3 fair values

Infrastructure, property, plant and equipment (IPPE) Land & Buildings

Highest and best use.

There were no assets valued where it was assumed that the highest and best use was other than its current use.

Plant & Equipment, Office equipment, Furniture & Fittings and Other Structures

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

*Plant & Equipment	Trucks, tractors, ride-on-mowers, earthmoving equipment and motor vehicles.
*Office Equipment	Electronic whiteboards and computer equipment
*Furniture & Fittings	Chairs, desks and filing cabinets.
*Other structures	Fences, small sheds, water tanks and street bins

The key unobservable inputs to the valuations are the remaining useful life and residual value. Council reviews the value of these

Community land

All valuations of Community land are based upon the land valuations issued by the Valuer-General on a regular basis.

Valuation techniques used to derive fair values - land and buildings

The council engages external, independent and qualified valuers to determine the fair value of the entities land on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim evaluation using appropriate indices.

A comprehensive revaluation was undertaken by APV valuers for Buildings and Operational Land as at 30 June 2022.

The main level 3 inputs used are derived and evaluated as follows –

1. Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the
2. The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements.

Land

Level 3 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings

Level 3 valuation inputs.

Last comprehensive revaluation of buildings was performed by an independent valuer (APV) on 30 June 2022. Buildings were valued 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 the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) 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.

Swimming Pools

E2-1 Fair value measurement (continued)

The fair value amount for this asset has been derived from assets originally classed in Other Structures. Swimming pools were valued as part of Other Structures on 30 June 2021 by APV Valuers. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at level 3. This has been no change to the valuation process during the reporting period.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

A comprehensive revaluation was undertaken by APV valuers for Water System Assets as at 30 June 2023.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

A comprehensive revaluation was undertaken by APV valuers for Sewer System Assets as at 30 June 2023.

Roads, Bridges, Bulk Earthworks and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. The valuation of the infrastructure assets has been undertaken internally by Council's Engineering Department by experienced Engineers. This valuation relies on key unobservable inputs such as unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The valuation process also relied on the skill and experience of the Engineers. The key unobservable inputs and no active market places this asset category at Level 3. The last valuation was undertaken internally by Council's Engineers on 30 June 2020. There has been no change to the valuation process during the reporting year.

Stormwater Drainage

This class of assets includes culverts, mains, open drains, trash screens, GPT. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

A comprehensive revaluation was undertaken by APV valuers for Stormwater Drainage as at 30 June 2023.

Remediation Assets

This class of asset includes the various landfill sites within the local government areas. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period. Also included in this group are the various gravel pits (quarries) operated by Council. The remediation cost include final site management and works to comply with environmental requirements. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period.

Fair value measurements using significant unobservable inputs (level 3)

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

E2-1 Fair value measurement (continued)

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

	<i>Valuation technique/s</i>	<i>Unobservable inputs</i>
Infrastructure, property, plant and equipment		
Plant & Equipment, office equipment, furniture & fittings	Cost	Gross Replacement Costs, Useful Life, Residual Value
Operational land	Market	Land Value
Community land	Land Values issued by Valuer General	Land Value
Land Improvements -depreciable	Cost	Replacement Costs, Useful Life, Asset Condition
Buildings	Market	Replacement Costs, Useful Life, Asset Condition
Other structures	Cost	Replacement Costs, Useful Life, Asset Condition
Roads, bridges, footpaths	Cost	Replacement Costs, Useful Life, Asset Condition
Stormwater drainage	Cost	Replacement Costs, Useful Life, Asset Condition
Water supply & sewerage network	Cost	Replacement Costs, Useful Life, Asset Condition
Swimming pools	Cost	Gross Replacement Costs, Useful Life
Other	Cost	Gross Replacement Costs, Useful Life
Tip & quarry asset	Cost	Replacement Costs, Useful Life, Asset Condition
		Total
		2023
		2022
		\$ '000
		\$ '000

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

(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 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024 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 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$109 367.92. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$61 698.84. Council's expected contribution to the plan for the next annual reporting period is \$108 572.16.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	2,209.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

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

The share of any funding surplus or deficit that can be attributed to Council is 0.30%

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

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

Investment return	6% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6% per annum for FY 22/23 2.5% per annum thereafter

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2023.

(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 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) Other guarantees

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

(v) The Community Mutual Group

Council provides bank guarantees to the value of \$409 824.22 to provide additional assistance to borrowers for home loans relating to properties within the local government area. The guarantees are provided to The Community Mutual Group.

