

# Warrumbungle Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

---



# Warrumbungle Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2023

---



# Warrumbungle Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

---

Contents	Page
<b>Understanding Council's Financial Statements</b>	<b>3</b>
<b>Statement by Councillors and Management</b>	<b>4</b>
<b>Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>Notes to the Financial Statements</b>	<b>10</b>
<b>Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	78
On the Financial Statements (Sect 417 [3])	82

---

### Overview

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

14-22 John Street  
Coonabarabran NSW 2357

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.warrumbungle.nsw.gov.au](http://www.warrumbungle.nsw.gov.au).

# Warrumbungle 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.

# Warrumbungle Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

---

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

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

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

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

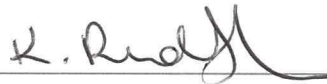
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

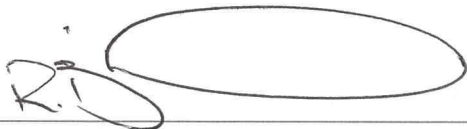
Signed in accordance with a resolution of Council made on 21 September 2023.



Ambrose Doolan  
**Mayor**  
21 September 2023



Kathy Rindfleish  
**Councillor**  
21 September 2023



Roger Bailey  
**General Manager**  
21 September 2023



Lisa Grammer  
**Responsible Accounting Officer**  
21 September 2023



## Warrumbungle Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Net operating result for the year – from Income Statement</b>		<b>13,528</b>	12,544
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<b>52,806</b>	40,246
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>52,806</b>	40,246
<b>Total other comprehensive income for the year</b>		<b>52,806</b>	40,246
<b>Total comprehensive income for the year attributable to Council</b>		<b>66,334</b>	52,790

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

## Warrumbungle Shire Council

### Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	Restated 2022 <sup>1</sup>	1 July 2021 <sup>1</sup>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	5,776	4,078	5,350
Investments	C1-2	35,500	23,000	16,537
Receivables	C1-4	10,015	4,233	4,765
Inventories	C1-5	602	572	568
Contract assets	C1-6	3,304	3,632	2,459
Other	C1-9	50	1,037	–
<b>Total current assets</b>		<b>55,247</b>	<b>36,552</b>	<b>29,679</b>
<b>Non-current assets</b>				
Investments	C1-2	–	1,000	–
Inventories	C1-5	299	299	299
Infrastructure, property, plant and equipment (IPPE)	C1-7	647,137	599,747	553,390
Intangible assets	C1-8	64	92	80
Right of use assets	C2-1	183	274	197
Investments accounted for using the equity method	D2-1	519	501	455
<b>Total non-current assets</b>		<b>648,202</b>	<b>601,913</b>	<b>554,421</b>
<b>Total assets</b>		<b>703,449</b>	<b>638,465</b>	<b>584,100</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	2,472	1,917	2,472
Contract liabilities	C3-2	4,538	3,071	1,459
Lease liabilities	C2-1	92	89	47
Borrowings	C3-3	529	904	1,010
Employee benefit provisions	C3-4	3,794	3,843	4,676
Provisions	C3-5	103	500	500
<b>Total current liabilities</b>		<b>11,528</b>	<b>10,324</b>	<b>10,164</b>
<b>Non-current liabilities</b>				
Lease liabilities	C2-1	157	250	176
Borrowings	C3-3	492	1,021	1,925
Provisions	C3-5	2,988	4,920	2,675
<b>Total non-current liabilities</b>		<b>3,637</b>	<b>6,191</b>	<b>4,776</b>
<b>Total liabilities</b>		<b>15,165</b>	<b>16,515</b>	<b>14,940</b>
<b>Net assets</b>		<b>688,284</b>	<b>621,950</b>	<b>569,160</b>
<b>EQUITY</b>				
Accumulated surplus	C4-1	452,723	439,195	426,651
IPPE revaluation reserve	C4-1	235,561	182,755	142,509
<b>Council equity interest</b>		<b>688,284</b>	<b>621,950</b>	<b>569,160</b>
<b>Total equity</b>		<b>688,284</b>	<b>621,950</b>	<b>569,160</b>

(1) Restated - see Note G4-1

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



## Warrumbungle Shire Council

### Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	2023		2022	
	Accumulated surplus	IPPE revaluation reserve	Accumulated surplus	IPPE revaluation reserve
	Restated	Restated	Restated	Restated
Opening balance at 1 July	437,162	182,755	424,618	142,509
Correction of prior period errors	2,033	-	2,033	-
<b>Restated opening balance</b>	<b>439,195</b>	<b>182,755</b>	<b>426,651</b>	<b>142,509</b>
Net operating result for the year	13,528	-	12,544	-
<b>Restated net operating result for the period</b>	<b>13,528</b>	<b>-</b>	<b>12,544</b>	<b>-</b>
<b>Other comprehensive income</b>				
Gain (loss) on revaluation of infrastructure, property, plant and equipment	-	52,806	-	40,246
<b>Other comprehensive income</b>	<b>-</b>	<b>52,806</b>	<b>-</b>	<b>40,246</b>
<b>Total comprehensive income</b>	<b>13,528</b>	<b>52,806</b>	<b>12,544</b>	<b>40,246</b>
<b>Closing balance at 30 June</b>	<b>452,723</b>	<b>235,561</b>	<b>439,195</b>	<b>182,755</b>

Notes

G4-1

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

## Warrumbungle Shire Council

### Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
15,105	Rates and annual charges		14,925	15,080
6,207	User charges and fees		7,444	6,354
196	Interest received		798	140
29,762	Grants and contributions		34,240	28,018
959	Other		650	3,252
<i>Payments:</i>				
(15,934)	Payments to employees		(15,973)	(14,938)
(6,930)	Payments for materials and services		(13,700)	(15,484)
(58)	Borrowing costs		(70)	(113)
–	Bonds, deposits and retentions refunded		(373)	(21)
(5,507)	Other		(2,984)	(139)
23,800	<b>Net cash flows from operating activities</b>	G1-1	<b>24,957</b>	<b>22,149</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
856	Proceeds from sale of IPPE		589	1,197
<i>Payments:</i>				
–	Acquisition of term deposits		(11,500)	(7,463)
(21,128)	Payments for IPPE		(11,354)	(16,055)
–	Purchase of intangible assets		–	(38)
(20,272)	<b>Net cash flows from investing activities</b>		<b>(22,265)</b>	<b>(22,359)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(713)	Repayment of borrowings		(904)	(1,010)
(51)	Principal component of lease payments		(90)	(52)
(764)	<b>Net cash flows from financing activities</b>		<b>(994)</b>	<b>(1,062)</b>
2,764	<b>Net change in cash and cash equivalents</b>		<b>1,698</b>	<b>(1,272)</b>
13,582	Cash and cash equivalents at beginning of year		4,078	5,350
16,346	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>5,776</b>	<b>4,078</b>
–	plus: Investments on hand at end of year	C1-2	35,500	24,000
16,346	<b>Total cash, cash equivalents and investments</b>		<b>41,276</b>	<b>28,078</b>

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

# Warrumbungle Shire Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2023

<b>A About Council and these financial statements</b>	<b>12</b>
A1-1 Basis of preparation	12
<b>B Financial Performance</b>	<b>15</b>
<b>B1 Functions or activities</b>	<b>15</b>
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
<b>B2 Sources of income</b>	<b>17</b>
B2-1 Rates and annual charges	17
B2-2 User charges and fees	18
B2-3 Other revenues	19
B2-4 Grants and contributions	20
B2-5 Interest and investment income	23
<b>B3 Costs of providing services</b>	<b>24</b>
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	25
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
<b>B4 Gains or losses</b>	<b>28</b>
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
<b>B5 Performance against budget</b>	<b>29</b>
B5-1 Material budget variations	29
<b>C Financial position</b>	<b>31</b>
<b>C1 Assets we manage</b>	<b>31</b>
C1-1 Cash and cash equivalents	31
C1-2 Financial investments	31
C1-3 Restricted and allocated cash, cash equivalents and investments	33
C1-4 Receivables	35
C1-5 Inventories	36
C1-6 Contract assets	36
C1-7 Infrastructure, property, plant and equipment	38
C1-8 Intangible assets	42
C1-9 Other	42
<b>C2 Leasing activities</b>	<b>43</b>
C2-1 Council as a lessee	43
C2-2 Council as a lessor	45
<b>C3 Liabilities of Council</b>	<b>46</b>
C3-1 Payables	46
C3-2 Contract Liabilities	47
C3-3 Borrowings	48
C3-4 Employee benefit provisions	50
C3-5 Provisions	51

# Warrumbungle Shire Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2023

<b>C4 Reserves</b>	<b>52</b>
C4-1 Nature and purpose of reserves	52
<b>D Council structure</b>	<b>53</b>
<b>D1 Results by fund</b>	<b>53</b>
D1-1 Income Statement by fund	53
D1-2 Statement of Financial Position by fund	54
<b>D2 Interests in other entities</b>	<b>55</b>
D2-1 Interests in joint arrangements	55
<b>E Risks and accounting uncertainties</b>	<b>57</b>
E1-1 Risks relating to financial instruments held	57
E2-1 Fair value measurement	60
E3-1 Contingencies	63
<b>F People and relationships</b>	<b>66</b>
<b>F1 Related party disclosures</b>	<b>66</b>
F1-1 Key management personnel (KMP)	66
F1-2 Councillor and Mayoral fees and associated expenses	66
<b>F2 Other relationships</b>	<b>67</b>
F2-1 Audit fees	67
<b>G Other matters</b>	<b>68</b>
G1-1 Statement of Cash Flows information	68
G2-1 Commitments	69
G3-1 Events occurring after the reporting date	70
<b>G4 Changes from prior year statements</b>	<b>70</b>
G4-1 Correction of errors	70
<b>G5 Statement of developer contributions as at 30 June 2023</b>	<b>72</b>
G5-1 Summary of developer contributions	72
G5-2 Developer contributions by plan	73
G5-3 Contributions not under plans	73
G5-4 S64 contributions	73
<b>G6 Statement of performance measures</b>	<b>74</b>
G6-1 Statement of performance measures – consolidated results	74
G6-2 Statement of performance measures by fund	75
<b>H Additional Council disclosures (unaudited)</b>	<b>76</b>
H1-1 Statement of performance measures – consolidated results (graphs)	76

## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 21 September 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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

and are clearly marked.

#### **Domestic and international situation**

Widespread volatility caused by international and domestic events in 2022 (war in Ukraine, natural disasters in NSW and nationwide, etc.) has significantly impacted supply chains, labour costs and inflation. With continuing changes in material costs, labour shortages and supply issues there has been a significant increase in amount of discussion and data regarding changes in construction costs. Commodity prices including key construction materials have seen significant increases over the last 3 years. As a result of assessment done, council had performed indexation of its infrastructure assets to ensure their carrying amount is not materially different to fair value as at 30 June 2022. Rise of the cost of living continued in 2023 financial year. This caused another indexation of infrastructure assets values as at the end of June 2023 (see Note C1-7). Management keeps monitoring ongoing developments on the international and Australian markets and the impact they may have on the financial results and position of the council.

#### **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.

## A1-1 Basis of preparation (continued)

### **Significant judgements in applying the Council's accounting policies**

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

### **Monies and other assets received by Council**

#### **The Consolidated Fund**

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

The Consolidated Fund has been included in the Council's financial statements.

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

- General purpose operations
- Warrumbungle Water Fund
- Warrumbungle Sewerage Fund

#### **The Trust Fund**

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

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

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

### **Goods and Services Tax (GST)**

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

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

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

### **Volunteer services**

Council uses volunteers in the following services:

- Visitors Information Centre
- Community care including drivers for meals of Wheels delivery, drivers for health related transport from all our local towns to Tamworth or Dubbo; volunteers assisting with specific activities e.g. Community EXPO, volunteers to act in a carer capacity for frail or clients with disability to attend appointments etc.

The volunteer numbers are small and the hours for each are minor in nature.

As these instances are limited and minor, Council does not include values in the Annual Statements.

### **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 (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

## A1-1 Basis of preparation (continued)

---

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

### **New accounting standards adopted during the year**

During the year Council adopted all 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 the newly adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022 <sup>1</sup>
<b>Functions or activities</b>										
General Revenue	21,016	20,490	–	–	21,016	20,490	11,320	11,584	7,329	1,819
Executive	611	256	1,833	2,492	(1,222)	(2,236)	560	240	–	–
Technical Services	21,980	15,237	25,121	19,014	(3,141)	(3,777)	16,010	10,474	512,826	484,131
Development Services	867	418	3,321	2,821	(2,454)	(2,403)	338	135	61,069	50,453
Corporate and Community Services	3,354	4,037	7,265	6,840	(3,911)	(2,803)	1,220	1,992	38,205	26,036
Warrumbungle Water	5,658	6,409	4,511	4,319	1,147	2,090	1,179	2,248	53,749	48,848
Warrumbungle Sewer	3,920	2,898	1,928	1,883	1,992	1,015	1,818	906	29,730	26,761
Warrumbungle Waste	2,738	2,586	2,637	2,418	101	168	–	–	541	417
<b>Total functions and activities</b>	<b>60,144</b>	<b>52,331</b>	<b>46,616</b>	<b>39,787</b>	<b>13,528</b>	<b>12,544</b>	<b>32,445</b>	<b>27,579</b>	<b>703,449</b>	<b>638,465</b>

(1) Restated - see 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:

**General Revenue**

Includes rates revenue, interest revenue and general grants.

