

Lockhart Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Lockhart
Shire Council

Lockhart Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Lockhart
Shire Council

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General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	75
On the Financial Statements (Sect 417 [3])	79

Overview

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

65 Green Street
LOCKHART NSW 2656

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.lockhart.nsw.gov.au

Lockhart Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Lockhart Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2022.



Cr Greg Verdon

Mayor

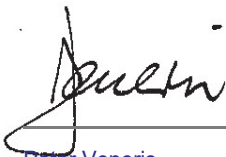
17 October 2022



Cr Andrew Rockliff

Councillor

17 October 2022



Peter Veneris

General Manager

17 October 2022



Craig Fletcher

Responsible Accounting Officer

17 October 2022

Lockhart Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
3,651	Rates and annual charges	B2-1	3,610	3,548
430	User charges and fees	B2-2	575	590
187	Other revenues	B2-3	413	462
6,242	Grants and contributions provided for operating purposes	B2-4	8,740	7,813
1,584	Grants and contributions provided for capital purposes	B2-4	3,572	5,824
39	Interest and investment income	B2-5	39	42
–	Other income	B2-6	91	120
12,133	Total income from continuing operations		17,040	18,399
Expenses from continuing operations				
3,206	Employee benefits and on-costs	B3-1	3,555	3,338
1,743	Materials and services	B3-2	4,039	3,348
161	Borrowing costs	B3-3	158	164
3,326	Depreciation, amortisation and impairment of non-financial assets	B3-4	4,528	3,928
1,603	Other expenses	B3-5	830	597
–	Net loss from the disposal of assets	B4-1	1,484	1,140
10,039	Total expenses from continuing operations		14,594	12,515
2,094	Operating result from continuing operations		2,446	5,884
2,094	Net operating result for the year attributable to Council		2,446	5,884
510	Net operating result for the year before grants and contributions provided for capital purposes		(1,126)	60

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

Lockhart Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		2,446	5,884
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	29,516	80,698
Total items which will not be reclassified subsequently to the operating result		29,516	80,698
Total other comprehensive income for the year		29,516	80,698
Total comprehensive income for the year attributable to Council		31,962	86,582

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

Lockhart Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	10,669	8,481
Receivables	C1-3	1,044	849
Inventories	C1-4	907	1,212
Contract assets and contract cost assets	C1-5	468	399
Other	C1-7	22	7
Total current assets		13,110	10,948
Non-current assets			
Receivables	C1-3	77	86
Infrastructure, property, plant and equipment (IPPE)	C1-6	348,736	318,434
Investments accounted for using the equity method	D2-1	113	110
Total non-current assets		348,926	318,630
Total assets		362,036	329,578
LIABILITIES			
Current liabilities			
Payables	C3-1	599	1,027
Contract liabilities	C3-2	944	217
Borrowings	C3-3	172	157
Employee benefit provisions	C3-4	904	936
Total current liabilities		2,619	2,337
Non-current liabilities			
Payables	C3-1	2	3
Borrowings	C3-3	3,181	3,366
Employee benefit provisions	C3-4	91	93
Provisions	C3-5	788	386
Total non-current liabilities		4,062	3,848
Total liabilities		6,681	6,185
Net assets		355,355	323,393
EQUITY			
Accumulated surplus		222,595	220,149
IPPE revaluation reserve		132,760	103,244
Council equity interest		355,355	323,393
Total equity		355,355	323,393

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

Lockhart Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		220,149	103,244	323,393	214,265	22,546	236,811
Opening balance		220,149	103,244	323,393	214,265	22,546	236,811
Net operating result for the year		2,446	–	2,446	5,884	–	5,884
Net operating result for the period		2,446	–	2,446	5,884	–	5,884
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	29,516	29,516	–	80,698	80,698
Other comprehensive income		–	29,516	29,516	–	80,698	80,698
Total comprehensive income		2,446	29,516	31,962	5,884	80,698	86,582
Closing balance at 30 June		222,595	132,760	355,355	220,149	103,244	323,393

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

Lockhart Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
3,651	Rates and annual charges		3,616	3,525
430	User charges and fees		626	732
187	Interest received		34	49
7,826	Grants and contributions		12,357	13,332
–	Bonds, deposits and retentions received		–	100
39	Other		1,485	1,574
Payments:				
(3,844)	Payments to employees		(3,581)	(3,224)
(718)	Payments for materials and services		(4,456)	(3,502)
(161)	Borrowing costs		(160)	(170)
–	Bonds, deposits and retentions refunded		(23)	(42)
(1,603)	Other		(1,546)	(1,395)
5,807	Net cash flows from operating activities	G1-1	8,352	10,979
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		222	643
194	Proceeds from sale of IPPE		156	333
13	Deferred debtors receipts		9	8
Payments:				
(5,522)	Payments for IPPE		(6,376)	(10,807)
–	Purchase of real estate assets		(5)	(69)
–	Deferred debtors and advances made		–	(54)
(5,315)	Net cash flows from investing activities		(5,994)	(9,946)
Cash flows from financing activities				
Payments:				
(170)	Repayment of borrowings		(170)	(161)
(170)	Net cash flows from financing activities		(170)	(161)
322	Net change in cash and cash equivalents		2,188	872
8,481	Cash and cash equivalents at beginning of year		8,481	7,609
8,803	Cash and cash equivalents at end of year	C1-1	10,669	8,481