2. Other

(i) Third party claims

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	2023	2022
	\$ '000	\$ '000
Compensation:		
Short-term benefits	667	630
Post-employment benefits	53	50
Other long-term benefits	101	107
Total	821	787

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	<i>Transactions during the year</i> \$ '000	<i>Outstanding balances including commitments</i> \$ '000	<i>Terms and conditions</i>	<i>Impairment provision on outstanding balances</i> \$ '000	<i>Impairment expense</i> \$ '000
2023					
Employee Expenses relating to close family members of KMP	156	-	Council staff award	-	-
Contractors	240	-	7 days on invoice	-	-
2022					
Employee Expenses relating to close family members of KMP	225	-	Council staff award	-	-
Contractors	299	-	7 days on invoice	-	-

F1-2 Councillor and Mayoral fees and associated expenses

	2023 \$ '000	2022 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	30	29
Councillors' fees	123	111
Other Councillors' expenses (including Mayor)	95	129
Total	248	269

F2 Other relationships

F2-1 Audit fees

	2023 \$ '000	2022 \$ '000
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	61	59
Remuneration for audit and other assurance services	61	59
Total Auditor-General remuneration	61	59
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	8	12
Remuneration for audit and other assurance services	8	12
Total remuneration of non NSW Auditor-General audit firms	8	12
Total audit fees	69	71

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2023 \$ '000	2022 \$ '000
Net operating result from Income Statement	16,807	9,602
Add / (less) non-cash items:		
Depreciation and amortisation	9,637	8,363
(Gain) / loss on disposal of assets	147	(188)
Non-cash capital grants and contributions	(538)	(535)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	–	107
Unwinding of discount rates on reinstatement provisions	168	55
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(1,423)	(4,710)
(Increase) / decrease of inventories	(65)	7
(Increase) / decrease of other current assets	–	566
(Increase) / decrease of contract asset	(1,193)	326
Increase / (decrease) in payables	(2,068)	1,262
Increase / (decrease) in accrued interest payable	6	(14)
Increase / (decrease) in other accrued expenses payable	1,728	186
Increase / (decrease) in other liabilities	82	381
Increase / (decrease) in contract liabilities	3,997	(409)
Increase / (decrease) in employee benefit provision	209	278
Increase / (decrease) in other provisions	–	1,793
Net cash flows from operating activities	27,494	17,070

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Regional Drought Resilience Plan	31	347
Bingara North and East Pressure Sewer Construction	1,736	–
County Boundary Road Pallamallawa - drainage construction	760	–
Total commitments	2,527	347
These expenditures are payable as follows:		
Within the next year	2,527	347
Total payable	2,527	347
Sources for funding of capital commitments:		
Unrestricted general funds	2,527	347
Total sources of funding	2,527	347

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Correction of errors

Council did not recognise some of the impairment to the Road network that was caused by the November 2021 flood event. These assets were only identified after extensive work was completed in assessing the damage from flooding after several declared natural disasters. The comparatives were adjusted by adding back unrecorded impairment of \$2.6 million in the 2022 financial year against road assets.

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

	<i>Original Balance 30 June 2022 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June 2022 ¹ \$ '000</i>
Infrastructure, property, plant and equipment	454,677	(2,595)	452,082
Total non-current assets	454,677	(2,595)	452,082
Total assets	478,445	(2,595)	475,850
Net assets	451,645	(2,595)	449,050
IPPE Revaluation Reserve	158,750	(2,595)	156,155
Total equity	451,645	(2,595)	449,050

(1) Council considers the impact of depreciation is not material

Statement of Comprehensive Income

	<i>Original Balance 30 June 2022 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June 2022 ¹ \$ '000</i>
Impairment loss relating to infrastructure, property, plant and equipment	–	(2,595)	(2,595)
Total Items which will not be reclassified subsequently to the operating result	35,826	(2,595)	33,231
Total Other comprehensive income	35,826	(2,595)	33,231
Total comprehensive income for the year attributable to Council	45,428	(2,595)	42,833

(1) Council considers the impact of depreciation is not material

G5 Statement of developer contributions as at 30 June 2023

G5-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
S7.11 not under plans	539	182	-	-	-	-	721	-	
Total contributions	539	182	-	-	-	-	721	-	

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

G5-2 Contributions not under plans

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
CONTRIBUTIONS NOT UNDER A PLAN									
Roads	539	182	-	-	-	-	721	-	
Total	539	182	-	-	-	-	721	-	

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3,031)	(7.48)%	(15.15)%	(4.66)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	40,518				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	21,749	35.95%	42.14%	58.94%	> 60.00%
Total continuing operating revenue ¹	60,503				
3. Unrestricted current ratio					
Current assets less all external restrictions	13,494	3.25x	1.15x	0.89x	> 1.50x
Current liabilities less specific purpose liabilities	4,148				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,101	2.86x	2.65x	4.68x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,484				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	801	6.58%	5.50%	4.71%	< 10.00%
Rates and annual charges collectable	12,169				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,009	8.84	1.51	3.46	> 3.00
Monthly payments from cash flow of operating and financing activities	3,281	months	months	months	months

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses	(7.59)%	(15.40)%	2.11%	(2.02)%	(21.60)%	(31.93)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions	33.25%	38.98%	91.93%	100.00%	88.85%	100.00%	> 60.00%
Total continuing operating revenue							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.71x	1.14x	14.08x	1.19x	44.72x	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation	2.75x	2.57x	5.91x	4.73x	0.67x	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.52%	6.29%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.44 months	0.96 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

I have audited the accompanying financial statements of Gwydir Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993* (LG Act), Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Non-compliance with the *Local Government Act 1993*

I draw attention to Note C1-3 'Restricted and allocated cash, cash equivalents and investments'.

The Council acknowledges that it has used externally restricted funds for purposes other than their intended use between 1 July 2022 and 31 August 2022. Such use would not comply with section 409 of the LG Act.