**General Manager**

Includes management and leadership, governance, Cobbora Transition Fund, human resource management, payroll services, WH&S and risk management and learning and development services.

**Technical Services**

Includes technical services management, design services, road operations, fleet services and urban services.

**Development Services**

Includes development services management, regulatory services, property and risk and development and tourism.

**Corporate and Community Services**

Includes corporate services, community agencies, bushfire and emergency services, children's and community services.

**Warrumbungle Water**

The core function of Warrumbungle Water is the provision of water supply to connected properties in each town within the Shire.

**Warrumbungle Sewer**

The core function of Warrumbungle Sewer is the collection and treatment of sewage effluent from connected properties in Baradine, Coolah, Coonabarabran and Dunedoo.

**Warrumbungle Waste**

Warrumbungle Waste provides waste services throughout the Warrumbungle Shire as a business arm of Council. The waste services are provided to residential and non-residential customers for both general waste and recycling.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2023	2022
<b>Ordinary rates</b>		
Residential	2,458	2,426
Farmland	5,621	5,496
Business	639	630
Less: pensioner rebates (mandatory)	(154)	(154)
<b>Rates levied to ratepayers</b>	<b>8,564</b>	<b>8,398</b>
Pensioner rate subsidies received	84	86
<b>Total ordinary rates</b>	<b>8,648</b>	<b>8,484</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	1,861	1,792
Water supply services	2,364	2,255
Sewerage services	1,917	1,830
Waste management services (non-domestic)	359	350
Less: pensioner rebates (mandatory)	(230)	(227)
Liquid trade waste	9	9
Stormwater levy	104	104
<b>Annual charges levied</b>	<b>6,384</b>	<b>6,113</b>
Pensioner annual charges subsidies received:		
– Water	38	38
– Sewerage	27	28
– Domestic waste management	59	59
<b>Total annual charges</b>	<b>6,508</b>	<b>6,238</b>
<b>Total rates and annual charges</b>	<b>15,156</b>	<b>14,722</b>

Council has used 2022 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

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

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

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

## B2-2 User charges and fees

\$ '000	Timing	2023	2022
<b>Specific user charges (per s502 - specific 'actual use' charges)</b>			
Water supply services	1	2,070	1,840
Sewerage services	1	115	105
Liquid trade waste	1	40	67
<b>Total specific user charges</b>		<b>2,225</b>	<b>2,012</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>			
Building regulation	2	59	38
Private works – section 67	2	285	96
Registration fees	2	5	78
Regulatory fees	2	35	27
Section 10.7 certificates (EP&A Act)	2	33	42
Section 603 certificates	2	24	35
Planning regulation	2	57	30
<b>Total fees and charges – statutory/regulatory</b>		<b>498</b>	<b>346</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>			
Aged care	1	724	405
Cemeteries	2	98	105
Child care	1	617	977
Lease rentals	1	44	16
Leaseback fees – Council vehicles	1	52	52
Transport for NSW works (state roads not controlled by Council)	1	4,759	2,188
Swimming centres	2	58	86
Tourism	2	148	135
Waste disposal tipping fees	2	58	48
Other	2	42	41
<b>Total fees and charges – other</b>		<b>6,600</b>	<b>4,053</b>
<b>Total other user charges and fees</b>		<b>7,098</b>	<b>4,399</b>
<b>Total user charges and fees</b>		<b>9,323</b>	<b>6,411</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		8,421	5,650
User charges and fees recognised at a point in time (2)		902	761
<b>Total user charges and fees</b>		<b>9,323</b>	<b>6,411</b>

### Accounting policy

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

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

Where an upfront fee is charged such as joining fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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

## B2-3 Other revenues

\$ '000	Timing	2023	2022
Rental income – other council properties	1	152	138
Legal fees recovery – rates and charges (extra charges)	2	63	163
Commissions and agency fees	2	201	201
Diesel rebate	2	211	158
Insurance claims recoveries	2	470	1,562
Recycling income (non-domestic)	2	26	42
Container deposit Scheme	2	404	356
Other	2	628	274
<b>Total other revenue</b>		<b>2,155</b>	<b>2,894</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	152	138
Other revenue recognised at a point in time (2)	2,003	2,756
<b>Total other revenue</b>	<b>2,155</b>	<b>2,894</b>

### Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	1,538	2,602	–	–
Financial assistance – local roads component	2	792	1,351	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	5,913	3,994	–	–
Financial assistance – local roads component	2	3,077	2,084	–	–
<b>Amount recognised as income during current year</b>		<b>11,320</b>	<b>10,031</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
Aged care	1	943	805	–	–
Bushfire and emergency services	2	478	1,053	–	–
Child care	2	1,161	714	–	–
Economic development	2	166	183	–	–
Employment and training programs	2	110	200	–	–
Environmental programs	2	899	–	–	–
Heritage and cultural	2	6	10	–	–
Library	2	90	89	–	–
LIRS subsidy	2	32	54	–	–
Recreation and culture	2	–	480	2,071	–
Transport (other roads and bridges funding)	2	6,589	–	1,989	4,416
Transport (roads to recovery)	2	–	1,582	–	–
Transport for NSW contributions (regional roads, block grant)	2	2,858	2,852	–	–
Sewerage (excl. section 64 contributions)	1	–	–	1,848	735
Water supplies (excl. section 64 contributions)	1	–	–	1,184	2,336
Other contributions	2	200	–	–	–
Other specific grants <sup>1</sup>	2	913	27	(516)	1,969
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>14,445</b>	<b>8,049</b>	<b>6,576</b>	<b>9,456</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>14,445</b>	<b>8,049</b>	<b>6,576</b>	<b>9,456</b>
<b>Total grants and non-developer contributions</b>		<b>25,765</b>	<b>18,080</b>	<b>6,576</b>	<b>9,456</b>
<b>Comprising:</b>					
– Commonwealth funding		15,160	12,597	549	4,995
– State funding		9,892	5,483	6,027	3,901
– Other funding		713	–	–	560
		<b>25,765</b>	<b>18,080</b>	<b>6,576</b>	<b>9,456</b>

(1) The amount of \$1,553 thousand was reclassified from LRCI round 3 line to other specific grants line in 2022.

## B2-4 Grants and contributions (continued)

## Developer contributions

\$ '000	Timing	<b>Operating 2023</b>	Operating 2022	<b>Capital 2023</b>	Capital 2022
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G5				
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services	2	–	–	<b>104</b>	43
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>104</b>	43
<b>Total contributions</b>		<b>–</b>	<b>–</b>	<b>104</b>	43
<b>Total grants and contributions</b>		<b>25,765</b>	18,080	<b>6,680</b>	9,499
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time (1)		<b>943</b>	805	<b>3,032</b>	9,176
Grants and contributions recognised at a point in time (2)		<b>24,822</b>	17,275	<b>3,648</b>	323
<b>Total grants and contributions</b>		<b>25,765</b>	18,080	<b>6,680</b>	9,499

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	2,750	1,981	3,784	–
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	9,033	2,750	1,544	713
<b>Add:</b> Funds received and not recognised as revenue in the current year	233	–	4,305	3,071
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(2,750)	(1,981)	(713)	–
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	–	–	(3,071)	–
<b>Unexpended and held as externally restricted assets (grants)</b>	<b>9,266</b>	<b>2,750</b>	<b>5,849</b>	<b>3,784</b>
<b>Contributions</b>				
Unspent funds at 1 July	–	–	400	389
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	112	11
<b>Add:</b> contributions received and not recognised as revenue in the current year	–	–	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
<b>Unspent contributions at 30 June</b>	<b>–</b>	<b>–</b>	<b>512</b>	<b>400</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

## B2-4 Grants and contributions (continued)

### Capital grants

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

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

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

### Developer contributions

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

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

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

### Other grants and contributions

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

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

## B2-5 Interest and investment income

\$ '000	2023	2022
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	160	154
– Cash and investments	887	113
<b>Total interest and investment income (losses)</b>	<b>1,047</b>	<b>267</b>

### Accounting policy

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



## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	12,362	10,855
Employee leave entitlements (ELE)	2,222	2,155
Superannuation	1,399	1,298
Workers' compensation insurance	865	878
Fringe benefit tax (FBT)	56	15
Protective clothing	77	83
<b>Total employee costs</b>	<b>16,981</b>	<b>15,284</b>
Less: capitalised costs	(1,060)	(1,198)
<b>Total employee costs expensed</b>	<b>15,921</b>	<b>14,086</b>
Number of 'full-time equivalent' employees (FTE) at year end	167	172
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	193	199

#### Accounting policy

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

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

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

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

## B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		6,992	7,763
Contractor costs		12,718	15,976
Audit Fees	F2-1	93	67
Councillor and Mayoral fees and associated expenses	F1-2	155	137
Advertising		112	108
Bank charges		38	78
Electricity and heating		672	509
Insurance		1,042	907
Postage		38	39
Printing and stationery		49	139
Street lighting		66	65
Subscriptions and publications		90	102
Telephone and communications		141	176
Valuation fees		52	50
Conferences		45	23
Registration and licences		527	562
Training Costs		228	138
Other expenses		539	91
<b>Legal expenses:</b>			
– Legal expenses: debt recovery		99	305
– Legal expenses: other		453	476
– Operating lease rentals: minimum lease payments		–	3
Other		466	363
<b>Total materials and services</b>		<b>24,615</b>	<b>28,077</b>
Less: capitalised costs		(10,298)	(14,896)
<b>Total materials and services</b>		<b>14,317</b>	<b>13,181</b>

### Accounting policy

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

### B3-3 Borrowing costs

\$ '000	Notes	2023	2022
<b>(i) Interest bearing liability costs</b>			
Interest on leases		11	9
Interest on loans		52	70
<b>Total interest bearing liability costs</b>		<b>63</b>	<b>79</b>
<b>Total interest bearing liability costs expensed</b>		<b>63</b>	<b>79</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums			
– Remediation liabilities	C3-5	185	41
<b>Total other borrowing costs</b>		<b>185</b>	<b>41</b>
<b>Total borrowing costs expensed</b>		<b>248</b>	<b>120</b>

#### Accounting policy

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

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

\$ '000	Notes	2023	2022
<b>Depreciation and amortisation</b>			
Plant and equipment		2,152	2,042
Office equipment		106	108
Furniture and fittings		5	5
Land improvements (depreciable)		70	66
<b>Infrastructure:</b>	C1-7		
– Buildings – non-specialised		357	318
– Buildings – specialised		866	781
– Other structures		439	800
– Roads		4,129	3,804
– Bridges		785	730
– Footpaths		164	148
– Stormwater drainage		118	115
– Water supply network		1,245	1,306
– Sewerage network		546	567
Right of use assets	C2-1	91	91
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Quarry assets	C3-5,C1-7	236	83
Intangible assets	C1-8	28	26
<b>Total depreciation and amortisation costs</b>		<b>11,337</b>	<b>10,990</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>11,337</b>	<b>10,990</b>

### Accounting policy

#### Depreciation and amortisation

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

#### Impairment of non-financial assets

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

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

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

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

## B3-5 Other expenses

\$ '000	2023	2022
<b>Other</b>		
Contributions/levies to other levels of government		
– Noxious weeds	114	113
– NSW fire brigade levy	60	52
– NSW rural fire service levy	681	518
Donations, contributions and assistance to other organisations (Section 356)	218	180
– Regional library contributions	675	547
<b>Total other expenses</b>	<b>1,748</b>	<b>1,410</b>

### Accounting policy

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

Impairment expenses are recognised when identified.