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

Lockhart Shire Council

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

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	15
B1 Functions or activities	15
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
B2 Sources of income	17
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
B2-6 Other income	24
B3 Costs of providing services	25
B3-1 Employee benefits and on-costs	25
B3-2 Materials and services	26
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
B4 Gains or losses	28
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
B5 Performance against budget	29
B5-1 Material budget variations	29
C Financial position	31
C1 Assets we manage	31
C1-1 Cash and cash equivalents	31
C1-2 Restricted and allocated cash, cash equivalents and investments	31
C1-3 Receivables	33
C1-4 Inventories	34
C1-5 Contract assets and Contract cost assets	35
C1-6 Infrastructure, property, plant and equipment	36
C1-7 Other	39
C2 Leasing activities	40
C2-1 Council as a lessee	40
C2-2 Council as a lessor	41
C3 Liabilities of Council	42
C3-1 Payables	42
C3-2 Contract Liabilities	43
C3-3 Borrowings	44
C3-4 Employee benefit provisions	45
C3-5 Provisions	46
C4 Reserves	47

Lockhart Shire Council

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

C4-1 Nature and purpose of reserves	47
D Council structure	48
D1 Results by fund	48
D1-1 Income Statement by fund	48
D1-2 Statement of Financial Position by fund	49
D2 Interests in other entities	50
D2-1 Interests in joint arrangements	50
E Risks and accounting uncertainties	52
E1-1 Risks relating to financial instruments held	52
E2-1 Fair value measurement	55
E3-1 Contingencies	61
F People and relationships	64
F1 Related party disclosures	64
F1-1 Key management personnel (KMP)	64
F1-2 Councillor and Mayoral fees and associated expenses	65
F2 Other relationships	65
F2-1 Audit fees	65
G Other matters	66
G1-1 Statement of Cash Flows information	66
G2-1 Commitments	66
G3-1 Events occurring after the reporting date	66
G4 Statement of developer contributions as at 30 June 2022	68
G4-1 Summary of developer contributions	68
G4-2 Developer contributions by plan	68
G5 Statement of performance measures	69
G5-1 Statement of performance measures – consolidated results	69
G5-2 Statement of performance measures by fund	70
H Additional Council disclosures (unaudited)	72
H1-1 Statement of performance measures – consolidated results (graphs)	72
H1-2 Council information and contact details	74

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 17th October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Covid-19 Impacts

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

Some additional costs have been incurred in cleaning of council facilities.

Rate collections have not altered from previous year's and other receivables have not been impacted.

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

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

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

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Sewerage service

The following Section 355 Committees have been included in the Consolidated Fund:

- Bidgeemia Hall Committee
- Lockhart & District Historical Society
- Lockhart Recreation Ground Management Committee
- Lockhart Showground & Racecourse Management Committee
- The Rock Hall and Museum Committee
- The Rock Recreation Ground Management Committee
- Magnolia Lodge Tenancy Advisory Committee
- Milbrulong Hall Committee
- The Rock Showground Management Committee
- Tootool Recreation Reserve Committee
- Tootool Roadside Rest Stop Committee
- Tourism & Economic Development Committee
- Osborne Recreation Ground Management Committee
- Pleasant Hill Recreation Ground Management Committee
- Pleasant Hills Hall Committee
- Yerong Creek Hall Committee
- Yerong Creek Recreation Ground Management Committee
- The Rock Observatory Management Committee

The Trust Fund

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

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

The Prichard Trust is not considered to be under the control of Council and therefore excluded from the Council's general purpose financial statements.

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.

New accounting standards and interpretations issued but not yet effective

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

A1-1 Basis of preparation (continued)

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

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

New accounting standards adopted during the year

During the year, Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022.

None of those newly adopted standards had a material impact on Council's reported financial position or financial performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and Contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Governance	–	–	220	174	(220)	(174)	–	–	–	–
Administration	318	95	2,221	2,027	(1,903)	(1,932)	249	35	17,350	13,209
Public Order & Safety	84	96	247	322	(163)	(226)	84	96	915	793
Environment	3,046	1,350	1,457	1,450	1,589	(100)	2,272	1,060	334	1,047
Community Services & Education	268	289	366	383	(98)	(94)	45	30	–	–
Housing & Community Amenities	59	99	45	76	14	23	–	–	5,467	4,689
Sewerage Services	558	570	672	734	(114)	(164)	10	2	12,333	12,058
Recreation & Culture	1,522	3,584	2,343	1,677	(821)	1,907	903	2,610	15,605	13,819
Mining, manufacturing and construction	5	8	12	8	(7)	–	–	–	–	–
Transport and communication	3,423	5,769	6,236	4,742	(2,813)	1,027	3,371	5,973	307,821	280,938
Economic Affairs	134	150	775	922	(641)	(772)	–	–	2,556	2,696
General purpose income	7,623	6,389	–	–	7,623	6,389	5,378	3,831	–	–
Other	–	–	–	–	–	–	–	–	(345)	329
Total functions and activities	17,040	18,399	14,594	12,515	2,446	5,884	12,312	13,637	362,036	329,578

B1-2 Components of functions or activities

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

GOVERNANCE

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

ADMINISTRATION

Includes corporate support and other support services, engineering administration, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; town planning; building control; and, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children services, including out of school care service; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; other community amenities, including housing development and accommodation for youth, aged and disabled persons.

SEWERAGE SERVICES

Includes the provision of reticulated sewerage and common effluent services.

RECREATION AND CULTURE

Includes public libraries; museums; community centres and public halls; sporting grounds and venues; swimming pools; parks; gardens; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes quarries and pits, mineral resources.