In addition, the Council is unable to verify that funds raised by special rates or charges were not used to pay for general fund expenses between 1 July 2022 and 31 August 2022. The Council acknowledges it may have used restricted special rates and charges funds for purposes other than their intended use, without Ministerial approval. Such unapproved use would not comply with section 410 of the LG Act.

My opinion is not modified in respect of this matter.

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the LG Act, 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 LG Act, 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.



Michael Khazoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 December 2023
SYDNEY



Cr John Coulton
Mayor
Gwydir Shire Council
Locked Bag 5
BINGARRA NSW 2404

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: R008-16585809-49706

21 December 2023

Dear Mayor,

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

I have audited the general purpose financial statements (GPFS) of the Gwydir Shire Council (the Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

Non-compliance with the Local Government Act 1993 - use of externally restricted funds for purposes other than their intended use

The Council acknowledges it has used externally restricted funds for purposes other than their intended use between 1 July 2022 and 31 August 2022. In doing so, Council has not complied with section 409 of the Local Government Act 1993 (the Act).

In addition, the Council has determined it is unable to verify that funds raised by special rates or charges were not used to pay for general fund expenses between 1 July 2022 and 31 August 2022. The Council acknowledges it may have used restricted special rates and charges funds for purposes other than their intended use, without Ministerial approval. Such unapproved use would not comply with section 410 of the Act.

An 'Emphasis of Matter' has been included in the Independent Auditor's Report, drawing the reader's attention to Note C1-3 'Restricted and allocated cash, cash equivalents and investments', where the non-compliance is disclosed.

My opinion is not modified in respect of this matter.

Fraud control

We first reported deficiencies in Council's fraud control process in 2018-19. Council is in the process of completing the fraud control health check and fraud risk assessment, however we continue to identify the following ongoing fraud control deficiencies:

- absence of formal fraud control policy and fraud control plan
- Council has not conducted fraud awareness training for all staff.

The matter has been included in this year's Management Letter as a high risk issue.

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	11.5	11.3	↑ 1.8
Grants and contributions revenue	38.8	25.9	↑ 49.8
Operating result from continuing operations	16.8	9.6	↑ 75.0
Net operating result before capital grants and contributions	(3.2)	(4.6)	↑ 30.4

The Council's operating result from continuing operations was a surplus of \$16.8 million, which was \$7.2 million higher than the prior year (2021-22: \$9.6 million). This was mainly due to an increase in grants and contributions revenue during the year.

The net operating result before capital grants and contributions was a deficit of \$3.2 million, which was an improvement from the prior year (2021-22: deficit of \$4.6 million). This was mainly due to an increase in operational grants and contributions revenue, offset by an increase in expenses from continuing operations during the year.

Grants and contributions revenue (\$38.8 million) increased by \$12.9 million (49.8 per cent) in 2022–23. This was mainly due to a:

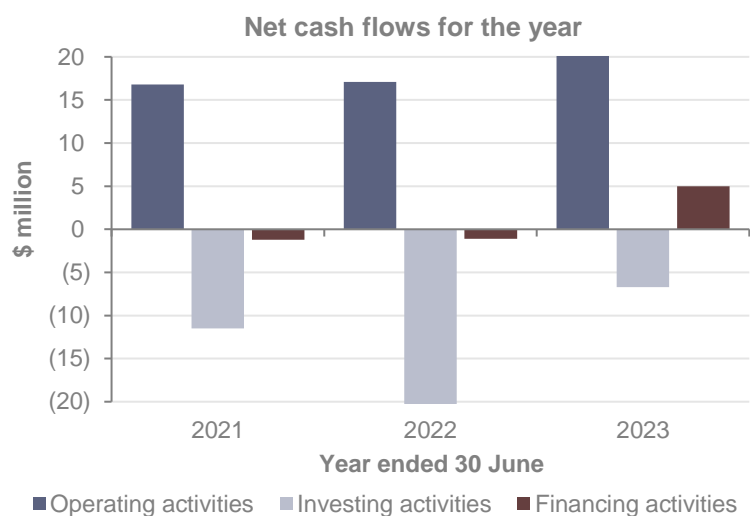
- \$3.6 million increase in operational grants for transport (regional roads, block grant)
- \$1.8 million increase in capital grants for transport (other roads and bridges funding) due to funding received for road upgrade works
- \$1.2 million increase in financial assistance grants due to receiving 100 percent of the financial assistance grants for 2023-24 in advance (75 percent in 2021-22)
- \$1.3 million increase in operational grants for transport (3X3, flood works, roads to recovery)
- \$3.7 million increase in grants due to disaster recovery funding received for the flood events.

STATEMENT OF CASH FLOWS

Cash from operating activities increased by \$10.4 million, mainly due to an increase in grants and contributions received during the year.

Cash outflows from investing activities decreased by \$14.2 million due to a net increase in sale of investments.