## B4 Gains or losses

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

\$ '000	Notes	2023	2022
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-7		
Proceeds from disposal – plant and equipment		589	1,197
Less: carrying amount of plant and equipment assets sold/written off		(256)	(141)
<b>Gain (or loss) on disposal</b>		<b>333</b>	<b>1,056</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(3,378)	(644)
<b>Gain (or loss) on disposal</b>		<b>(3,378)</b>	<b>(644)</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>(3,045)</b>	<b>412</b>

### Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. 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 19 May 2022 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 Budget	2023 Actual	2023 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	15,105	15,156	51	0% <b>F</b>
<b>User charges and fees</b>	6,207	9,323	3,116	50% <b>F</b>
Increased amount of emergency works on state roads under RMCC contracts.				
<b>Other revenues</b>	959	2,155	1,196	125% <b>F</b>
Hard to budget but one of the increasing effect was redemption of construction tender deposits.				
<b>Operating grants and contributions</b>	15,795	25,765	9,970	63% <b>F</b>
Unexpected increase of emergency grants as well as receipt of 100% of 2024 FAG allocation.				
<b>Capital grants and contributions</b>	13,967	6,680	(7,287)	(52)% <b>U</b>
The majority of this variance is in relation to Regional Roads (Bridges) – Capital grant receiving only \$975k out of \$1.9m. Unsealed Rural Roads Grant received \$433,983 out of a budget of \$5,400k. Bushfire Capital Grant of \$1.2m not received. Partly offset by additional grants for Stronger Country Communities Stop and Play for playgrounds and Grants for Amenities at ovals, Murray Darling grant, Masterplan for Swimming grant.				
<b>Interest and investment revenue</b>	196	1,047	851	434% <b>F</b>
Increased amount of investments and interest rates in 2023.				
<b>Net gains from disposal of assets</b>	856	–	(856)	(100)% <b>U</b>
The line is a paper-based figure and is hard to budget.				
<b>Other income</b>	–	18	18	∞ <b>F</b>

**B5-1 Material budget variations (continued)**

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	15,934	15,921	13	0% <b>F</b>
<b>Materials and services</b>	6,930	14,317	(7,387)	(107)% <b>U</b>
Increased amount of emergency works under operational disaster recovery projects.				
<b>Borrowing costs</b>	58	248	(190)	(328)% <b>U</b>
Increased interest rates.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	13,344	11,337	2,007	15% <b>F</b>
Mostly effect of indexation of infrastructure assets in 2022 financial year as well as new additions in that year.				
<b>Other expenses</b>	5,507	1,748	3,759	68% <b>F</b>
The budget for Other Expenses contained accounts belonged to Materials and Expenses, to the value of \$3,376k.				
<b>Net losses from disposal of assets</b>	600	3,045	(2,445)	(408)% <b>U</b>
The line is a paper-based figure and is hard to budget.				
<b>Statement of cash flows</b>				
<b>Cash flows from operating activities</b>	23,800	24,957	1,157	5% <b>F</b>
<b>Cash flows from investing activities</b>	(20,272)	(22,265)	(1,993)	10% <b>U</b>
<b>Cash flows from financing activities</b>	(764)	(994)	(230)	30% <b>U</b>

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2023	2022
<b>Cash assets</b>		
Cash on hand and at bank	459	1,548
Deposits at call	5,317	2,530
<b>Total cash and cash equivalents</b>	<b>5,776</b>	<b>4,078</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	5,776	4,078
<b>Balance as per the Statement of Cash Flows</b>	<b>5,776</b>	<b>4,078</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Financial assets at fair value through the profit and loss</b>				
Long term deposits	35,500	–	23,000	1,000
<b>Total</b>	<b>35,500</b>	<b>–</b>	<b>23,000</b>	<b>1,000</b>
<b>Total financial investments</b>	<b>35,500</b>	<b>–</b>	<b>23,000</b>	<b>1,000</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>41,276</b>	<b>–</b>	<b>27,078</b>	<b>1,000</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

As at 30 June 2023, Council did not have any investments at FVTPL or FVOCI-equity recognised.



## C1-2 Financial investments (continued)

---

### **Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gain or loss on de-recognition are recognised in profit or loss.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>41,276</b>	28,078
External restrictions	<u>(23,866)</u>	<u>(13,308)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>17,410</b>	14,770
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	4,538	3,071
Trust	<u>255</u>	<u>678</u>
<b>External restrictions – included in liabilities</b>	<b>4,793</b>	3,749
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	374	268
Developer contributions – water fund	106	101
Developer contributions – sewer fund	32	31
Specific purpose unexpended grants (recognised as revenue) – general fund	10,084	3,463
Specific purpose unexpended grants (recognised as revenue) – water fund	155	–
Specific purpose unexpended grants (recognised as revenue) – sewer fund	338	–
Water fund	1,302	730
Sewer fund	6,221	4,430
Domestic waste management	270	449
Stormwater levy	<u>191</u>	<u>87</u>
<b>External restrictions – other</b>	<b>19,073</b>	9,559
<b>Total external restrictions</b>	<b>23,866</b>	13,308

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)**

<b>\$ '000</b>	<b>2023</b>	2022
<b>(b) Internal allocations</b>		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>17,410</b>	14,770
Internal restrictions	<b>(14,630)</b>	(11,833)
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>2,780</b>	2,937
<b>Internal allocations</b>		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement (fleet fund)	<b>2,745</b>	1,950
Employees leave entitlement	<b>1,138</b>	1,153
Carry over works (excl fleet carry overs)	<b>554</b>	1,320
Community care vehicle	<b>13</b>	–
Next year FAG paid in advance in current year	<b>8,991</b>	6,078
Information technology (Software upgrade/telephone system)	<b>151</b>	348
Quarry remediation fund	<b>618</b>	984
Other	<b>420</b>	–
<b>Total internal allocations</b>	<b>14,630</b>	11,833

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

## C1-4 Receivables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Rates and annual charges	1,559	–	1,328	–
Interest and extra charges	362	–	371	–
User charges and fees	1,380	–	1,275	–
Interest on investments	334	–	76	–
Other income accruals	89	–	–	–
Net GST receivable	–	–	128	–
General debtors	6,956	–	1,720	–
Bonds & Deposits	2	–	2	–
<b>Total</b>	<b>10,682</b>	<b>–</b>	<b>4,900</b>	<b>–</b>
<b>Less: provision for impairment</b>				
Other debtors	(667)	–	(667)	–
<b>Total provision for impairment – receivables</b>	<b>(667)</b>	<b>–</b>	<b>(667)</b>	<b>–</b>
<b>Total net receivables</b>	<b>10,015</b>	<b>–</b>	<b>4,233</b>	<b>–</b>

\$ '000	2023	2022
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	667	667
<b>Balance at the end of the year</b>	<b>667</b>	<b>667</b>

### Accounting policy

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

### Impairment

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 60 days past due.

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

## C1-5 Inventories

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	–	299	–	299
Stores and materials	602	–	572	–
<b>Total inventories at cost</b>	<b>602</b>	<b>299</b>	<b>572</b>	<b>299</b>
<b>Total inventories</b>	<b>602</b>	<b>299</b>	<b>572</b>	<b>299</b>

### Accounting policy

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

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

#### Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

## C1-6 Contract assets

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Contract assets	3,304	–	3,632	–
<b>Total contract assets</b>	<b>3,304</b>	<b>–</b>	<b>3,632</b>	<b>–</b>

### Contract assets

Contract assets	22	–	–	–
Grant contract assets	1,777	–	2,874	–
Accrued Income	1,505	–	758	–
<b>Total contract assets</b>	<b>3,304</b>	<b>–</b>	<b>3,632</b>	<b>–</b>

#### Significant changes in contract assets

Drop in grant contract assets is mostly due to completion and receipt of final instalments on various capital grant funded projects. Increase in accrued income is due to increased works under disaster recovery programs.

## C1-6 Contract assets (continued)

---

### Accounting policy

#### Contract assets

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

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

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

## C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	Asset movements during the reporting period										At 30 June 2023				
	At 1 July 2022														
\$ '000	Gross carrying amount <sup>2</sup>	Accumulated depreciation and impairment	Net carrying amount	Additions <sup>1</sup> renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfns from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	9,989	–	9,989	1,142	1,691	(1,945)	–	(4,281)	–	–	–	–	6,598	–	6,598
Plant and equipment	30,074	(18,759)	11,315	18	1,427	(256)	(2,152)	86	–	–	–	–	30,603	(20,165)	10,438
Office equipment	2,192	(1,844)	348	6	244	–	(106)	9	–	–	–	–	2,450	(1,950)	500
Furniture and fittings	737	(735)	2	–	–	–	(5)	–	–	–	–	–	739	(740)	(1)
<b>Land:</b>															
– Operational land	6,705	–	6,705	–	–	–	–	–	–	–	3,310	–	10,015	–	10,015
– Community land	4,067	–	4,067	–	–	–	–	–	–	–	(248)	–	3,819	–	3,819
Land improvements – depreciable	2,365	(612)	1,753	–	–	–	(70)	–	–	–	94	–	2,500	(723)	1,777
<b>Infrastructure:</b>															
– Buildings – non-specialised	25,743	(16,350)	9,393	–	–	–	(357)	–	–	(9,036)	–	–	–	–	–
– Buildings – specialised	60,903	(39,767)	21,136	175	1	(12)	(866)	1,609	–	9,036	9,779	–	98,551	(57,691)	40,860
– Other structures	31,982	(11,446)	20,536	29	244	(2)	(439)	238	–	–	1,124	–	34,251	(12,522)	21,729
– Roads	288,040	(66,536)	221,504	1,398	2,343	(877)	(4,129)	669	–	–	16,696	–	313,150	(75,547)	237,603
– Bridges	79,766	(21,635)	58,131	507	906	(234)	(785)	31	–	–	4,406	–	86,830	(23,870)	62,960
– Footpaths	10,476	(4,595)	5,881	–	–	–	(164)	–	–	–	440	–	11,280	(5,124)	6,156
– Bulk earthworks (non-depreciable)	160,276	–	160,276	–	–	–	–	–	–	–	12,311	–	172,586	–	172,586
– Stormwater drainage	9,479	(4,255)	5,224	–	–	–	(118)	–	–	–	395	–	10,210	(4,710)	5,500
– Water supply network	72,108	(30,572)	41,536	712	236	(212)	(1,245)	793	–	–	3,108	–	78,997	(34,071)	44,926
– Sewerage network	34,993	(16,414)	18,579	118	161	(95)	(546)	846	–	–	1,391	–	38,706	(18,253)	20,453
<b>Other assets:</b>															
– Other	91	(91)	–	–	–	–	–	–	–	–	–	–	91	(91)	–
<b>Restatement, rehabilitation and restoration assets (refer Note E2-1):</b>															
– Remediation assets	4,186	(814)	3,372	–	–	–	(236)	–	(1,918)	–	–	–	2,268	(1,050)	1,218
<b>Total infrastructure, property, plant and equipment</b>	<b>834,172</b>	<b>(234,425)</b>	<b>599,747</b>	<b>4,105</b>	<b>7,253</b>	<b>(3,633)</b>	<b>(11,218)</b>	<b>–</b>	<b>(1,918)</b>	<b>–</b>	<b>(248)</b>	<b>53,054</b>	<b>903,644</b>	<b>(256,507)</b>	<b>647,137</b>

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

(2) Restated - see Note G4-1

continued on next page ...

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

By aggregated asset class	Asset movements during the reporting period							At 30 June 2022						
	At 1 July 2021	Net carrying amount	Accumulated depreciation and impairment	Gross carrying amount <sup>1</sup>	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount <sup>1</sup>	Accumulated depreciation and impairment	Net carrying amount
<b>\$'000</b>														
Capital work in progress	10,319	–	–	7,626	8,443	–	–	–	(15,896)	(502)	–	9,989	–	9,989
Plant and equipment	29,127	(18,258)	(141)	–	–	(141)	(2,042)	2,629	–	–	–	30,074	(18,759)	11,315
Office equipment	2,192	(1,736)	–	–	–	–	(108)	–	–	–	–	2,192	(1,844)	348
Furniture and fittings	737	(730)	–	–	–	–	(5)	–	–	–	–	737	(735)	2
<b>Land:</b>														
– Operational land	6,015	–	–	–	–	–	–	–	–	–	690	6,705	–	6,705
– Community land	3,937	–	–	–	–	–	–	–	–	–	129	4,067	–	4,067
Land improvements – depreciable	2,224	(509)	–	–	–	–	(66)	–	–	–	105	2,365	(612)	1,753
<b>Infrastructure:</b>														
– Buildings – non-specialised	22,974	(14,703)	(277)	–	–	–	(318)	805	–	–	912	25,743	(16,350)	9,393
– Buildings – specialised	54,185	(35,142)	(127)	–	–	(127)	(781)	908	–	–	2,094	60,903	(39,767)	21,136
– Other structures	28,650	(9,999)	(14)	–	–	(14)	(800)	1,567	–	–	1,132	31,982	(11,446)	20,536
– Roads	260,170	(58,114)	(14)	–	–	(14)	(3,804)	8,266	–	–	15,000	288,040	(66,536)	221,504
– Bridges	74,124	(19,383)	–	–	–	–	(730)	34	–	–	4,086	79,766	(21,635)	58,131
– Footpaths	9,540	(4,144)	(7)	–	–	(7)	(148)	243	–	–	397	10,476	(4,595)	5,881
– Bulk earthworks (non-depreciable)	149,002	–	–	–	–	–	–	–	–	–	11,273	160,276	–	160,276
– Stormwater drainage	9,029	(3,949)	–	–	–	–	(115)	26	–	–	233	9,479	(4,255)	5,224
– Water supply network	76,433	(36,386)	(206)	–	–	(206)	(1,306)	895	–	–	2,107	72,108	(30,572)	41,536
– Sewerage network	35,046	(18,512)	–	–	–	–	(567)	523	–	–	2,088	34,993	(16,414)	18,579
<b>Other assets:</b>														
– Other	91	(91)	–	–	–	–	–	–	–	–	–	91	(91)	–
<b>Reinstatement, rehabilitation and restoration assets (refer Note E2-1):</b>														
– Remediation assets	1,982	(731)	–	–	–	–	(83)	–	–	2,204	–	4,186	(814)	3,372
<b>Total infrastructure, property, plant and equipment</b>	<b>775,777</b>	<b>(222,387)</b>	<b>(786)</b>	<b>7,626</b>	<b>8,443</b>	<b>(786)</b>	<b>(10,873)</b>	<b>–</b>	<b>–</b>	<b>1,702</b>	<b>40,246</b>	<b>834,172</b>	<b>(234,425)</b>	<b>599,747</b>

(1) Restated - see Note G4-1

continued on next page ...



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

### Accounting policy

Infrastructure, property, plant and equipment (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).