TRANSPORT AND COMMUNICATION

Urban local, regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	411	402
Farmland	2,077	2,035
Business	105	106
Less: pensioner rebates	(30)	(32)
Rates levied to ratepayers	2,563	2,511
Pensioner rate subsidies received	16	18
Total ordinary rates	2,579	2,529
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	411	400
Sewerage services	532	538
Waste management services (not domestic)	111	105
Less: pensioner rebates	(51)	(55)
Annual charges levied	1,003	988
Pensioner subsidies received:		
– Sewerage	10	11
– Domestic waste management	18	20
Total annual charges	1,031	1,019
Total rates and annual charges	3,610	3,548
Timing of revenue recognition for rates and annual charges		
Rates and annual charges recognised at a point in time (2)	3,610	3,548
Total rates and annual charges	3,610	3,548

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
User charges			
(per s.502 - specific 'actual use' charges)			
Sewerage services	2	20	25
Total user charges		20	25
Fees			
Inspection services	2	26	–
Planning and building regulation	2	56	45
Private works – section 67	2	58	39
Regulatory/ statutory fees	2	1	–
Section 10.7 certificates (EP&A Act)	2	10	9
Section 603 certificates	2	9	12
Town planning	2	46	31
Tipping fees	2	30	32
Caravan park	2	47	70
Cemeteries	2	41	59
Quarry revenues	2	5	8
RockOOSH fees	2	172	201
Scrap metal sales – from tips	2	37	48
Other	2	17	11
Total fees		555	565
Total user charges and fees		575	590
Timing of revenue recognition for user charges and fees			
User charges and fees recognised at a point in time (2)		575	590
Total user charges and fees		575	590

Accounting policy

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

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

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Diesel rebate	2	52	64
Recycling income (non-domestic)	2	10	–
Garbage bins sales	2	4	5
CDS Share Kurrajong Recycling Funding	2	–	12
Employee contribution to vehicle	2	9	9
Foodshop inspection	2	2	2
Insurance policy rebates/dividend	2	18	17
RockOOSH fees		10	–
Magnolia entry fees	2	–	20
RFS reimbursement	2	–	–
Other	2	51	17
S355 Committee income	2	257	316
Total other revenue		413	462
Timing of revenue recognition for other revenue			
Other revenue recognised at a point in time (2)		413	462
Total other revenue		413	462

Accounting policy for other revenue

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

Statutory fees and fines are recognised as revenue when the service has been provided or the payment is received.

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,257	1,154	–	–
Financial assistance – local roads component	2	738	696	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,923	1,243	–	–
Financial assistance – local roads component	2	1,145	739	–	–
Amount recognised as income during current year		5,063	3,832	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Sewerage services	2	–	–	–	2
Bushfire and emergency services	2	84	96	–	–
Employment and training programs	2	125	35	–	–
Environmental programs	1	–	–	1,612	–
Heritage and cultural	2	7	5	–	–
Library	2	66	66	–	–
Noxious weeds	2	55	55	–	–
Storm/flood damage	2	474	–	–	–
Back to business grant	2	–	2	–	–
Country passenger transport grant	2	–	–	5	7
Food & Organics Grant	2	46	53	–	–
Flood mitigation voluntary purchase	2	462	490	–	–
Heavy vehicle safety & productivity programme	1	–	–	–	43
Heritage fund submission	2	3	6	–	–
Local lands service – Kincaid Res grants	2	–	7	–	–
Street lighting	2	4	4	–	–
Museum advisor	2	10	10	–	–
Museum upgrade	2	5	–	–	–
Pleasant Hills hall grant	2	–	4	–	–
RockOOSH sustainability grants	2	27	27	–	–
Youth activities	2	18	2	–	–
Museum Cultural Hub	2	29	–	–	–
Local Roads and Community Infrastructure	1	–	–	487	1,006
Stronger Country Community Fund Rd 2 & 3	1	8	1	252	821
Growing Local Economy	1	–	–	–	2,095
Regional Planning	2	–	–	31	19
Transport (roads to recovery)	2	920	1,270	–	–
Drought Communities	1	–	570	17	413
Fixing Local Roads	2	–	–	767	1,049
Recreation and culture	2	6	–	–	75
Showground stimulus	1	–	–	–	149
Covid support	2	90	–	–	–
Other specific grants	2	38	40	–	–
Previously contributions:					
Transport for NSW contributions (regional roads, block grant)	2	871	914	–	–
RMS RRRP grant	2	157	152	–	–
RMS regional roads traffic facilities	2	71	71	–	–
RMS regional roads supplementary	2	101	101	–	–
The Rock Observatory	1	–	–	–	95

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Total special purpose grants and non-developer contributions – cash		3,677	3,981	3,171	5,774
Non-cash contributions					
Recreation and culture	2	–	–	353	–
Total other contributions – non-cash		–	–	353	–
Total special purpose grants and non-developer contributions (tied)		3,677	3,981	3,524	5,774
Total grants and non-developer contributions		8,740	7,813	3,524	5,774
Comprising:					
– Commonwealth funding		6,010	5,699	504	1,419
– State funding		2,671	2,079	2,666	4,355
– Other funding		59	35	354	–
		8,740	7,813	3,524	5,774

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.12 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.12 – fixed development consent levies		2	–	–	48	50
Total developer contributions – cash			–	–	48	50
Total developer contributions			–	–	48	50
Total contributions			–	–	48	50
Total grants and contributions			8,740	7,813	3,572	5,824
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	571	–	4,622
Grants and contributions recognised at a point in time (2)			8,740	7,242	3,572	1,202
Total grants and contributions			8,740	7,813	3,572	5,824