Cash from financing activities increased by \$6.1 million due to proceeds from new borrowings during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	29.0	17.0	Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted balances comprise mainly of specific purpose unexpended grants, water funds, sewer funds, waste management and Regional and Local Roads Repair program.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	24.5	14.8	Internal allocations are determined by council policies or decisions, which are subject to change.
• Internal allocations	4.0	1.7	At 30 June 2023 Council holds \$504,000 in unrestricted and unallocated cash, cash equivalents and investments (2021-22: \$475,000). Refer to the 'significant audit issues and observations' section of this report relating to 'Non-compliance with the Local Government Act 1993 - use of externally restricted funds for purposes other than their intended use'.

Debt

At 30 June 2023, Council had:

- \$11.0 million in secured loans (\$6.0 million in 2021-22)
- \$500,000 in bank overdraft facilities with Nil drawn.

PERFORMANCE

Performance measures

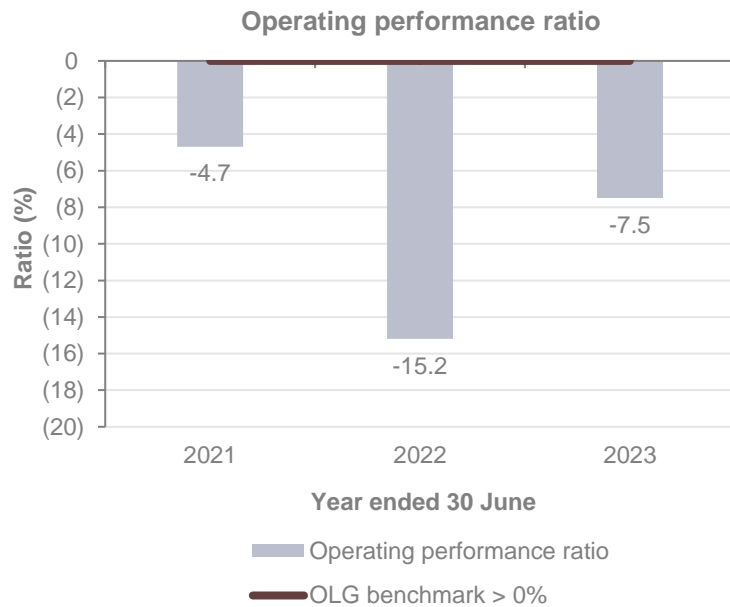
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

The Council did not meet the benchmark for the current or previous reporting periods

The ratio has improved, mainly due to the increase in grants and contributions provided for operating purposes.

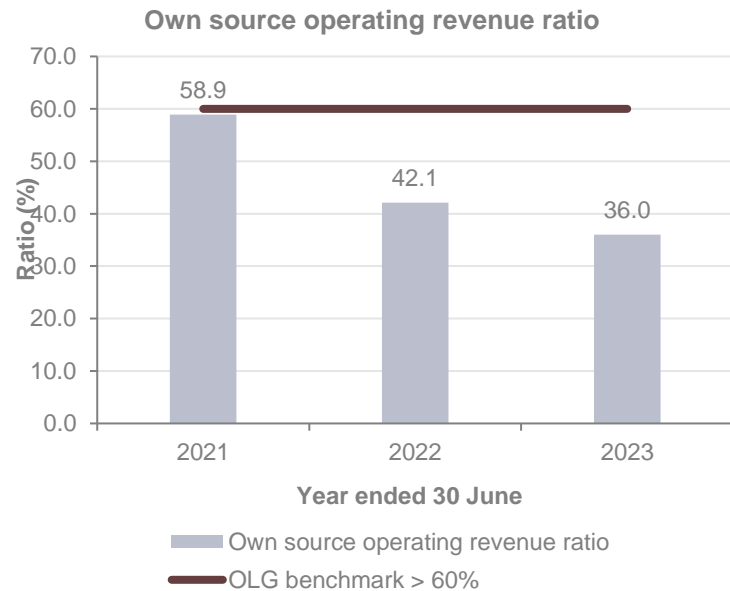


Own source operating revenue ratio

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

The Council did not meet the benchmark for the current or previous reporting periods.

The ratio continued to decline during the year, mainly due to an increase in grants and contributions.

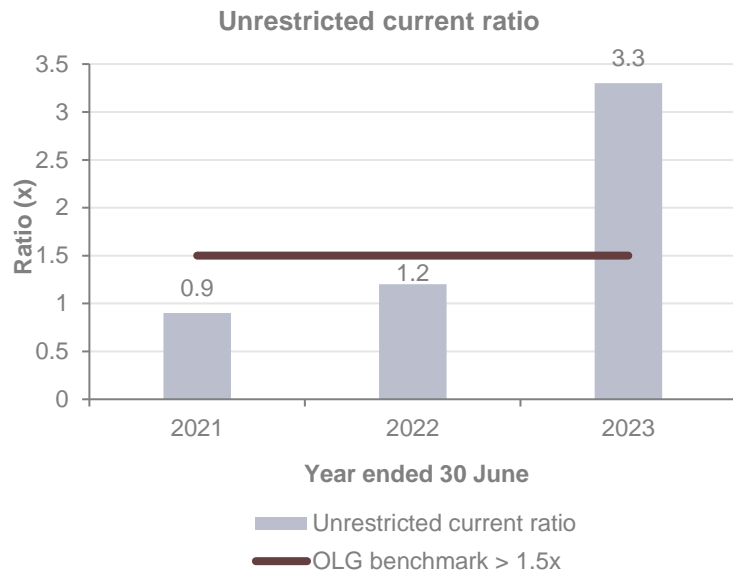


Unrestricted current ratio

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.