IPPE is held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

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

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	7 to 33	Benches, seats etc.	10 to 20
Computer equipment	4 to 5		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	7 to 20	Buildings: masonry	30 to 90
Other plant and equipment	5 to 30	Buildings: other	15 to 90
		<b>Stormwater assets</b>	
<b>Water and sewer assets</b>		Drains	80
Dams and reservoirs	15 to 200	Culverts	80
Bores	20 to 60		
Reticulation pipes	40 to 80		
Pumps and telemetry	10 to 80		
Treatment plants	15 to 80		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Bulk earthworks	Nil
Sealed roads: surface	25	Other structures	10 to 70
Sealed roads: pavement base	100	Aerodromes	10 to 60
Sealed roads: pavement sub-base	180		
Unsealed roads	20 to 25	<b>Land improvements</b>	
Bridges: concrete	120	Land improvements	5 to 50
Bridges: other	35 to 80		
Kerb, gutter, footpaths and causeways	15 to 80		

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

### Land under roads

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

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

## 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'.

Council does not recognise Rural Fire Services assets, including buildings, plant and equipment on the statements of financial position due to lack of evidence of control over the economic benefits which are expected to flow from these assets.

## C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	812	774
Accumulated amortisation	(720)	(694)
<b>Net book value – opening balance</b>	<b>92</b>	<b>80</b>
<b>Movements for the year</b>		
Purchases	–	38
Amortisation charges	(28)	(26)
<b>Closing values at 30 June</b>		
Gross book value	812	812
Accumulated amortisation	(748)	(720)
<b>Total software – net book value</b>	<b>64</b>	<b>92</b>
<b>Total intangible assets – net book value</b>	<b>64</b>	<b>92</b>

### Accounting policy

#### IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

## C1-9 Other

### Other assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	50	–	1,037	–
<b>Total other assets</b>	<b>50</b>	<b>–</b>	<b>1,037</b>	<b>–</b>

## C2 Leasing activities

### C2-1 Council as a lessee

Council has leases over a Building asset. Information relating to the lease in place and associated balances and transactions is provided below.

#### Buildings

Council leases land and buildings for the Coonabarrabran Library. The lease was commenced in December 2019 and is for a term of 3 years with an option to extend for a further 3 years.

The building lease contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

#### Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for 4 years with no renewal option, the payments are fixed.

#### (a) Right of use assets

\$ '000	Office and IT Equipment	Land and Buildings	Total
<b>2023</b>			
Opening balance at 1 July	126	148	274
Depreciation charge	(42)	(49)	(91)
<b>Balance at 30 June</b>	<b>84</b>	<b>99</b>	<b>183</b>
<b>2022</b>			
Opening balance at 1 July	–	197	197
Additions to right-of-use assets	168	–	168
Depreciation charge	(42)	(49)	(91)
<b>Balance at 30 June</b>	<b>126</b>	<b>148</b>	<b>274</b>

#### (b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	92	157	89	250
<b>Total lease liabilities</b>	<b>92</b>	<b>157</b>	<b>89</b>	<b>250</b>

#### (c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
<b>2023</b>					
Cash flows	99	162	–	261	249
<b>2022</b>					
Cash flows	100	249	–	349	339

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

### (d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	11	9
Depreciation of right of use assets	91	91
	<b>102</b>	<b>100</b>

### (e) Statement of Cash Flows

Total cash outflow for leases	99	74
	<b>99</b>	<b>74</b>

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

#### Accounting policy

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

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

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

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

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.

## C2-2 Council as a lessor

---

(ii) Council as a lessor

### **Leases at significantly below market value - Concessionary / peppercorn leases**

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

- Camp grounds
- Community halls
- Tennis courts
- Pre schools
- Men's sheds

The leases are generally between 2 and 20 years and require payments of a maximum amount of \$509 per year. Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Goods and services	1,029	–	382	–
Accrued expenses:				
– Borrowings	7	–	14	–
– Salaries and wages	196	–	199	–
– Other expenditure accruals	702	–	544	–
Security bonds, deposits and retentions	366	–	739	–
ATO – net GST payable	84	–	–	–
Other	88	–	39	–
<b>Total payables</b>	<b>2,472</b>	<b>–</b>	<b>1,917</b>	<b>–</b>

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

\$ '000	2023	2022
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	363	739
<b>Total payables</b>	<b>363</b>	<b>739</b>

#### Accounting policy

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

The financial liabilities of the Council comprise trade payables, bank and other loans.

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	70	–	–	–
Unexpended capital grants (to construct Council controlled assets)	(i)	4,468	–	3,071	–
<b>Total grants received in advance</b>		<b>4,538</b>	<b>–</b>	<b>3,071</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>4,538</b>	<b>–</b>	<b>3,071</b>	<b>–</b>

### Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library 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 being satisfied since the performance obligations are ongoing.

### Significant changes in contract liabilities

Increase of grant contract liabilities is due to unspent grants on projects funded by Fixing Local Roads and Fixing Local Bridges programs.

### Accounting policy

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



## C3-3 Borrowings

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	529	492	904	1,021
<b>Total borrowings</b>	<b>529</b>	<b>492</b>	<b>904</b>	<b>1,021</b>

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

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

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

The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.

#### (a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,925	(904)	–	–	–	–	1,021
Lease liability (Note C2-1b)	339	(90)	–	–	–	–	249
<b>Total liabilities from financing activities</b>	<b>2,264</b>	<b>(994)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,270</b>

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,935	(1,010)	–	–	–	–	1,925
Lease liability (Note C2-1b)	223	(74)	–	–	–	190	339
<b>Total liabilities from financing activities</b>	<b>3,158</b>	<b>(1,084)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>190</b>	<b>2,264</b>

### C3-3 Borrowings (continued)

#### (b) Financing arrangements

\$ '000	2023	2022
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	79	79
<b>Total financing arrangements</b>	<b>579</b>	<b>579</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	33	35
<b>Total drawn financing arrangements</b>	<b>33</b>	<b>35</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	46	44
<b>Total undrawn financing arrangements</b>	<b>546</b>	<b>544</b>

#### Additional financing arrangements information

##### Breaches and defaults

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

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

##### Accounting policy

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

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

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

## C3-4 Employee benefit provisions

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Annual leave	997	–	1,030	–
Long service leave	2,249	–	2,318	–
Other leave	83	–	80	–
ELE on-costs	465	–	415	–
<b>Total employee benefit provisions</b>	<b>3,794</b>	<b>–</b>	<b>3,843</b>	<b>–</b>

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,816	2,228
	<b>2,816</b>	<b>2,228</b>

### Description of and movements in non-employee benefit provisions

#### Accounting policy

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

#### Short-term obligations

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

#### Other long-term employee benefit obligations

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

#### On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

## C3-5 Provisions

\$ '000	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
<b>Other provisions</b>				
Other provisions	–	–	500	–
<b>Sub-total – other provisions</b>	<b>–</b>	<b>–</b>	<b>500</b>	<b>–</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	103	2,988	–	4,920
<b>Sub-total – asset remediation/restoration</b>	<b>103</b>	<b>2,988</b>	<b>–</b>	<b>4,920</b>
<b>Total provisions</b>	<b>103</b>	<b>2,988</b>	<b>500</b>	<b>4,920</b>

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

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2023</b>		
At beginning of year	4,920	4,920
Unwinding of discount (see Note B3-3)	185	185
Remeasurement effects through assets (see Note C1-7)	(1,918)	(1,918)
Remeasurement effect through profit and loss (see Note B2-3)	(96)	(96)
Total other provisions at end of year	<b>3,091</b>	<b>3,091</b>
<b>2022</b>		
At beginning of year	2,675	2,675
Unwinding of discount (see Note B3-3)	41	41
Remeasurement effects through assets (see Note C1-7)	2,204	2,204
Total other provisions at end of year	<b>4,920</b>	<b>4,920</b>

### Nature and purpose of provisions

#### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the councils and private gravel quarries it has used.

#### 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 borrowing costs.

### Asset remediation – tips and quarries

#### Restoration

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

## C3-5 Provisions (continued)

---

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

### **Rehabilitation**

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

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

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

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

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

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

### **Self-insurance**

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

## C4 Reserves

### C4-1 Nature and purpose of reserves

---

#### **IPPE Revaluation reserve**

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

## D Council structure

### D1 Results by fund

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

#### D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
<b>Income from continuing operations</b>			
Rates and annual charges	10,931	2,331	1,894
User charges and fees	7,072	2,086	165
Interest and investment revenue	1,011	32	4
Other revenues	2,088	29	38
Grants and contributions provided for operating purposes	25,765	–	–
Grants and contributions provided for capital purposes	3,682	1,179	1,819
Other income	18	–	–
<b>Total income from continuing operations</b>	<b>50,567</b>	<b>5,657</b>	<b>3,920</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	14,277	1,088	556
Materials and services	12,026	1,573	718
Borrowing costs	245	3	–
Depreciation, amortisation and impairment of non-financial assets	9,434	1,345	558
Other expenses	1,459	289	–
Net losses from the disposal of assets	2,738	212	95
<b>Total expenses from continuing operations</b>	<b>40,179</b>	<b>4,510</b>	<b>1,927</b>
<b>Operating result from continuing operations</b>	<b>10,388</b>	<b>1,147</b>	<b>1,993</b>
<b>Net operating result for the year</b>	<b>10,388</b>	<b>1,147</b>	<b>1,993</b>
<b>Net operating result attributable to each council fund</b>	<b>10,388</b>	<b>1,147</b>	<b>1,993</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>6,706</b>	<b>(32)</b>	<b>174</b>

## D1-2 Statement of Financial Position by fund

\$ '000	General 2023	Water 2023	Sewer 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	122	1,563	4,091
Investments	33,000	–	2,500
Receivables	7,867	1,635	513
Inventories	602	–	–
Contract assets and contract cost assets	2,951	180	173
Other	50	–	–
<b>Total current assets</b>	<b>44,592</b>	<b>3,378</b>	<b>7,277</b>
<b>Non-current assets</b>			
Inventories	299	–	–
Infrastructure, property, plant and equipment	574,313	50,370	22,454
Investments accounted for using the equity method	519	–	–
Intangible assets	64	–	–
Right of use assets	183	–	–
<b>Total non-current assets</b>	<b>575,378</b>	<b>50,370</b>	<b>22,454</b>
<b>Total assets</b>	<b>619,970</b>	<b>53,748</b>	<b>29,731</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,472	–	–
Contract liabilities	4,538	–	–
Lease liabilities	92	–	–
Borrowings	473	56	–
Employee benefit provision	3,365	351	78
Provisions	103	–	–
<b>Total current liabilities</b>	<b>11,043</b>	<b>407</b>	<b>78</b>
<b>Non-current liabilities</b>			
Lease liabilities	157	–	–
Borrowings	492	–	–
Provisions	2,988	–	–
<b>Total non-current liabilities</b>	<b>3,637</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>14,680</b>	<b>407</b>	<b>78</b>
<b>Net assets</b>	<b>605,290</b>	<b>53,341</b>	<b>29,653</b>
<b>EQUITY</b>			
Accumulated surplus	413,157	24,800	14,766
Revaluation reserves	192,133	28,541	14,887
<b>Council equity interest</b>	<b>605,290</b>	<b>53,341</b>	<b>29,653</b>
<b>Total equity</b>	<b>605,290</b>	<b>53,341</b>	<b>29,653</b>

## D2 Interests in other entities

\$ '000	Council's share of net assets	
	2023	2022
<b>Council's share of net assets</b>		
<b>Net share of interests in joint ventures and associates using the equity method – assets</b>		
Joint ventures	519	501
<b>Total net share of interests in joint ventures and associates using the equity method – assets</b>	<b>519</b>	<b>501</b>
Total Council's share of net assets	519	501

### D2-1 Interests in joint arrangements

#### Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership		2023		2022	
			2023	2022	2023	2022		
Macquarie Regional Library	Dubbo, Coolah, Dunedoo, Coonabarabran, Narromine and Wellington	Joint venture	17.8%	19.5%	519		501	
<b>Total carrying amounts – material joint ventures</b>					<b>519</b>		<b>501</b>	

#### Material joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

#### Details

	Principal activity	Measurement method
Macquarie Regional Library	Community library services	Equity

#### Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2023	2022	2023	2022
Macquarie Regional Library	17.8%	19.5%	25.0%	25.0%



## D2-1 Interests in joint arrangements (continued)

### Summarised financial information for joint ventures

\$ '000	Macquarie Regional Library	
	2023	2022
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,306	2,168
Other current assets	65	82
<b>Non-current assets</b>		
	1,221	1,261
<b>Current liabilities</b>		
Other current liabilities	825	843
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	34	33
<b>Net assets</b>	<b>2,733</b>	<b>2,635</b>
<b>Statement of comprehensive income</b>		
Income	3,570	3,253
Interest income	86	7
Depreciation and amortisation	(340)	(170)
Other expenses	(3,214)	(2,856)
<b>Profit/(loss) from continuing operations</b>	<b>102</b>	<b>234</b>
<b>Profit/(loss) for the period</b>	<b>102</b>	<b>234</b>
<b>Total comprehensive income</b>	<b>102</b>	<b>234</b>
<b>Share of income – Council (%)</b>	<b>17.8%</b>	<b>19.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>18</b>	<b>46</b>
<b>Total comprehensive income – Council (\$)</b>	<b>18</b>	<b>46</b>

### Accounting policy

The council has determined that it has joint ventures only.

#### Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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

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

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

The risks associated with the instruments held are:

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

#### (a) Market risk – interest rate and price risk

\$ '000	2023	2022
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	400	262

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

### (b) Credit risk

Council's major receivables comprise rates and annual charges and other receivables. The latter comprises of accrued income for government grants, user charges and fees, interest and extra charges, other debtors.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

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

Council makes suitable provision for doubtful receivables as required based on the lifetime expected credit loss at each reporting date.