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	144	55	118	436
Add: operating grants recognised as income in the current period but not yet spent	40	10	–	–
Add: Funds received and not recognised as revenue in the current year	146	99	798	118
Less: capital grants recognised in a previous reporting period now spent	(99)	(18)	(118)	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(14)	(2)	–	(436)
Unspent funds at 30 June	217	144	798	118
Contributions				
Unspent contributions at 1 July	–	–	256	205
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	48	–	–	51
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Unspent contributions at 30 June	48	–	256	256

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

B2-4 Grants and contributions (continued)

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	16	8
– Cash and investments	23	34
Total interest and investment income (losses)	39	42
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	12	6
General Council cash and investments	14	22
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1	1
Sewerage fund operations	12	13
Total interest and investment income	39	42

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Other lease income			
Commercial Rents		21	22
Housing Rents		67	94
Total other lease income		88	116
Total rental income	C2-2	88	116
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		3	4
Total net share of interests in joint ventures and associates using the equity method	D2-1	3	4
Total other income		91	120

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	3,363	3,432
Employee leave entitlements (ELE)	481	397
Superannuation	381	380
Workers' compensation insurance	97	129
Fringe benefit tax (FBT)	34	25
Training costs (other than salaries and wages)	19	–
Total employee costs	4,375	4,363
Less: capitalised costs	(820)	(1,025)
Total employee costs expensed	3,555	3,338
Number of 'full-time equivalent' employees (FTE) at year end	53	54

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		2,389	1,977
Contractor and consultancy costs		277	269
Audit Fees	F2-1	59	61
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	140	126
Advertising		11	8
Bank charges		17	18
Cleaning		13	16
Computer software and maintenance		179	155
Election expenses		29	–
Electricity and heating		102	108
Fire control expenses		6	2
Insurance		237	196
Office supplies and stationery		17	13
Postage		13	9
Printing and photocopying		–	1
Street lighting		41	42
Subscriptions and memberships		50	39
Telephone and communications		58	54
Tourism expenses (excluding employee costs)		128	18
Valuation fees		22	21
Travel expenses		94	94
Training costs (other than salaries and wages)		47	64
Other expenses		48	10
Newsletter		5	5
Land Development Costs		10	–
Legal expenses:			
– Legal expenses: other		3	8
Expenses from leases of low value assets		35	32
Variable lease expense relating to usage		3	2
Other		6	–
Total materials and services		4,039	3,348
Total materials and services		4,039	3,348

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on loans	158	164
Total interest bearing liability costs	158	164
Total interest bearing liability costs expensed	158	164
Total borrowing costs expensed	158	164

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		503	478
Office equipment		41	36
Furniture and fittings		6	7
Infrastructure:	C1-6		
– Buildings – non-specialised		103	110
– Buildings – specialised		363	332
– Other structures		25	11
– Roads		2,598	2,405
– Bridges		102	48
– Footpaths		42	34
– Stormwater drainage		6	6
– Sewerage network		255	253
– Swimming pools		155	138
– Other open space/recreational assets		307	70
Reinstatement, rehabilitation and restoration assets:			
– Tip assets		22	–
Gravel Assets		–	–
Total depreciation and amortisation costs		4,528	3,928
Total depreciation and amortisation costs		4,528	3,928
Total depreciation, amortisation and impairment for non-financial assets		4,528	3,928

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

\$ '000	2022	2021
Other		
Contributions/levies to other levels of government		
– Emergency services levy	5	6
– NSW fire brigade levy	20	21
– NSW rural fire service levy	205	281
– Contribution – REROC	43	43
– Contribution – Riverina Regional Library	139	121
– Contribution – sec 355 committees	76	75
– Contribution – sec 356	57	46
– Other contributions/levies	4	4
S355 committee expenses	265	–
Write-down of inventories held for sale or distribution	16	–
Total other	830	597
Total other expenses	830	597