The Council's ratio of 3.3 times exceeded the benchmark for the current reporting period.

The ratio increased due to an increase in unrestricted current assets.

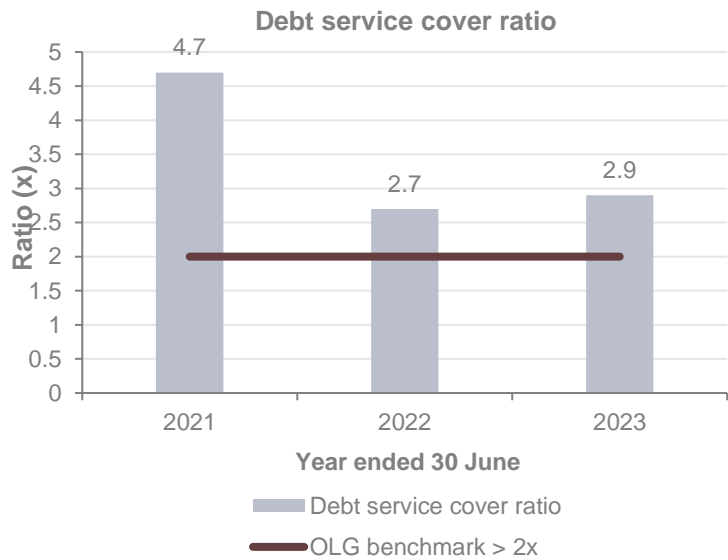


Debt service cover ratio

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

The Council's ratio of 2.9 times exceeded the benchmark for the current reporting period.

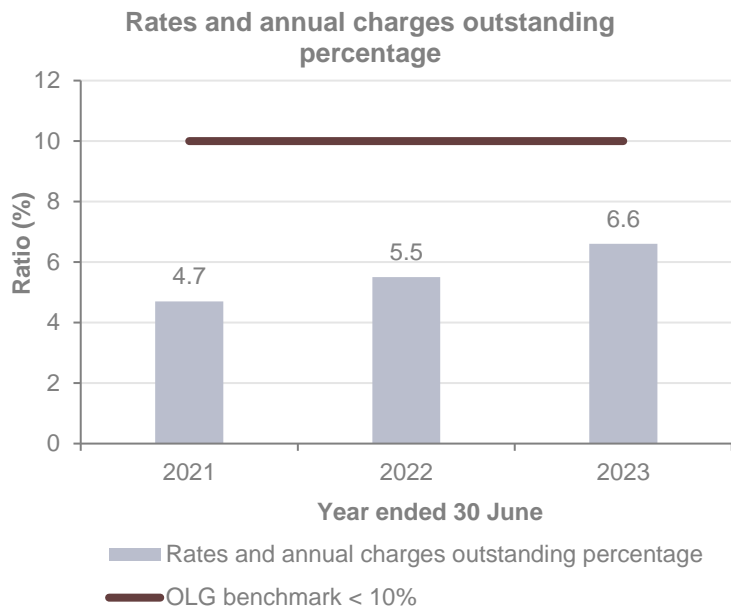
The ratio remains consistent with the prior period.



Rates and annual charges outstanding percentage

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.

The Council ratio of 6.6 per cent was within the benchmark for the current reporting period.

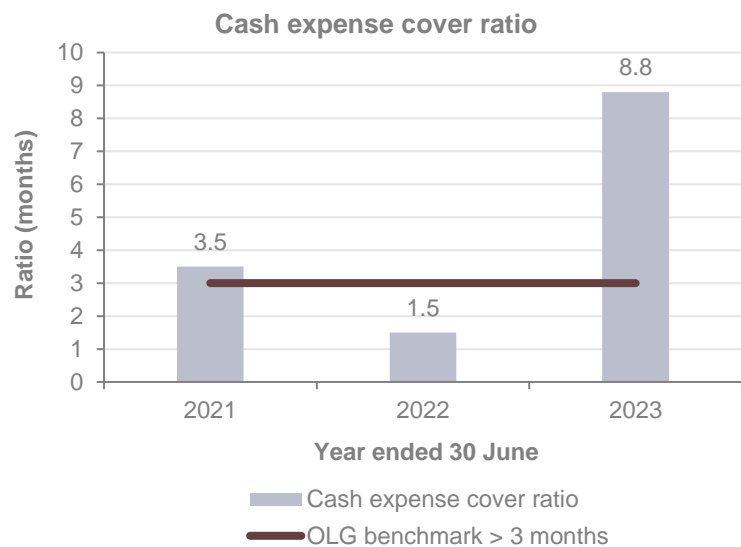


Cash expense cover ratio

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

The Council's ratio of 8.8 months exceeded the benchmark for the current reporting period.

The ratio increased from the prior year due to more cash and cash equivalents balance at 30 June 2023.