A profile of Council's receivables credit risk at the reporting date follows.

#### Credit risk profile

##### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges				Total
		< 1 years	1 - 2 years	2 - 5 years	≥ 5 years	
<b>2023</b>						
Gross carrying amount	–	1,559	–	–	–	1,559
<b>2022</b>						
Gross carrying amount	–	1,328	–	–	–	1,328

##### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2023</b>						
Gross carrying amount	10,140	531	540	67	1,149	12,427
Expected loss rate (%)	0.00%	3.62%	3.89%	50.00%	51.64%	5.37%
ECL provision	–	19	21	34	593	667
<b>2022</b>						
Gross carrying amount	5,567	490	118	323	706	7,204
Expected loss rate (%)	0.00%	2.47%	14.49%	50.00%	67.46%	9.26%
ECL provision	–	12	17	162	476	667

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

### (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
<b>2023</b>							
Payables	0.00%	366	–	–	–	366	2,472
Borrowings	3.36%	–	529	492	–	1,021	1,021
<b>Total financial liabilities</b>		<b>366</b>	<b>529</b>	<b>492</b>	<b>–</b>	<b>1,387</b>	<b>3,493</b>
<b>2022</b>							
Payables	0.00%	739	1,178	–	–	1,917	1,917
Borrowings	4.18%	–	904	1,021	–	1,925	1,925
<b>Total financial liabilities</b>		<b>739</b>	<b>2,082</b>	<b>1,021</b>	<b>–</b>	<b>3,842</b>	<b>3,842</b>

## E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022 <sup>1</sup>	2023	2022	2023	2022 <sup>1</sup>
<b>Recurring fair value measurements</b>									
<b>Infrastructure, property, plant and equipment</b> <span style="float: right;">C1-7</span>									
Plant and equipment		30/06/20	30/06/20	–	–	10,438	11,315	10,438	11,315
Office equipment		30/06/20	30/06/20	–	–	500	348	500	348
Furniture and fittings		30/06/20	30/06/20	–	–	–	2	–	2
Land – Community		30/06/23	30/06/21	3,819	2,034	–	–	3,819	2,034
Land – Operational		30/06/23	30/06/18	10,015	6,705	–	–	10,015	6,705
Land improvements – depreciable		30/06/21	30/06/21	–	–	1,777	1,753	1,777	1,753
Buildings		30/06/23	30/06/18	–	–	40,860	30,529	40,860	30,529
Other structures		30/06/21	30/06/21	–	–	21,729	20,536	21,729	20,536
Roads		30/06/20	30/06/20	–	–	237,603	221,504	237,603	221,504
Bridges		30/06/20	30/06/20	–	–	62,960	58,131	62,960	58,131
Footpaths		30/06/20	30/06/20	–	–	6,156	5,881	6,156	5,881
Bulk earthworks		30/06/20	30/06/20	–	–	172,586	160,276	172,586	160,276
Stormwater drainage		30/06/20	30/06/20	–	–	5,500	5,224	5,500	5,224
Water supply network		30/06/22	30/06/22	–	–	44,926	41,536	44,926	41,536
Sewerage network		30/06/22	30/06/22	–	–	20,453	18,579	20,453	18,579
Tip assets		30/06/20	30/06/20	–	–	–	–	–	–
Quarry assets		30/06/19	30/06/19	–	–	1,218	3,372	1,218	3,372
<b>Total infrastructure, property, plant and equipment</b>				<b>13,834</b>	<b>8,739</b>	<b>626,706</b>	<b>578,986</b>	<b>640,540</b>	<b>587,725</b>

(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.

### Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

## E2-1 Fair value measurement (continued)

### Infrastructure, property, plant and equipment (IPPE)

#### Plant and equipment, office equipment and furniture, fixtures and fittings

Plant and equipment, office equipment and furniture, and fixtures and fittings are all valued at depreciated cost (original purchase price) as this assessment is considered to approximate fair value.

#### Roads, bulk earthworks, bridges, footpaths and stormwater drainage

The values currently displayed are based on the following:

The current replacement cost for these asset classes has been derived from a 2019/20 valuation survey undertaken, for this purpose, by AssetVal Valuers. All asset are assigned useful lives except for bulk earthworks and are condition rated at the time of valuation effective as at 30 June 2020.

Roads are componentised into pavement and surface with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on regional, local and urban. Roads also include causeways and kerb and gutter.

Bridges are componentised into bridges sub-structure, super-structure and deck and major culverts.

Stormwater drainage assets include both pits and pipes.

#### Quarry and tip remediation liabilities

Council recognises remediation assets for quarries under its control. These assets are based on the estimated cost to remediate the sites at the end of their useful life. Estimated remediation costs are based on engineering assessments and take into account the inputs needed to rehabilitate the quarry/tip sites. As the final remediation will not happen for several years the input costs are indexed out to the estimated remediation date through the use of CPI, and then discounted back to arrive at the present value, with the discount rate being the ten year government bond rate. No estimate is made for potential increases in rehabilitation scope in future years as such changes can not be reliably measured. Further details on these assets can be found in note C3-5.

Council has ceased to recognise tip remediation asset based on in-house review conducted during 2019/20 due to following factors:

- a) Capping/closure of cell in 5 years time – Capping of waste cell is being undertaken every year for the part of cell which has been used. The cost of capping is charged as operational expenditure on as we go basis. Therefore, although the cell will be fully capped/closed in 5 years time i.e. in 2025 but it would be only that part of cell that will be used in that year.
- b) Closure of Coonabarabran waste site – Based on recent survey/study conducted by Waste Services, it is estimated that the remaining life of Coonabarabran waste site is 45 years. However, Council is not aware of any obligation where Council has to restore/remediate the site at the end of 45 years. Council will be putting new cells and closing them as part of waste operations during the next 45 years as discussed above but will not be liable to restore the site at the end of useful life.

#### Operational and community land

Land has been valued at market value having regard to the "highest and best use", after identifying elements that would be taken into account by buyers and sellers in settling the price. These elements include: land description and dimensions, planning and other constraints on development and the potential for alternative use. Operational land has been valued by Assetval in 2023 using a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

Community land was valued by AVR Consulting in 2023 using both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

#### Other structures and land improvements (depreciable)

The value of structures and depreciable land improvements have been assessed on the basis of either replacement with a new asset having similar service potential and includes allowances for preliminaries and professional fees or where not possible indexation of existing values. These values have been derived from an internal valuation for 30/06/2021.

The asset class includes aerodromes, pools, landscaping, gardens, sport change rooms, grand stands etc. Major components include pool structures, walls, roofs, pumps, fences, sheds, garden beds etc. Each component is assigned a useful life and long life component, based on engineering estimates and are condition rated at the time of valuation. In some cases Council has limited data for this asset class in relation to original construction date, age, and past maintenance and renewals history.

#### Water and sewer network

In recent years current replacement costs for water and sewer assets have been derived by Modern Engineering Equivalent Replacement Asset (MEERA) unit costs and lump sums. Water and sewer assets are componentised into mains, treatment plants, pumping stations, and reservoirs. All asset components are assigned a long life component, useful life and remaining useful life, and were condition rated at time of revaluation, with the condition rating determining the remaining useful life. Valuations require a level of professional judgement from both the valuer and Council engineers and the valuation was carried out through the use of condition assessments including through the use of cameras and maintenance/break histories for assets that could not be accessed through a simple inspection. Limitation on current valuations include further data issues around

## E2-1 Fair value measurement (continued)

---

Council mains break historical data, and a lack of long term historical data on renewals. The last comprehensive valuation was performed by an independent valuer (APV Valuers and Asset Management) on 30 June 2022.

### Buildings

Buildings assets are valued externally. Council engaged AssetVal to perform a comprehensive valuation of buildings assets as at 30 June 2023.

Most of the Council's buildings are specialised by nature and were valued utilising the cost approach. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates useful life, asset condition and componentisation) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

There were no changes in valuation technique from prior year.

### Highest and best use

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

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

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, 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.

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 \$ 75,236.27 The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA as at 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$58,003.32.



## E3-1 Contingencies (continued)

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

Employer reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits 100.4	2,253.6	101.7%

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

The share of any funding surplus or deficit that can be attributed to Council is 0.16%.

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	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	6% for FY 22/23; 2.5% per annum thereafter

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

### (ii) Statewide Limited

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

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

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

### (iv) Other guarantees

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

## 2. Other liabilities

### (i) Third party claims

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

Council believes that it is appropriately covered for all claims through its insurance coverage and provisions.

## E3-1 Contingencies (continued)

---

### **(ii) Potential land acquisitions due to planning restrictions imposed by Council**

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

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

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

## F People and relationships

### F1 Related party disclosures

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

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

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

\$ '000	2023	2022
<b>Compensation:</b>		
Short-term benefits	824	932
Superannuation	85	84
<b>Total</b>	<b>909</b>	<b>1,016</b>

#### Other transactions with KMP and their related parties

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

There are no other disclosures to be made by KMP.

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

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	22	24
Councillors' fees	133	100
Other Councillors' expenses (including Mayor)	-	13
<b>Total</b>	<b>155</b>	<b>137</b>

## F2 Other relationships

### F2-1 Audit fees

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

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

	93	67
--	----	----

<b>Remuneration for audit and other assurance services</b>	<b>93</b>	<b>67</b>
--	-----------	-----------

<b>Total Auditor-General remuneration</b>	<b>93</b>	<b>67</b>
---	-----------	-----------

<b>Total audit fees</b>	<b>93</b>	<b>67</b>
-------------------------	-----------	-----------

## G Other matters

### G1-1 Statement of Cash Flows information

#### Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
<b>Net operating result from Income Statement</b>	<b>13,528</b>	12,544
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	11,337	10,990
(Gain) / loss on disposal of assets	3,045	(412)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– transfer of opening WIP to expenses	–	490
Unwinding of discount rates on reinstatement provisions	185	41
Share of net (profits)/losses of associates/joint ventures using the equity method	(18)	(46)
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(5,782)	532
(Increase) / decrease of inventories	(30)	(4)
(Increase) / decrease of other current assets	987	(1,037)
(Increase) / decrease of contract asset	328	(1,173)
Increase / (decrease) in payables	647	(585)
Increase / (decrease) in accrued interest payable	(7)	(34)
Increase / (decrease) in other accrued expenses payable	155	77
Increase / (decrease) in other liabilities	(240)	(13)
Increase / (decrease) in contract liabilities	1,467	1,612
Increase / (decrease) in employee benefit provision	(49)	(833)
Increase / (decrease) in other provisions	(596)	–
<b>Net cash flows from operating activities</b>	<b>24,957</b>	<b>22,149</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

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

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

#### Property, plant and equipment

Land and buildings	–	139
Plant and equipment	45	303
Infrastructure	2,417	2,260
<b>Total commitments</b>	<b>2,462</b>	<b>2,702</b>

#### These expenditures are payable as follows:

Within the next year	2,462	2,702
<b>Total payable</b>	<b>2,462</b>	<b>2,702</b>

#### Details of capital commitments

The Council has committed to various capital projects which mainly includes information technology, regional roads, sporting facilities, council properties, town streets, water and sewer over the next 12 months.

## 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

---

#### Crown land

##### Nature of prior period error

Prior to 1 July 2019 Council acted as a trust manager of the Crown reserve trusts. 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 reserves are dedicated. Starting 1 July 2019 council became manager of these reserves which should be classified as community land under Local Government Act 1993 (NSW).

Crown land "devolved to council" is under care, management and control of the Minister based on the Crown Land Management Act 2016. However, council retains "operational control" of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which land is dedicated. The land should be part of community land class of assets as well.

As a result of a comprehensive reconciliation of land assets register performed in the current financial year, council identified 83 parcels of Crown reserves and Crown land devolved to council which were not captured in the finance register. The fair value of the assets as at 30 June 2023 was \$2,033 thousand.

Council recognised abovementioned Crown reserves managed by council and Crown land devolved to council within Community land class of assets on a retrospective basis in the current financial year financial statements by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through the accumulated surplus at that date. Fair value of the land was determined by an independent qualified valuer AVR Consulting.

Comparatives have been changed to reflect the correction of errors. The impact of each line item is shown in the table below.