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	39
Less: carrying amount of property assets sold/written off		(401)	(18)
Gain (or loss) on disposal		(401)	21
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		156	294
Less: carrying amount of plant and equipment assets sold/written off		(190)	(216)
Gain (or loss) on disposal		(34)	78
Gain (or loss) on disposal of infrastructure			
	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(668)	(599)
Gain (or loss) on disposal		(668)	(599)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-4		
Proceeds from disposal – real estate assets		222	643
Less: carrying amount of real estate assets sold/written off		(256)	(776)
Gain (or loss) on disposal		(34)	(133)
Voluntary Purchase Property			
Proceeds from disposal – Voluntary Purchase Property		–	–
Less: carrying amount of Voluntary Purchase Property sold/written off		(347)	(507)
Gain (or loss) on disposal		(347)	(507)
Net gain (or loss) from disposal of assets		(1,484)	(1,140)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 21 June 2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	3,651	3,610	(41)	(1)% U
User charges and fees	430	575	145	34% F
Council received additional income from Development Application Fees \$15k, Building Certificates \$13k, Building Inspection Fees \$25k, Scrap Metal Sales \$17k, Private Works \$38k and Sewer Connection Fees \$18k.				
Other revenues	187	413	226	121% F
Council received additional income for the following: CDS Share Funding Recycling \$10k, Sundry Income - Insurance Claim \$22k, Streetlighting - LED Carbon Credits \$20k, RockOOSH BASC Vouchers \$10k, and Section 355 Committee revenue \$257k.				
Operating grants and contributions	6,242	8,740	2,498	40% F
As a result of additional grant programs from both State and Federal Governments there were a number of operating grants not able to be included in the budget at the time the budget was adopted. The operating grants involved were the Advance Financial Assistance Grants \$1.3M, Voluntary Purchase Scheme \$462k, Employment and Training Programs Rebates \$104k and NSW Bushfire and Emergency Services Rebate \$84k.				
Capital grants and contributions	1,584	3,572	1,988	126% F
As a result of additional grant programs from both State and Federal Governments there were a number of capital grants not able to be included in the budget at the time the budget was adopted. The grants programs classified as capital were the Stronger Country Communities Fund Rounds 2 & 3 \$260k, NSW Transport-Storm Damage Funding \$474k, Local Roads & Community Infrastructure \$487k and Fixing Local Roads \$766k.				
Interest and investment revenue	39	39	-	0% F
Other income	-	91	91	∞ F
Budget is allocated under Other Revenues				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Expenses				
Employee benefits and on-costs	3,206	3,555	(349)	(11)% U
In Council's adopted Budget, expenditure item "Employee Benefits & On-Costs" only includes general ledger accounts that the majority of activity is salaries and wages. However, for the Year End Statements salaries include all staff salaries and on-costs irrespective of which general ledger account they have been costed to, thereby creating a variance from Budget to Actual. These general ledger accounts mainly involve the outdoor road works staff and parks & facilities staff, where salaries, plant, creditors and stores can be costed to the same general ledger account.				
Materials and services	1,743	4,039	(2,296)	(132)% U
The variance is mainly as a result of expenditure on grant funded projects where the grant income was not able to be included in the adopted budget, therefore the expenditure also could not be included in the adopted budget.				
Borrowing costs	161	158	3	2% F
Depreciation, amortisation and impairment of non-financial assets	3,326	4,528	(1,202)	(36)% U
Increases in depreciation were incurred for Roads and Associated Infrastructure \$629k, Specialised Buildings \$167k and Open Spaces & Recreational Assets \$226k.				
Other expenses	1,603	830	773	48% F
Variance mainly due to inconsistency with classification of certain expense items in the Budget to that of the general purpose financial statements.				
Net losses from disposal of assets	-	1,484	(1,484)	∞ U
Net losses from the following were not budgeted: Loss on sale of plant and equipment \$34K per B4-1. Infrastructure road and footpath \$668K per B4-1. Loss on sale and gifted real estate land and property \$401K per B4-1. Voluntary Purchase Scheme property loss \$347K per B4-1.				
Statement of cash flows				
Cash flows from operating activities	5,807	8,352	2,545	44% F
Increase in State and Federal Government grant programs has resulted in cashflows exceeding budget.				
Cash flows from investing activities	(5,315)	(5,994)	(679)	13% U
Cash flows from investing activities was up due to the sale of real estate and the increase in construction of IPPE assets from the increase in State and Federal Government grant programs.				
Cash flows from financing activities	(170)	(170)	-	0% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	2,419	2,131
Cash equivalent assets		
– Deposits at call	100	1,600
– Short-term deposits	8,150	4,750
Total cash and cash equivalents	10,669	8,481

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,669	8,481
Balance as per the Statement of Cash Flows	10,669	8,481

Accounting policy

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

C1-2 Restricted and allocated cash, cash equivalents and investments

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	10,669	8,481
Less: Externally restricted cash, cash equivalents and investments	(3,576)	(2,686)
Cash, cash equivalents and investments not subject to external restrictions	7,093	5,795
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	944	217
External restrictions – included in liabilities	944	217
External restrictions		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	305	256
Specific purpose unexpended grants (recognised as revenue) – general fund	71	45
Sewer fund	2,256	2,168
External restrictions – other	2,632	2,469
Total external restrictions	3,576	2,686

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	7,093	5,795
Less: Internally restricted cash, cash equivalents and investments	(6,427)	(5,284)
Unrestricted and unallocated cash, cash equivalents and investments	666	511

Internal allocations

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

Plant and vehicle replacement	13	13
Employees leave entitlement	831	831
Systems & IT Improvements	177	177
Advance financial assistance – general	1,936	1,243
Advance financial assistance – roads	1,144	739
Economic development	75	75
Future election expenses	24	24
Galore Hill reserve	16	16
Lockhart recreation ground	10	10
Waste Management Reserve	25	–
Buildings	146	146
Rehabilitation Reserve	257	253
Disaster Recovery	418	407
Future Infrastructure Development	836	836
Community Financial Assist S356	56	39
Tim Fischer Bequest	100	100
Bonds & Retentions	38	38
Section 355 Committee Funds	325	337
Total internal allocations	6,427	5,284

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	666	511

C1-3 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	315	–	288	–
User charges and fees	7	–	58	–
Accrued revenues				
– Interest on investments	9	–	4	–
Deferred debtors	9	77	9	86
Government grants and subsidies	592	–	332	–
Net GST receivable	112	–	146	–
Other debtors	–	–	12	–
Total	1,044	77	849	86
Total net receivables	1,044	77	849	86

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

Covid 19

Council's rate and user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision.

C1-4 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	361	-	628	-
Stores and materials	546	-	584	-
Total inventories at cost	907	-	1,212	-
Total inventories	907	-	1,212	-

(i) Other disclosures

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development					
Industrial/commercial		361	-	628	-
Total real estate for resale		361	-	628	-
Real estate assets at beginning of the year		628	-	1,335	-
– Purchases and other costs		5	-	69	-
– WDV of sales (expense)	B4-1	(256)	-	(776)	-
– Write down of real estate inventory		(16)	-	-	-
Total real estate for resale		361	-	628	-

(b) Current inventories not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2022	2021
Real estate for resale	170	503
	170	503

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.

C1-5 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	468	-	399	-
Total contract assets and contract cost assets	468	-	399	-

Contract assets

Work relating to infrastructure grants	468	-	399	-
Total contract assets	468	-	399	-

Significant changes in contract assets

Council has continued to complete works on a number of grant funded programs where the milestones have not been reached and therefore is unable to submit claims.