Infrastructure, property, plant and equipment renewals

Council renewed \$8.2 million of infrastructure, property, plant and equipment during the 2022-23 financial year (2021-22 \$8.2 million). This was mainly due to capital works in progress for Getta Getta Road and North Star Road upgrade works.

OTHER MATTERS

Legislative compliance

My audit procedures identified instances of non-compliance with legislative requirements that will be reported to the Minister for Local Government. Refer to the 'significant audit issues and observations' section of this report relating to 'Non-compliance with the Local Government Act 1993 - use of externally restricted funds for purposes other than their intended use'.

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.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Max Eastcott, General Manager
Mr Jack O'Hara, Chair of the Audit, Risk and Improvement Committee
Ms Leeah Daley, Acting General Manager
Ms Helen Thomas, Chief Financial Officer
Mr Jacob Sauer, Principal, Forsyths

Gwydir Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Gwydir Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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:

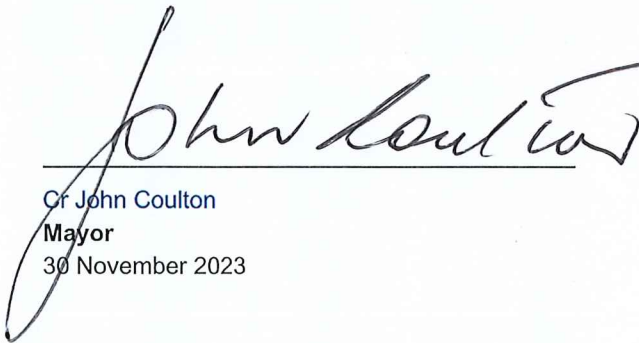
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government Code of Accounting Practice and Financial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

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

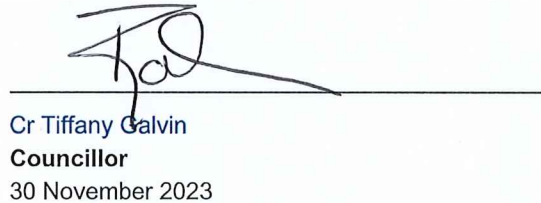
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 30 November 2023.



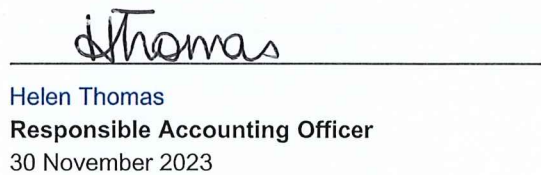
Cr John Coulton
Mayor
30 November 2023



Cr Tiffany Galvin
Councillor
30 November 2023



Leeah Daley
Acting General Manager
30 November 2023



Helen Thomas
Responsible Accounting Officer
30 November 2023

Gwydir Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	818	810
User charges	859	715
Fees	2	2
Interest and investment income	19	1
Other income	10	4
Total income from continuing operations	1,708	1,532
Expenses from continuing operations		
Employee benefits and on-costs	449	455
Borrowing costs	87	92
Materials and services	632	616
Depreciation, amortisation and impairment	391	374
Net loss from the disposal of assets	111	13
Other expenses	2	13
Total expenses from continuing operations	1,672	1,563
Surplus (deficit) from continuing operations before capital amounts	36	(31)
Grants and contributions provided for capital purposes	150	–
Surplus (deficit) from continuing operations after capital amounts	186	(31)
Surplus (deficit) from all operations before tax	186	(31)
Less: corporate taxation equivalent (25%) [based on result before capital]	(9)	–
Surplus (deficit) after tax	177	(31)
Plus accumulated surplus	12,824	12,852
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	9	–
Closing accumulated surplus	13,010	12,821
Return on capital %	0.6%	0.4%
Subsidy from Council	700	575
Calculation of dividend payable:		
Surplus (deficit) after tax	177	(31)
Less: capital grants and contributions (excluding developer contributions)	(150)	–
Surplus for dividend calculation purposes	27	–
Potential dividend calculated from surplus	14	–

Gwydir Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	703	688
User charges	122	92
Interest and investment income	34	4
Other income	2	(1)
Total income from continuing operations	861	783
Expenses from continuing operations		
Employee benefits and on-costs	388	380
Borrowing costs	3	–
Materials and services	379	470
Depreciation, amortisation and impairment	185	183
Net loss from the disposal of assets	82	–
Other expenses	10	–
Total expenses from continuing operations	1,047	1,033
Surplus (deficit) from continuing operations before capital amounts	(186)	(250)
Grants and contributions provided for capital purposes	108	–
Surplus (deficit) from continuing operations after capital amounts	(78)	(250)
Surplus (deficit) from all operations before tax	(78)	(250)
Surplus (deficit) after tax	(78)	(250)
Plus accumulated surplus	8,387	8,636
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	8,309	8,386
Return on capital %	(1.2)%	(4.0)%
Subsidy from Council	805	480
Calculation of dividend payable:		
Surplus (deficit) after tax	(78)	(250)
Less: capital grants and contributions (excluding developer contributions)	(108)	–
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Gwydir Shire Council