## G4-1 Correction of errors (continued)

## Changes to the opening Statement of Financial Position at 1 July 2021

## Statement of Financial Position

\$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, Property, Plant and Equipment	551,357	2,033	553,390
<b>Total non-current assets</b>	<b>552,388</b>	<b>2,033</b>	<b>554,421</b>
<b>Total assets</b>	<b>582,067</b>	<b>2,033</b>	<b>584,100</b>
<b>Net assets</b>	<b>567,127</b>	<b>2,033</b>	<b>569,160</b>
Accumulated Surplus	424,618	2,033	426,651
<b>Total equity</b>	<b>567,127</b>	<b>2,033</b>	<b>569,160</b>

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

## Statement of Financial Position

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Infrastructure, Property, Plant and Equipment	597,714	2,033	599,747
<b>Total non-current assets</b>	<b>599,880</b>	<b>2,033</b>	<b>601,913</b>
<b>Total assets</b>	<b>636,432</b>	<b>2,033</b>	<b>638,465</b>
<b>Net assets</b>	<b>619,917</b>	<b>2,033</b>	<b>621,950</b>
Accumulated Surplus	437,162	2,033	439,195
<b>Total equity</b>	<b>619,917</b>	<b>2,033</b>	<b>621,950</b>



## G5 Statement of developer contributions as at 30 June 2023

### G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
Roads	5	104	-	-	1	-	-	110	-
Open space	7	-	-	-	-	-	-	7	-
Community facilities	7	-	-	-	-	-	-	7	-
Other	2	-	-	-	-	-	-	2	-
Bushfire	13	-	-	-	1	-	-	14	-
<b>S7.11 contributions – under a plan</b>	<b>34</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>34</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>-</b>
S7.11 not under plans	232	-	-	-	-	-	-	232	-
S64 contributions	134	-	-	-	6	-	-	140	-
<b>Total contributions</b>	<b>400</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>512</b>	<b>-</b>

## G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land						
<b>CONTRIBUTION PLAN – WARRUMBUNGLE SHIRE COUNCIL</b>									
Roads	5	104	-	-	1	-	-	110	-
Open space	7	-	-	-	-	-	-	7	-
Community facilities	7	-	-	-	-	-	-	7	-
Bushfire	13	-	-	-	1	-	-	14	-
Other	2	-	-	-	-	-	-	2	-
<b>Total</b>	<b>34</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>-</b>

## G5-3 Contributions not under plans

<b>CONTRIBUTIONS – NOT UNDER A PLAN</b>									
Other	232	-	-	-	-	-	-	232	-
<b>Total</b>	<b>232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232</b>	<b>-</b>

## G5-4 S64 contributions

<b>S64 Contributions</b>									
Water	102	-	-	-	-	-	-	102	-
Sewer	32	-	-	-	-	-	-	32	-
<b>Total</b>	<b>134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134</b>	<b>-</b>

## G6 Statement of performance measures

### G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022      2021		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>9,875</b>	<b>18.48%</b>	6.11%	3.03%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>53,446</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>27,681</b>	<b>46.04%</b>	46.83%	44.46%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>60,126</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>28,880</b>	<b>8.68x</b>	5.95x	4.88x	> 1.50x
Current liabilities less specific purpose liabilities	<b>3,326</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>21,460</b>	<b>17.28x</b>	11.59x	10.76x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,242</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>1,921</b>	<b>11.25%</b>	9.99%	12.33%	< 10.00%
Rates and annual charges collectable	<b>17,078</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>41,276</b>	<b>14.53 months</b>	10.61 months	9.71 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	<b>2,841</b>				

(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

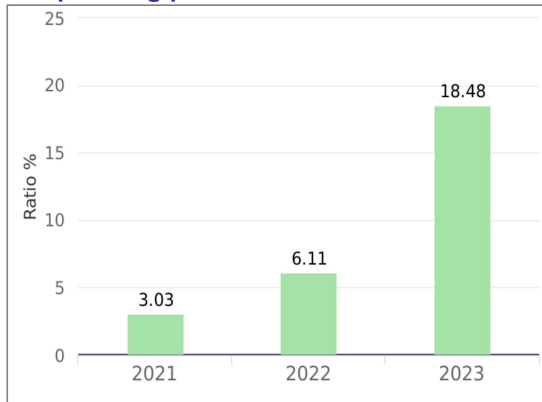
	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022 <sup>4</sup>	2023	2022 <sup>4</sup>	
<b>\$ '000</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>20.77%</b>	7.28%	<b>(0.71)%</b>	(3.80)%	<b>8.28%</b>	5.47%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>41.75%</b>	42.62%	<b>79.16%</b>	64.92%	<b>53.60%</b>	68.74%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>8.68x</b>	5.95x	<b>8.30x</b>	5.06x	<b>93.29x</b>	42.46x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>15.67x</b>	9.99x	<b>438.67x</b>	610.50x	<b>∞</b>	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>9.59%</b>	8.07%	<b>16.61%</b>	16.57%	<b>13.53%</b>	12.80%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>14.36</b>	10.99	<b>6.13</b>	3.51	<b>38.53</b>	18.12	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	<b>months</b>	months	months

(1) - (2) Refer to Notes at Note 28a above.

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

**End of the audited financial statements**

**1. Operating performance ratio**



**Purpose of operating performance ratio**

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

Commentary on 2022/23 result	
2022/23 ratio	18.48%

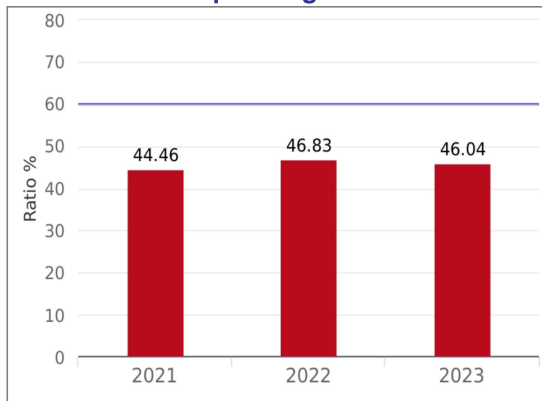
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

**2. Own source operating revenue ratio**



**Purpose of own source operating revenue ratio**

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

Commentary on 2022/23 result	
2022/23 ratio	46.04%

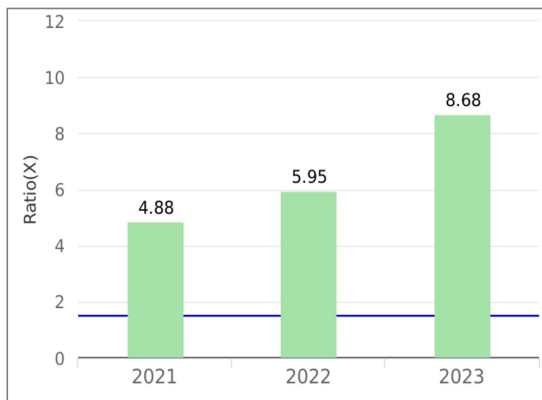
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

**3. Unrestricted current ratio**



**Purpose of unrestricted current ratio**

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

Commentary on 2022/23 result	
2022/23 ratio	8.68x

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

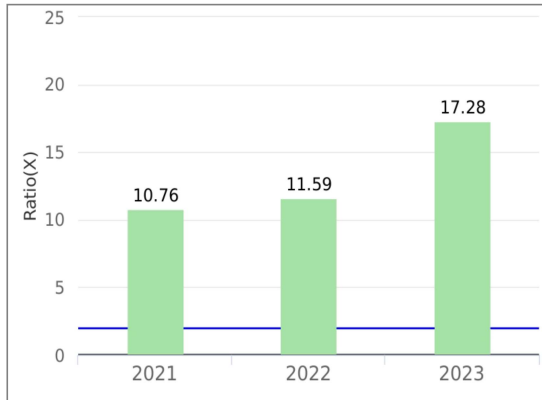
Ratio achieves benchmark

Ratio is outside benchmark

## H Additional Council disclosures (unaudited)

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

#### 4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

Commentary on 2022/23 result	
2022/23 ratio	17.28x

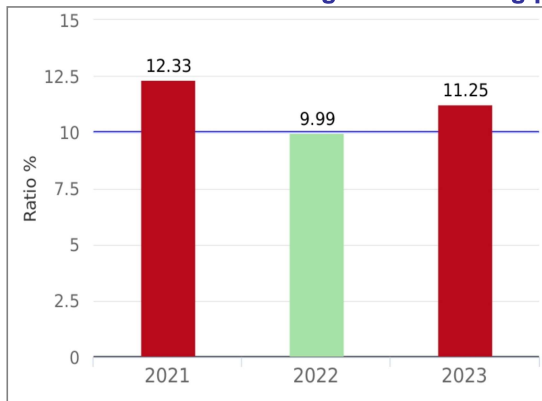
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 5. Rates and annual charges outstanding percentage



**Purpose of rates and annual charges outstanding percentage**

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

Commentary on 2022/23 result	
2022/23 ratio	11.25%

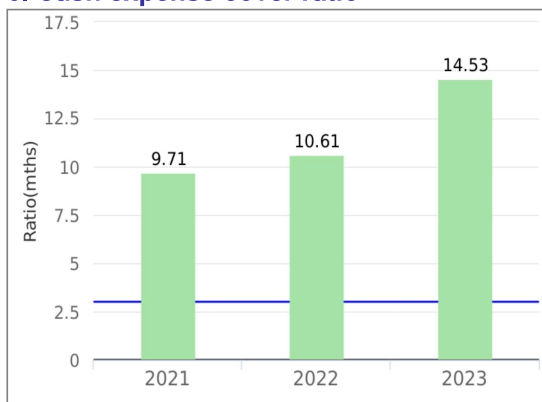
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

Commentary on 2022/23 result	
2022/23 ratio	14.53 months

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Warrumbungle Shire Council**

To the Councillors of Warrumbungle Shire Council

### **Qualified Opinion**

I have audited the accompanying financial statements of Warrumbungle 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, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 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 qualified opinion should be read in conjunction with the rest of this report.

### **Basis for Qualified Opinion**

#### **Non recognition of rural fire-fighting equipment and buildings**

As disclosed in Note C1-7 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment and buildings located on land that is controlled and recognised by the Council as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refer to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 1 July 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

Rural fire-fighting buildings are controlled by the Council where the buildings are located on land that is controlled and recognised by the Council. This gives the Council the ability to allow or prevent other entities from directing the use of, and obtaining the benefits from these assets.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such the assets are provided to the Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets and buildings located on land that is controlled and recognised by the Council that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G6-1 'Statement of performance measures – consolidated results' and Note G6-2 'Statement of performance measures by fund'.

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 qualified audit opinion.

## **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 *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

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



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

26 October 2023  
SYDNEY



Clr Ambrose Doolan  
Mayor  
Warrumbungle Shire Council  
PO BOX 191  
COONABARABRAN NSW 2357

Contact: Unaib Jeoffrey  
Phone no: 02 9275 7450  
Our ref: R008-16585809-45856

26 October 2023

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2023 Warrumbungle Shire Council

I have audited the general purpose financial statements (GPFS) of the Warrumbungle 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 a modified 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

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

#### Modification to the opinion in the Independent Auditor's Report

##### Non-recognition of rural fire-fighting equipment and buildings

The Council has not recognised rural fire-fighting equipment and buildings located on land that is controlled and recognised by the Council as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refer to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership

- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 01 July 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

Rural fire-fighting buildings are controlled by the Council where the buildings are located on land that is controlled and recognised by the Council. This gives the Council the ability to allow or prevent other entities from directing the use of, and obtaining the benefits from these assets.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such the assets are provided to the Council free of charge.

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and buildings located on land that is controlled and recognised by the Council and related amounts that should be recorded and recognised in the council's 30 June 2023 financial statements.





This has resulted in the audit opinion on the Council's 30 June 2023 general purpose financial statements (GPFS) to be modified. Refer to the Independent Auditor's Report on the GPFS.

#### Correction of errors relating to a previous reporting period

The Council has disclosed a correction of error in Note G4-1 'Correction of errors' relating to a previous reporting period, which changed comparative information in Note C1-7 'Infrastructure, property, plant and equipment'. This disclosure results from a recent Crown lands asset register reconciliation performed by Council it found that 83 parcels of land at \$2.033 million were discovered missing. The Council retroactively reclassified these assets into the Community Land asset class, adjusting the balances from July 1, 2021, and incorporating the adjustment into the accumulated surplus.

## INCOME STATEMENT

### Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	15.1	14.7	 2.7
Grants and contributions revenue	32.4	27.5	 17.8
Operating result from continuing operations	13.5	12.5	 8.0
Net operating result before capital grants and contributions	6.8	3.0	 126

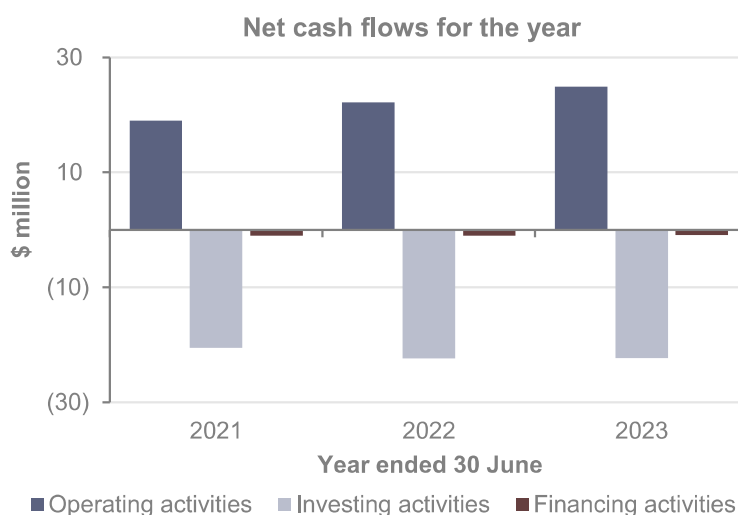
The Council's operating result from continuing operations of \$13.5 million, including depreciation, amortisation and impairment expense of \$11.3 million, was \$1 million higher than the 2021–22 result. The increase is mainly attributable to \$4.9 million increase in grant income recognised and \$2.5 million increase in works performed for Transport NSW.

In terms of expenditure, there was an overall increase of \$6.8 million which includes a \$1.1 million increase in materials and services expense and a material loss from disposal of assets which included by the write-off of the Three Rivers Regional Retirement Community project of \$1.9 million.