Accounting policy

Contract assets

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

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	582	–	582	77	40	–	–	(582)	–	–	117	–	117
Plant and equipment	7,277	(2,746)	4,531	–	646	(190)	(503)	–	–	–	7,427	(2,943)	4,484
Office equipment	396	(146)	250	–	35	–	(41)	–	–	–	430	(186)	244
Furniture and fittings	165	(116)	49	–	9	–	(6)	–	–	–	174	(122)	52
Land:													
– Operational land	1,551	–	1,551	–	–	(63)	–	–	1	596	2,085	–	2,085
– Community land	2,634	–	2,634	–	41	–	–	–	(1)	511	3,185	–	3,185
Infrastructure:													
– Buildings – non-specialised	6,796	(2,399)	4,397	–	346	(673)	(103)	–	11	362	7,199	(2,859)	4,340
– Buildings – specialised	16,474	(7,449)	9,025	363	291	(9)	(363)	151	(10)	881	18,506	(8,177)	10,329
– Other structures	415	(247)	168	–	18	–	(25)	123	(1)	–	553	(270)	283
– Roads (incls Culverts, Kerb & Gutter, Causeways and Earthworks)	306,142	(37,399)	268,743	891	3,122	(666)	(2,598)	–	–	25,511	335,084	(40,081)	295,003
– Bridges	7,400	(2,188)	5,212	–	–	–	(102)	–	–	503	7,969	(2,356)	5,613
– Footpaths	2,428	(749)	1,679	–	45	(2)	(42)	–	–	158	2,654	(816)	1,838
– Stormwater drainage	3,215	(111)	3,104	–	584	–	(6)	2	–	201	4,218	(333)	3,885
– Sewerage network	17,008	(7,197)	9,811	–	–	–	(255)	–	–	433	17,785	(7,796)	9,989
– Swimming pools	4,207	(237)	3,970	–	34	–	(155)	–	–	360	4,602	(393)	4,209
– Other open space/recreational assets	4,402	(2,060)	2,342	146	38	–	(307)	306	–	–	4,893	(2,368)	2,525
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
Tip assets	386	–	386	–	–	–	(22)	–	(13)	–	373	(22)	351
Gravel assets	–	–	–	–	–	–	–	–	204	–	204	–	204
Total infrastructure, property, plant and equipment	381,478	(63,044)	318,434	1,477	5,249	(1,603)	(4,528)	–	191	29,516	417,458	(68,722)	348,736

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	112	–	112	180	401	–	–	(111)	–	–	–	582	–	582
Plant and equipment	6,775	(2,573)	4,202	–	1,023	(216)	(478)	–	–	–	–	7,277	(2,746)	4,531
Office equipment	259	(110)	149	–	46	–	(36)	91	–	–	–	396	(146)	250
Furniture and fittings	156	(109)	47	–	9	–	(7)	–	–	–	–	165	(116)	49
Land:														
– Operational land	1,505	–	1,505	–	23	(18)	–	–	41	–	–	1,551	–	1,551
– Community land	1,967	–	1,967	–	64	–	–	–	(41)	–	644	2,634	–	2,634
Infrastructure:														
– Buildings – non-specialised	6,669	(2,288)	4,381	–	633	(507)	(110)	–	–	–	–	6,796	(2,399)	4,397
– Buildings – specialised	15,173	(7,104)	8,069	276	992	–	(332)	20	–	–	–	16,474	(7,449)	9,025
– Other structures	321	(110)	211	–	–	–	(11)	–	–	(32)	–	415	(247)	168
– Roads and Bulk Earthworks	219,781	(36,949)	182,832	2,234	4,237	(591)	(2,405)	–	7,080	–	75,356	306,142	(37,399)	268,743
– Bridges	4,853	(1,716)	3,137	–	–	–	(48)	–	–	–	2,123	7,400	(2,188)	5,212
– Footpaths	1,771	(828)	943	–	304	(8)	(34)	–	–	–	474	2,428	(749)	1,679
– Other Road assets	7,080	–	7,080	–	–	–	–	–	(7,080)	–	–	–	–	–
– Stormwater drainage	3,215	(105)	3,110	–	–	–	(6)	–	–	–	–	3,215	(111)	3,104
– Sewerage network	15,614	(6,392)	9,222	–	20	–	(253)	–	–	–	822	17,008	(7,197)	9,811
– Swimming pools	3,889	(150)	3,739	–	13	–	(138)	–	–	–	356	4,207	(237)	3,970
– Other open space/recreational assets	2,958	(1,853)	1,105	352	–	–	(70)	–	–	–	955	4,402	(2,060)	2,342
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
Tip assets	–	–	–	–	–	–	–	–	386	–	–	386	–	386
Total infrastructure, property, plant and equipment	292,098	(60,287)	231,811	3,042	7,765	(1,340)	(3,928)	–	386	(32)	80,730	381,478	(63,044)	318,434

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

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

	Useful Lives Years
Plant, office equipment, furniture and fittings	4 to 20
Infrastructure:	
– Buildings and other structures	15 to 100
– Roads, bridges and footpaths	15 to 100
– Bulk earthworks	infinite
– Stormwater drainage	50 to 175
– Sewerage network	15 to 80
– Open space / recreational assets	5 to 20
– Swimming pools	8 to 50
– Playground equipment, benches	5 to 20

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

Revaluation model

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

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

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

Land under roads

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

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

Crown reserves

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

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

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

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”.