Income Statement of Waste business activity

for the year ended 30 June 2023

	2023	2022
	Category 2	Category 2
	\$ '000	\$ '000
Income from continuing operations		
Annual charges	1,481	1,451
Interest and investment income	57	3
Other income	218	232
Total income from continuing operations	1,756	1,686
Expenses from continuing operations		
Employee benefits and on-costs	369	324
Borrowing costs	2	3
Materials and services	971	767
Depreciation, amortisation and impairment	629	566
Total expenses from continuing operations	1,971	1,660
Surplus (deficit) from continuing operations before capital amounts	(215)	26
Surplus (deficit) from continuing operations after capital amounts	(215)	26
Surplus (deficit) from all operations before tax	(215)	26
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(7)
Surplus (deficit) after tax	(215)	19
Plus accumulated surplus	2,584	2,559
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	7
Closing accumulated surplus	2,369	2,585
Return on capital %	(6.7)%	0.5%
Subsidy from Council	342	177

Gwydir Shire Council

Income Statement of Naroo aged care

for the year ended 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
Income from continuing operations		
Rentals	3,826	2,968
Investment revenues	6	–
Other income	18	–
Total income from continuing operations	3,850	2,968
Expenses from continuing operations		
Employee benefits and on-costs	2,316	2,412
Borrowing costs	125	150
Materials and services	1,174	557
Depreciation, amortisation and impairment	124	118
Other expenses	83	106
Total expenses from continuing operations	3,822	3,343
Surplus (deficit) from continuing operations before capital amounts	28	(375)
Grants and contributions provided for capital purposes	441	202
Surplus (deficit) from continuing operations after capital amounts	469	(173)
Surplus (deficit) from all operations before tax	469	(173)
Less: corporate taxation equivalent (25%) [based on result before capital]	(7)	–
Surplus (deficit) after tax	462	(173)
Plus accumulated surplus	(422)	(249)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	7	–
Closing accumulated surplus	47	(422)
Return on capital %	1.9%	(3.1)%
Subsidy from Council	173	491

Gwydir Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,235	412
Investments	–	500
Receivables	318	262
Inventories	20	20
Total current assets	1,573	1,194
Non-current assets		
Infrastructure, property, plant and equipment	20,461	17,370
Total non-current assets	20,461	17,370
Total assets	22,034	18,564
LIABILITIES		
Current liabilities		
Payables	52	52
Borrowings	155	185
Total current liabilities	207	237
Non-current liabilities		
Borrowings	891	1,042
Total non-current liabilities	891	1,042
Total liabilities	1,098	1,279
Net assets	20,936	17,285
EQUITY		
Accumulated surplus	13,010	12,821
Revaluation reserves	7,926	4,464
Total equity	20,936	17,285

Gwydir Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	3,359	745
Investments	–	2,100
Receivables	101	91
Inventories	1	1
Total current assets	3,461	2,937
Non-current assets		
Infrastructure, property, plant and equipment	15,480	6,288
Total non-current assets	15,480	6,288
Total assets	18,941	9,225
LIABILITIES		
Current liabilities		
Borrowings	47	–
Total current liabilities	47	–
Non-current liabilities		
Borrowings	1,953	–
Total non-current liabilities	1,953	–
Total liabilities	2,000	–
Net assets	16,941	9,225
EQUITY		
Accumulated surplus	8,309	8,386
Revaluation reserves	8,632	839
Total equity	16,941	9,225

Gwydir Shire Council

Statement of Financial Position of Waste business activity

as at 30 June 2023

	2023 Category 2 \$ '000	2022 Category 2 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	4,397	1,942
Investments	–	2,100
Receivables	194	160
Total current assets	4,591	4,202
Non-current assets		
Infrastructure, property, plant and equipment	3,198	5,626
Total non-current assets	3,198	5,626
Total assets	7,789	9,828
LIABILITIES		
Current liabilities		
Borrowings	12	11
Total current liabilities	12	11
Non-current liabilities		
Borrowings	7	19
Provisions	4,591	6,451
Total non-current liabilities	4,598	6,470
Total liabilities	4,610	6,481
Net assets	3,179	3,347
EQUITY		
Accumulated surplus	2,369	2,585
Revaluation reserves	810	762
Total equity	3,179	3,347

Gwydir Shire Council

Statement of Financial Position of Naroo aged care

as at 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	569	625
Receivables	54	25
Total current assets	623	650
Non-current assets		
Receivables	136	171
Infrastructure, property, plant and equipment	8,103	7,256
Total non-current assets	8,239	7,427
Total assets	8,862	8,077
LIABILITIES		
Current liabilities		
Contract liabilities	1,178	535
Aged care bonds	1,431	1,376
Bank overdraft	1,759	2,823
Borrowings	214	150
Total current liabilities	4,582	4,884
Non-current liabilities		
Borrowings	1,907	1,813
Other Liabilities	117	117
Total non-current liabilities	2,024	1,930
Total liabilities	6,606	6,814
Net assets	2,256	1,263
EQUITY		
Accumulated surplus	47	(422)
Revaluation reserves	2,209	1,685
Total equity	2,256	1,263

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

Naroo Aged Care Facility

Comprising the whole of the operations and assets of the aged care facility located at Warialda.

Category 2

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

Gwydir Water Supply -

Comprising the whole of the operations and net assets of the water supply systems servicing the towns of Bingara, Warialda, Gravesend and North Star.