## STATEMENT OF CASH FLOWS

Cash balances increased due to receiving 100 per cent of the 2023-24 financial assistance grant in advance for an amount of \$9 million:

- Cash inflows from operating activities increased due to increase in rates and grants received during the year.
- Cash outflows from investment activities slightly decreased because of reduced outflows on IPPE assets.
- Cash from financing activities which consists mainly of repayment of borrowings and lease payments did not change significantly compared to 2021-22.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>41.2</b>	<b>28.1</b>	Externally restricted balances comprise mainly of developer contributions, specific purpose unexpended grants, and water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			Balances are internally allocated due to Council policy or decisions for forward plans including the works program. The increase is primarily attributable to the 2023-24 Financial Assistance grant (FAGs) received in June 2023.
• External restrictions	23.8	13.3	
• Internal allocations	14.6	11.8	

### Debt

At 30 June 2023, Council had \$1.0 million drawn down.

# PERFORMANCE

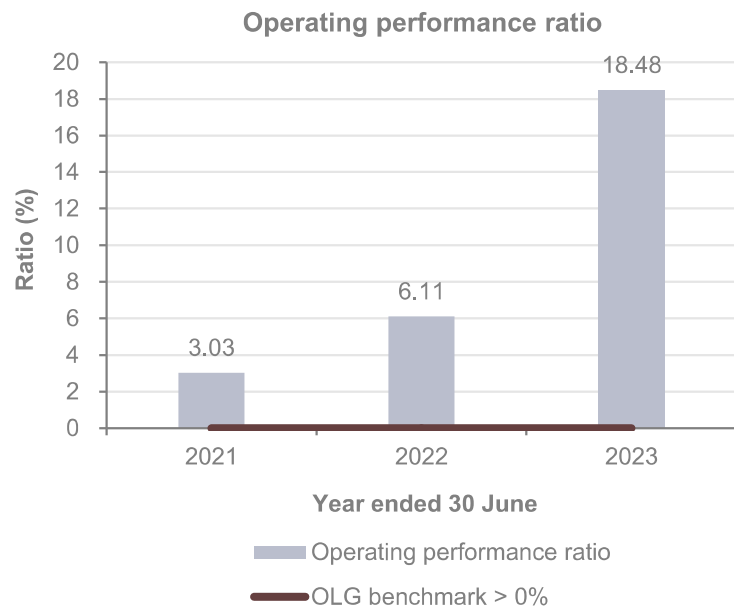
## Performance measures

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

### Operating performance ratio

The Council exceeded the benchmark for the current reporting period.

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

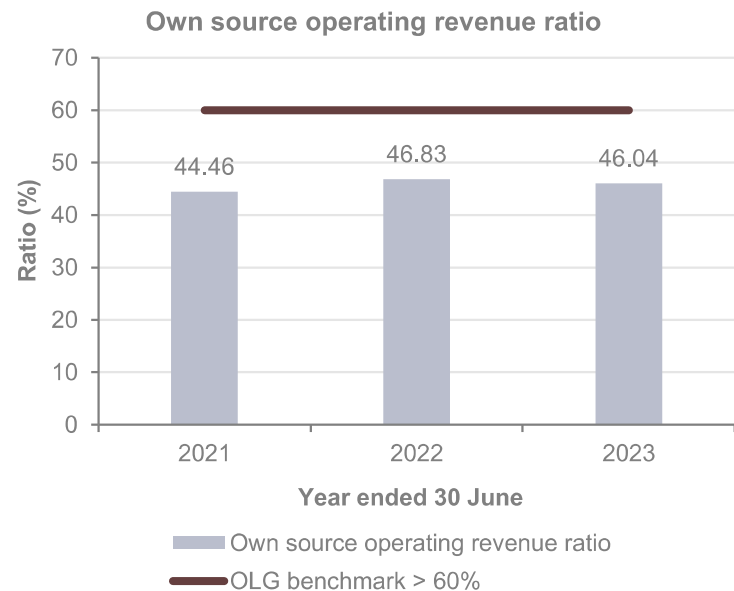


### Own source operating revenue ratio

The Council did not meet the benchmark for the past three years.

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

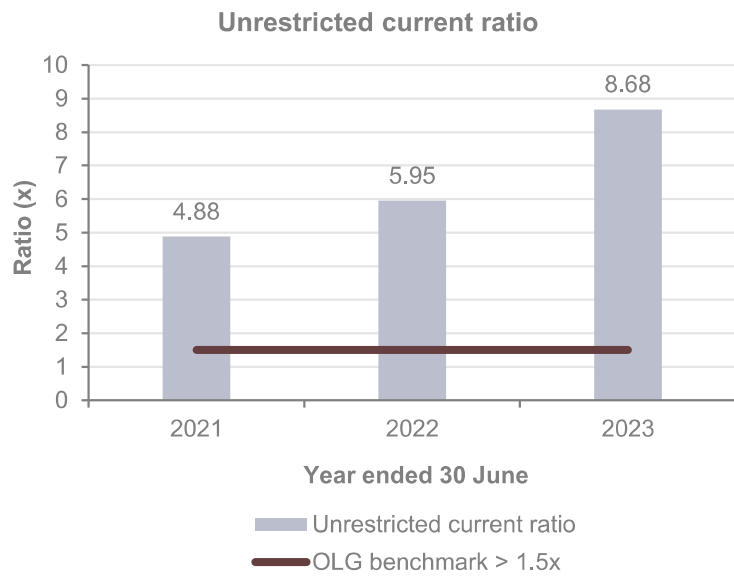
The ratio has remained below the required threshold over the last three years which reflects the Council's reliance on grant funding as a major source of revenue.



### Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period. This ratio indicates that Council currently has \$8.68 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

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

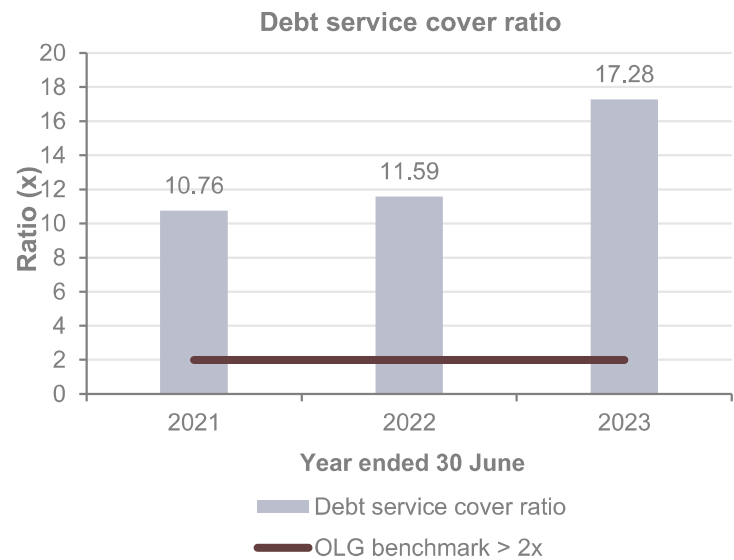


### Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

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

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

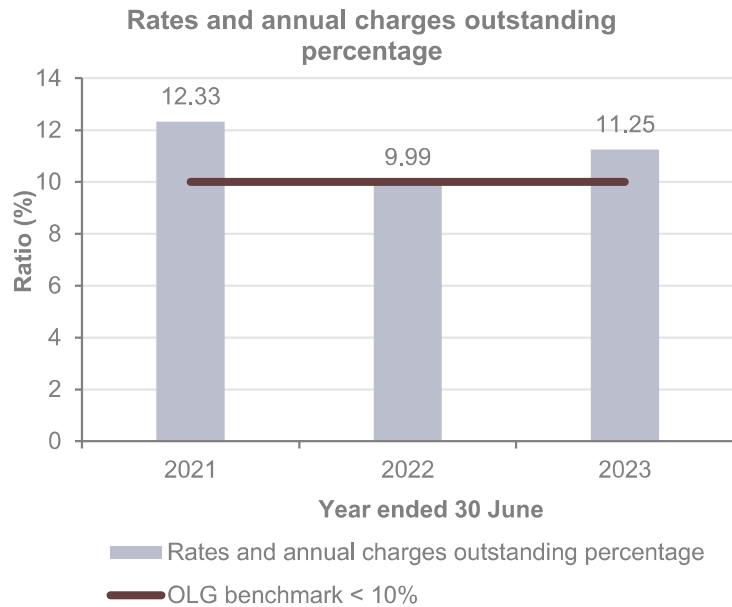


### Rates and annual charges outstanding percentage

The Council did not meet the benchmark for the current reporting period.

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

The resulting ratio reflects the recovery outstanding from prior year's drought and conditions and the current economic climate.

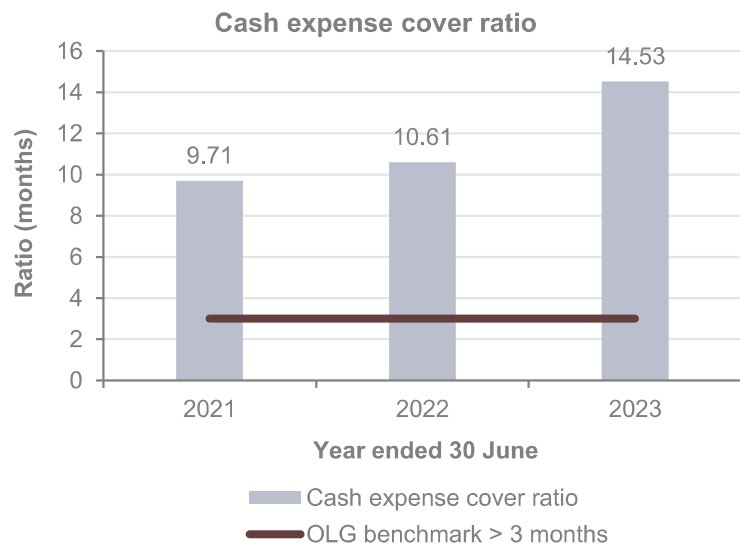


### Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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

The resulting ratio indicates that the Council had ability to cover 14.53 months of cash expenditure without additional cash inflows as at 30 June 2023.



### Infrastructure, property, plant and equipment renewals

Council renewed \$4.1 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads and repairing assets damaged by natural disasters. A further \$7.2 million was spent on new assets across most asset classes.



## Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements due to the non-recognition of rural fire-fighting equipment and buildings which will be reported in the Management Letter.

Except for the matter outlined above, the Council's:

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

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

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

# Warrumbungle Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2023

---



# Warrumbungle Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2023

---

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

---

### 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).

## Warrumbungle Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2023

---

#### 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:

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- 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
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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,
- accord with Council's accounting and other records; and
- 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.

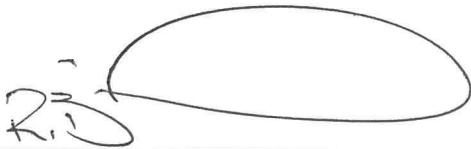
Signed in accordance with a resolution of Council made on 21 September 2023.



Ambrose Doolan  
**Mayor**  
21 September 2023



Kathy Rindfleish  
**Councillor**  
21 September 2023



Roger Bailey  
**General Manager**  
21 September 2023



Lisa Grammer  
**Responsible Accounting Officer**  
21 September 2023

## Warrumbungle Shire Council

### Income Statement of water supply business activity

for the year ended 30 June 2023

\$ '000	2023	2022
<b>Income from continuing operations</b>		
Access charges	2,331	2,185
User charges	2,074	1,863
Fees	12	46
Interest and investment income	32	38
Other income	29	29
<b>Total income from continuing operations</b>	<b>4,478</b>	<b>4,161</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,088	1,179
Borrowing costs	3	2
Materials and services	1,573	1,319
Depreciation, amortisation and impairment	1,345	1,377
Net loss from the disposal of assets	212	206
Other expenses	289	236
<b>Total expenses from continuing operations</b>	<b>4,510</b>	<b>4,319</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(32)</b>	<b>(158)</b>
Grants and contributions provided for capital purposes	1,179	2,248
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,147</b>	<b>2,090</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,147</b>	<b>2,090</b>
<b>Surplus (deficit) after tax</b>	<b>1,147</b>	<b>2,090</b>
<b>Plus accumulated surplus</b>	<b>23,653</b>	<b>21,563</b>
<b>Closing accumulated surplus (deficit)</b>	<b>24,800</b>	<b>23,653</b>
<b>Return on capital %</b>	<b>(0.1)%</b>	<b>(0.3)%</b>
<b>Subsidy from Council</b>	<b>29</b>	<b>156</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,147	2,090
Less: capital grants and contributions (excluding developer contributions)	(1,179)	(2,248)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Warrumbungle Shire Council

### Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
<b>Income from continuing operations</b>		
Access charges	1,894	1,780
User charges	115	105
Liquid trade waste charges	50	76
Interest and investment income	4	13
Other income	38	18
<b>Total income from continuing operations</b>	<b>2,101</b>	<b>1,992</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	556	525
Materials and services	718	774
Depreciation, amortisation and impairment	558	584
Net loss from the disposal of assets	95	–
<b>Total expenses from continuing operations</b>	<b>1,927</b>	<b>1,883</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>174</b>	<b>109</b>
Grants and contributions provided for capital purposes	1,819	906
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,993</b>	<b>1,015</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,993</b>	<b>1,015</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(44)	(27)
<b>Surplus (deficit) after tax</b>	<b>1,949</b>	<b>988</b>
<b>Plus accumulated surplus</b>	<b>12,773</b>	<b>11,758</b>
– Corporate taxation equivalent	44	27
<b>Closing accumulated surplus (deficit)</b>	<b>14,766</b>	<b>12,773</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,950	988
Less: capital grants and contributions (excluding developer contributions)	(1,819)	(906)
<b>Surplus for dividend calculation purposes</b>	<b>131</b>	<b>82</b>
<b>Potential dividend calculated from surplus</b>	<b>65</b>	<b>41</b>