Notwithstanding this, Council is of the view that it does not control the Rural Fire Service mobile assets (i.e. the red fleet) and has made representations to the NSW Government proposing that the legislation be changed to remove any ambiguity.

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise Rural Fire Service assets of land and buildings. Plant and vehicles of the Rural Fire Service have not been recorded.

C1-7 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	22	-	7	-
Total other assets	22	-	7	-

C2 Leasing activities

C2-1 Council as a lessee

Council has a lease for photocopiers. Information relating to the lease and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

The lease for photocopiers are for low value assets. The lease is for 5 years with 2 years remaining with no renewal option, the payments are fixed, however the lease includes variable payments based on usage.

(a) Income Statement

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

\$ '000	2022	2021
Variable lease payments based on usage	3	2
Expenses relating to low-value leases	35	32
	38	34

(b) Statement of Cash Flows

Total cash outflow for leases	38	34
	38	34

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.

Exceptions to lease accounting

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties leased for the purpose of medical centres, housing and grazing; these leases have been classified as operating leases for financial reporting purposes and the assets are included in Note C1-6 IPPE.

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

\$ '000	2022	2021
(i) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of medical centre, housing and grazing, the table below relates to operating leases on assets disclosed in C1-6.		
Lease income (excluding variable lease payments not dependent on an index or rate)	88	116
Total income relating to operating leases for Council assets	88	116

Amount of IPPE leased out by Council under operating leases

Land	685	609
Buildings	2,334	2,505
Total amount of IPPE leased out by Council under operating leases	3,019	3,114

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

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

< 1 year	13	26
1–2 years	3	3
2–3 years	1	1
Total undiscounted lease payments to be received	17	30

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	223	2	677	3
Accrued expenses:				
– Borrowings	25	–	27	–
– Salaries and wages	94	–	86	–
– Other expenditure accruals	29	–	23	–
Prepaid rates	89	–	56	–
Security bonds, deposits and retentions	115	–	138	–
Other	24	–	20	–
Total payables	599	2	1,027	3

Accounting policy

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

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	798	-	118	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	146	-	99	-
Total contract liabilities		944	-	217	-

Notes

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

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

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	99	341
Operating grants (received prior to performance obligation being satisfied)	118	2
Capital contributions (to construct Council controlled assets)	-	95
Total revenue recognised that was included in the contract liability balance at the beginning of the period	217	438

Accounting policy

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

C3-3 Borrowings

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	172	3,181	157	3,366
Total borrowings	172	3,181	157	3,366

(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 E-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,523	(170)	–	–	–	–	3,353
Total liabilities from financing activities	3,523	(170)	–	–	–	–	3,353

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,684	(161)	–	–	–	–	3,523
Total liabilities from financing activities	3,684	(161)	–	–	–	–	3,523

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	15	15
Total financing arrangements	15	15
Drawn facilities		
– Credit cards/purchase cards	–	7
Total drawn financing arrangements	–	7
Undrawn facilities		
– Credit cards/purchase cards	15	8
Total undrawn financing arrangements	15	8

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	315	–	337	–
Long service leave	550	89	559	91
Employee leave entitlements on-costs	39	2	40	2
Total employee benefit provisions	904	91	936	93

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	573	603
	573	603

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022		2021	
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	788	–	386
Sub-total – asset remediation/restoration	–	788	–	386
Total provisions	–	788	–	386

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	386	386
Gravel Pit provision - 1st time recognition	402	402
Total remediation/restoration provisions at end of year	788	788

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

General fund refers to all Council activities other than 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 sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General 2022	Sewer 2022
Income from continuing operations		
Rates and annual charges	3,085	525
User charges and fees	555	20
Interest and investment revenue	27	12
Other revenues	413	–
Grants and contributions provided for operating purposes	8,740	–
Grants and contributions provided for capital purposes	3,572	–
Other income	91	–
Total income from continuing operations	16,483	557
Expenses from continuing operations		
Employee benefits and on-costs	3,512	43
Materials and services	3,699	340
Borrowing costs	124	34
Depreciation, amortisation and impairment of non-financial assets	4,273	255
Other expenses	830	–
Net losses from the disposal of assets	1,484	–
Total expenses from continuing operations	13,922	672
Operating result from continuing operations	2,561	(115)
Net operating result for the year	2,561	(115)
Net operating result attributable to each council fund	2,561	(115)
Net operating result for the year before grants and contributions provided for capital purposes	(1,011)	(115)

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Sewer 2022
ASSETS		
Current assets		
Cash and cash equivalents	8,413	2,256
Receivables	955	89
Inventories	907	–
Contract assets and contract cost assets	468	–
Other	22	–
Total current assets	10,765	2,345
Non-current assets		
Receivables	77	–
Infrastructure, property, plant and equipment	338,747	9,989
Investments accounted for using the equity method	113	–
Total non-current assets	338,937	9,989
Total assets	349,702	12,334
LIABILITIES		
Current liabilities		
Payables	596	3
Contract liabilities	944	–
Borrowings	133	39
Employee benefit provision	904	–
Total current liabilities	2,577	42
Non-current liabilities		
Payables	2	–
Borrowings	2,363	818
Employee benefit provision	91	–
Provisions	788	–
Total non-current liabilities	3,244	818
Total liabilities	5,821	860
Net assets	343,881	11,474
EQUITY		
Accumulated surplus	215,467	7,128
Revaluation reserves	128,414	4,346
Council equity interest	343,881	11,474
Total equity	343,881	11,474

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2022	2021
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	113	110
Total net share of interests in joint ventures and associates using the equity method – assets	113	110
Total Council's share of net assets	113	110