Gwydir Sewerage Services -

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the towns of Bingara and Warialda

Gwydir Waste Management Services -

Comprising the whole of the operations and assets of the waste management service carried out by the Waste Management contract servicing all towns and villages within Gwydir Shire

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,

Note – Significant Accounting Policies (continued)

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%** (21/22 25%)

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

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

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (21/22 25%).

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

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

Note – Significant Accounting Policies (continued)

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2023 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 submitted to DPIE – Water.



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

To the Councillors of Gwydir Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Waste
- Naroo aged care.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant Accounting Policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

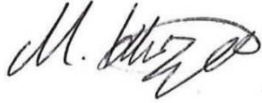
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 December 2023
SYDNEY

Gwydir Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

Special Schedules

for the year ended 30 June 2023

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Gwydir Shire Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	8,410	8,472
Plus or minus adjustments ²	b	4	14
Notional general income	c = a + b	8,414	8,486
Permissible income calculation			
Or rate peg percentage	e	0.70%	4.10%
Or plus rate peg amount	i = e x (c + g)	59	348
Sub-total	k = (c + g + h + i + j)	8,473	8,834
Plus (or minus) last year's carry forward total	l	16	17
Sub-total	n = (l + m)	16	17
Total permissible income	o = k + n	8,489	8,851
Less notional general income yield	p	8,472	8,834
Catch-up or (excess) result	q = o - p	17	17
Carry forward to next year ⁶	t = q + r + s	17	17

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the 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

Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

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

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

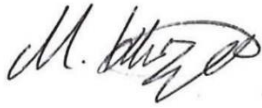
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 December 2023
SYDNEY

Gwydir Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a \$ '000	2022/23 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
Buildings	Buildings – non-specialised	396	–	680	680	28,327	46,196	16.0%	34.0%	36.0%	11.0%	3.0%
	Buildings – specialised	276	–	676	676	34,290	46,035	27.0%	47.0%	17.0%	8.0%	1.0%
	Sub-total	672	–	1,356	1,356	62,617	92,231	21.5%	40.5%	26.5%	9.5%	2.0%
Other structures	Other structures	–	–	2	2	7,928	10,820	76.0%	19.0%	5.0%	0.0%	0.0%
	Sub-total	–	–	2	2	7,928	10,820	76.0%	19.0%	5.0%	0.0%	0.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	133	–	9,578	9,578	174,901	200,055	56.0%	36.0%	6.0%	2.0%	0.0%
	Unsealed roads	185	–	1,566	1,566	23,416	47,232	38.0%	40.0%	16.0%	3.0%	3.0%
	Bridges	–	–	3	3	41,388	52,238	48.0%	48.0%	4.0%	0.0%	0.0%
	Footpaths	167	–	17	17	1,732	3,379	6.0%	20.0%	55.0%	18.0%	1.0%
	Kerb & Guttering	66	–	2	2	1,244	2,017	11.0%	50.0%	20.0%	16.0%	3.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	98,425	101,746	82.0%	18.0%	0.0%	0.0%	0.0%
Sub-total	551	–	11,166	11,166	344,426	406,667	58.7%	33.4%	5.9%	1.6%	0.4%	
Water supply network	Water supply network	86	–	497	497	18,583	27,473	35.0%	47.0%	15.0%	0.0%	3.0%
	Sub-total	86	–	497	497	18,583	27,473	35.0%	47.0%	15.0%	0.0%	3.0%
Sewerage network	Sewerage network	60	–	308	308	13,217	18,958	19.0%	49.0%	30.0%	2.0%	0.0%
	Sub-total	60	–	308	308	13,217	18,958	19.0%	49.0%	30.0%	2.0%	0.0%

Gwydir Shire Council

Report on infrastructure assets as at 30 June 2023 (continued)

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Stormwater drainage	139	–	33	33	4,758	6,614	5.0%	87.0%	0.0%	8.0%	0.0%
	Sub-total	139	–	33	33	4,758	6,614	5.0%	87.0%	0.0%	8.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	348	348	2,910	3,883	57.0%	0.0%	43.0%	0.0%	0.0%
	Sub-total	–	–	348	348	2,910	3,883	57.0%	0.0%	43.0%	0.0%	0.0%
	Total – all assets	1,508	–	13,710	13,710	454,439	566,646	49.9%	35.9%	10.7%	2.8%	0.7%

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

Infrastructure asset condition assessment 'key'

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

Gwydir Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	4,678	44.54%	128.41%	51.96%	> 100.00%
Depreciation, amortisation and impairment	10,504				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	1,508	0.32%	0.66%	0.79%	< 2.00%
Net carrying amount of infrastructure assets	471,108				
Asset maintenance ratio					
Actual asset maintenance	13,710	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance	13,710				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	–	0.00%	0.00%	0.00%	
Gross replacement cost	566,646				

(*) 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.

Gwydir Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	<i>General fund</i>		<i>Water fund</i>		<i>Sewer fund</i>		<i>Benchmark</i>
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	65.52%	139.79%	18.44%	0.00%	28.98%	0.00%	> 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	0.31%	0.41%	0.46%	1.43%	0.45%	16.38%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

(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.