## Warrumbungle Shire Council

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

as at 30 June 2023

\$ '000	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets and contract cost assets	180	185
Cash and cash equivalents	1,563	831
Receivables	1,635	1,480
<b>Total current assets</b>	<b>3,378</b>	<b>2,496</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	50,370	47,069
<b>Total non-current assets</b>	<b>50,370</b>	<b>47,069</b>
<b>Total assets</b>	<b>53,748</b>	<b>49,565</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	34
Borrowings	56	107
Employee benefit provisions	351	352
<b>Total current liabilities</b>	<b>407</b>	<b>493</b>
<b>Non-current liabilities</b>		
Borrowings	–	56
<b>Total non-current liabilities</b>	<b>–</b>	<b>56</b>
<b>Total liabilities</b>	<b>407</b>	<b>549</b>
<b>Net assets</b>	<b>53,341</b>	<b>49,016</b>
<b>EQUITY</b>		
Accumulated surplus	24,800	23,653
Revaluation reserves	28,541	25,363
<b>Total equity</b>	<b>53,341</b>	<b>49,016</b>

## Warrumbungle Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets and contract cost assets	173	202
Cash and cash equivalents	4,091	1,961
Investments	2,500	2,500
Receivables	513	517
<b>Total current assets</b>	<b>7,277</b>	<b>5,180</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	22,454	20,861
<b>Total non-current assets</b>	<b>22,454</b>	<b>20,861</b>
<b>Total assets</b>	<b>29,731</b>	<b>26,041</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	44
Employee benefit provisions	78	78
<b>Total current liabilities</b>	<b>78</b>	<b>122</b>
<b>Total liabilities</b>	<b>78</b>	<b>122</b>
<b>Net assets</b>	<b>29,653</b>	<b>25,919</b>
<b>EQUITY</b>		
Accumulated surplus	14,766	12,773
Revaluation reserves	14,887	13,146
<b>Total equity</b>	<b>29,653</b>	<b>25,919</b>



## Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 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)

##### a. Warrumbungle Shire Council Combined Water Supply

All individual Water Funds are now combined into one entity known as Warrumbungle Water Fund. This entity incorporates the previous individual Operations and Net Assets of the Water Supply Systems of the towns of Baradine, Binnaway, Coonabarabran, Coolah, Dunedoo and Mendooran.

##### b. Warrumbungle Shire Council Sewerage Service

All individual Sewerage Services are now combined into one entity known as Warrumbungle Sewerage Fund. This entity incorporates the previous individual Operations and Net Assets of the Sewerage Treatment and Reticulation Systems of the towns Baradine, Coonabarabran, Coolah and Dunedoo.

#### Category 2

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

N/A

### Taxation equivalent charges

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

## Note – Significant Accounting Policies (continued)

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 section 4 of Department of Planning and Environment (DPE) – Water's regulatory and assurance framework, 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 regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to sections 3 and 4 of DPE – Water's regulatory and assurance framework 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 relevant 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 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.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

## 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**  
**Warrumbungle Shire Council**

To the Councillors of Warrumbungle Shire Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Warrumbungle 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 business activity
- sewerage business activity.

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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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

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

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

26 October 2023  
SYDNEY

# Warrumbungle Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2023

---



# Warrumbungle Shire Council

## Special Schedules

for the year ended 30 June 2023

---

Contents

Page

**Special Schedules:**

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2023 6



## Warrumbungle Shire Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	8,578	8,738
Plus or minus adjustments <sup>2</sup>	b	—	3
<b>Notional general income</b>	c = a + b	<b>8,578</b>	<b>8,741</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.50%	3.70%
Or plus rate peg amount	i = e x (c + g)	214	323
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>8,792</b>	<b>9,064</b>
Plus (or minus) last year's carry forward total	l	(36)	18
<b>Sub-total</b>	n = (l + m)	<b>(36)</b>	<b>18</b>
<b>Total permissible income</b>	o = k + n	<b>8,756</b>	<b>9,082</b>
Less notional general income yield	p	8,738	9,045
<b>Catch-up or (excess) result</b>	q = o - p	<b>18</b>	<b>38</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>18</b>	<b>38</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (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

#### Warrumbungle Shire Council

To the Councillors of Warrumbungle Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Warrumbungle 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](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

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

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



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

26 October 2023  
SYDNEY

## Warrumbungle Shire Council Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets agreed level of to satisfactory service set by Council maintenance <sup>a</sup>		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 to the standard \$ '000	2022/23 Required maintenance <sup>a</sup> \$ '000				1	2	3	4	5
<b>Buildings</b>	Other	11,047	9,165	453	40,860	98,551	4.0%	8.0%	51.0%	27.0%	10.0%
	<b>Sub-total</b>	<b>11,047</b>	<b>9,165</b>	<b>453</b>	<b>40,860</b>	<b>98,551</b>	<b>4.0%</b>	<b>8.0%</b>	<b>51.0%</b>	<b>27.0%</b>	<b>10.0%</b>
<b>Other structures</b>	Other structures	1,116	1,029	1,038	21,729	34,251	36.0%	10.0%	42.0%	8.0%	4.0%
	<b>Sub-total</b>	<b>1,116</b>	<b>1,029</b>	<b>1,038</b>	<b>21,729</b>	<b>34,251</b>	<b>36.0%</b>	<b>10.0%</b>	<b>42.0%</b>	<b>8.0%</b>	<b>4.0%</b>
<b>Roads</b>	Roads	5,285	5,757	5,783	237,603	313,150	59.0%	21.0%	13.0%	5.0%	2.0%
	Bridges	171	—	20	62,960	86,830	36.0%	41.0%	23.0%	0.0%	0.0%
	Footpaths	277	122	—	6,156	11,280	9.0%	23.0%	58.0%	8.0%	2.0%
	Bulk earthworks	—	—	—	172,586	172,586	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>5,733</b>	<b>5,879</b>	<b>5,803</b>	<b>479,305</b>	<b>583,846</b>	<b>66.7%</b>	<b>17.8%</b>	<b>11.5%</b>	<b>2.8%</b>	<b>1.2%</b>
<b>Water supply network</b>	Water supply network	5,972	2,322	726	44,926	78,997	13.0%	46.0%	13.0%	25.0%	3.0%
	<b>Sub-total</b>	<b>5,972</b>	<b>2,322</b>	<b>726</b>	<b>44,926</b>	<b>78,997</b>	<b>13.0%</b>	<b>46.0%</b>	<b>13.0%</b>	<b>25.0%</b>	<b>3.0%</b>
<b>Sewerage network</b>	Sewerage network	3,278	291	254	20,453	38,706	10.0%	46.0%	16.0%	28.0%	0.0%
	<b>Sub-total</b>	<b>3,278</b>	<b>291</b>	<b>254</b>	<b>20,453</b>	<b>38,706</b>	<b>10.0%</b>	<b>46.0%</b>	<b>16.0%</b>	<b>28.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	286	—	—	5,500	10,210	0.0%	36.0%	50.0%	14.0%	0.0%
	<b>Sub-total</b>	<b>286</b>	<b>—</b>	<b>—</b>	<b>5,500</b>	<b>10,210</b>	<b>0.0%</b>	<b>36.0%</b>	<b>50.0%</b>	<b>14.0%</b>	<b>0.0%</b>
<b>Total – all assets</b>		<b>27,432</b>	<b>18,686</b>	<b>8,274</b>	<b>612,773</b>	<b>844,561</b>	<b>49.7%</b>	<b>20.5%</b>	<b>18.2%</b>	<b>9.2%</b>	<b>2.4%</b>

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

### Infrastructure asset condition assessment 'key'

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

## Warrumbungle 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	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>4,105</b>	<b>47.46%</b>	89.00%	160.14%	> 100.00%
Depreciation, amortisation and impairment	<b>8,649</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>27,432</b>	<b>4.43%</b>	1.53%	0.47%	< 2.00%
Net carrying amount of infrastructure assets	<b>619,371</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>7,821</b>	<b>94.53%</b>	87.88%	81.26%	> 100.00%
Required asset maintenance	<b>8,274</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>18,686</b>	<b>2.21%</b>	0.66%	4.21%	
Gross replacement cost	<b>844,561</b>				

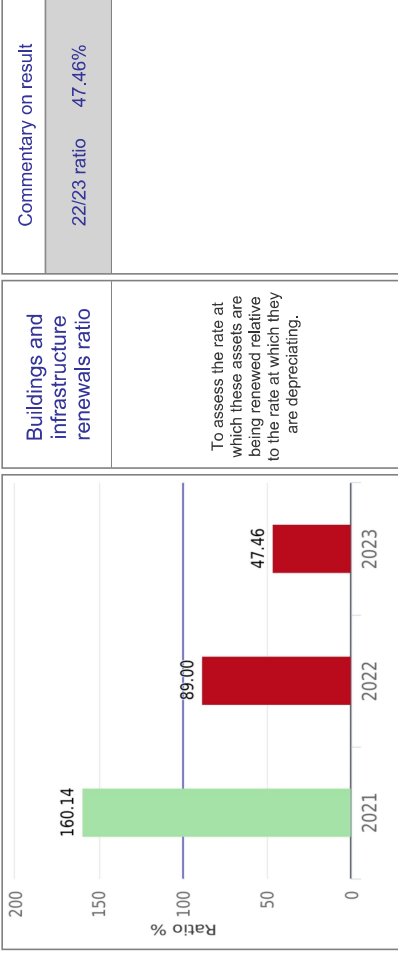
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Warrumbungle Shire Council

## Report on infrastructure assets as at 30 June 2023

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

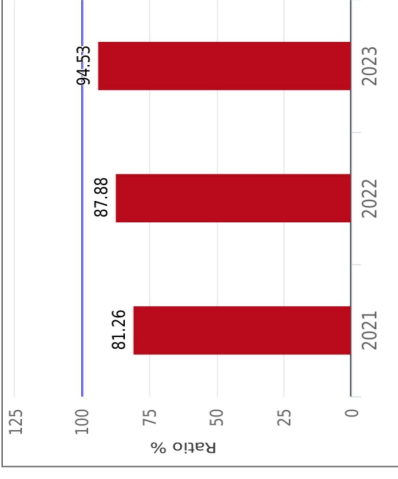
**Commentary on result**

22/23 ratio 47.46%

Ratio achieves benchmark  
Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

### Asset maintenance ratio



**Asset maintenance ratio**

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

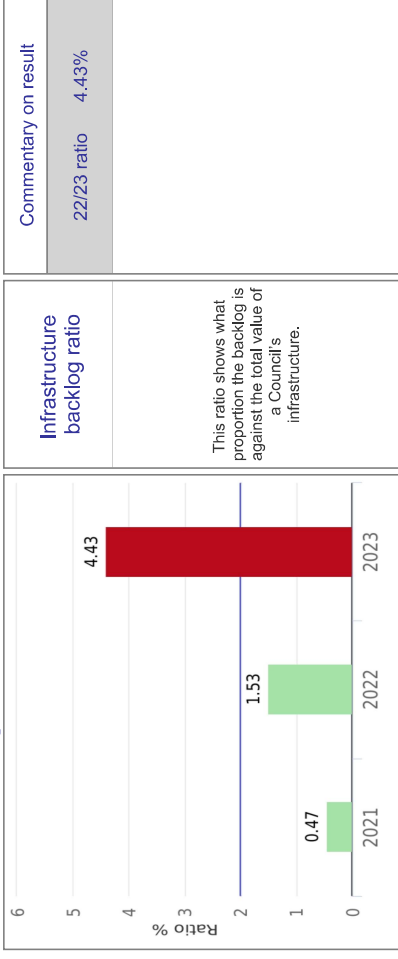
**Commentary on result**

22/23 ratio 94.53%

Ratio achieves benchmark  
Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

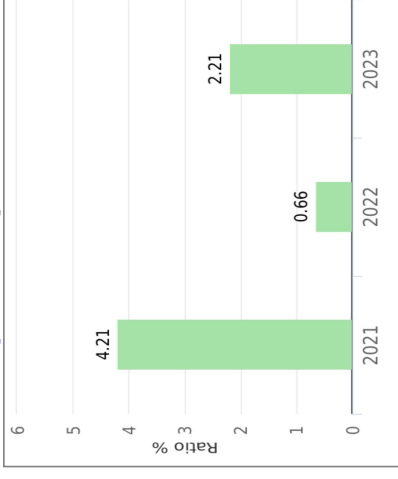
**Commentary on result**

22/23 ratio 4.43%

Ratio achieves benchmark  
Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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

**Commentary on result**

22/23 ratio 2.21%

## Warrumbungle Shire Council

### Report on infrastructure assets as at 30 June 2023

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

	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
<b>\$ '000</b>							
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>	47.75%	101.22%	57.19%	27.34%	21.61%	86.60%	> 100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard	3.28%	0.72%	13.29%	7.74%	16.03%	9.86%	< 2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	91.77%	86.86%	113.50%	100.57%	119.29%	69.01%	> 100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	2.21%	0.41%	2.94%	2.98%	0.75%	0.77%	
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.