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership			
			2022	2021	2022	2021
Riverina Regional Library	Lockhart Milbrulong Pleasant Hills The Rock Yerong Creek	Joint venture	2.3%	2.3%	113	110
Total carrying amounts – material joint ventures					113	110

Riverina Regional Library

Provision of library services

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
Riverina Regional Library	Provision of Library Services	Equity Method

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2022	2021	2022	2021
Riverina Regional Library	2.3%	2.3%	2.3%	2.3%

D2-1 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	Riverina Regional Library	
	2022	2021
Statement of financial position		
Current assets		
Cash and cash equivalents	3,248	3,163
Other current assets	27	21
Non-current assets		
	2,480	2,587
Current liabilities		
Other current liabilities	899	1,093
Non-current liabilities		
Non-current liabilities	4	2
Net assets	4,852	4,676
Statement of comprehensive income		
Income	3,142	3,189
Interest income	25	18
Depreciation and amortisation	(925)	(901)
Interest expense	(2)	(7)
Employee Benefits & On-Costs	(1,398)	(1,494)
Other expenses	(665)	(683)
Loss on disposal	–	–
Profit/(loss) from continuing operations	177	122
Profit/(loss) for the period	177	122
Total comprehensive income	177	122
Share of income – Council (%)	2.3%	2.3%
Profit/(loss) – Council (\$)	3	4
Total comprehensive income – Council (\$)	3	4
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,675	4,553
Profit/(loss) for the period	177	122
Closing net assets	4,852	4,675
Council's share of net assets (%)	2.3%	2.3%
Council's share of net assets (\$)	113	110

Accounting policy**Joint ventures**

Interests in joint ventures are accounted for using the equity method where the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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

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

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

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

The risks associated with the financial instruments held are:

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
<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	83	63

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

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
2022				
Gross carrying amount	156	140	19	315
2021				
Gross carrying amount	163	110	15	288

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	0 - 30 days	Overdue debts			Total
			31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	1,146	35	–	–	93	1,274
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2021						
Gross carrying amount	661	9	–	50	326	1,046
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total contractual cash flows	Actual carrying values
				1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	115	395	2	–	512	601
Borrowings	4.42%	–	331	1,324	2,895	4,550	3,353
Total financial liabilities		115	726	1,326	2,895	5,062	3,954
2021							
Payables	0.00%	138	833	3	–	974	1,030
Borrowings	4.42%	–	331	1,324	3,228	4,883	3,523
Total financial liabilities		138	1,164	1,327	3,228	5,857	4,553

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:

Fair value hierarchy

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

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

Level 3: Unobservable inputs for the asset or liability.

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Infrastructure, property, plant and equipment	C1-6						
Plant and equipment		–	–	4,484	4,531	4,484	4,531
Office equipment		–	–	244	250	244	250
Furniture and fittings		–	–	52	49	52	49
Operational land		2,085	1,551	–	–	2,085	1,551
Community land		–	–	3,185	2,634	3,185	2,634
Buildings – non-specialised		4,340	4,397	–	–	4,340	4,397
Buildings – specialised		–	–	10,329	9,025	10,329	9,025
Other structures		–	–	283	168	283	168
Roads, bridges, footpaths and bulk earthworks		–	–	302,454	275,634	302,454	275,634
Stormwater drainage		–	–	3,885	3,104	3,885	3,104
Sewerage network		–	–	9,989	9,811	9,989	9,811
Swimming pools		–	–	4,209	3,970	4,209	3,970
Other open space/recreational assets		–	–	2,525	2,342	2,525	2,342
Tip assets		–	–	351	386	351	386
Gravel Pit Asset		–	–	204	–	204	–
Total infrastructure, property, plant and equipment		6,425	5,948	342,194	311,904	348,619	317,852

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 & Equipment

Council's Plant and equipment incorporates:

- Major plants – Graders, Loaders, Rollers, Trucks, tractors.
- Fleet Vehicles – Cars, Utes etc.
- Minor Plant – Pumps, Chainsaws, brush cutters, mowers, concrete mixers.

Council fair values plant and equipment using Level 3 inputs. The observable Level 3 inputs used:

- Quoted price for similar assets
- Purchase price
- Useful life of asset
- Current replacement Cost

The 'Cost Approach' is used to value Plant & Equipment.

Furniture & Fittings

Council's Furniture & Fittings incorporates:

- Furniture and fittings – Desks, Chairs, Display Systems

Council fair values furniture fittings using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Furniture & Fittings.

Office Equipment

Council's Office Equipment incorporates:

- Office Equipment: workstations, chairs, bookshelves etc.

Council fair values office equipment using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Office Equipment.

Infrastructure – Roads (incl Culverts, Kerb & Gutter, Causeways and Earthworks)

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved makers parking places as well as alongside roadside.

Council's Road Asset Data contains detailed dimensions and specification for all Council roads. Council fair values, road infrastructure using Level 3 inputs at a component level.

The 'Unit Rate Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System. (Unity)

Level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Work Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Components
- Useful life
- Asset Condition

E2-1 Fair value measurement (continued)

- Dimensions and Specification
- Remaining Life of Carriageway
- Unit Rates.

Valuation techniques were consistent with prior year's with the addition of indexation for year ended 30 June 2022. A revaluation as at 30 June 2021 was undertaken by Australis Asset Advisory Group. This covered all components of Roads, other than Kerbs & Gutters - which Council performed internally, and Culverts which will be fully revalued in 2022/2023.

Infrastructure – Bridges

A bridge is defined as all structures greater than 6m in trafficable length that convey a road, a footpath or a cycleway across any other physical feature (including waterways and other roads).

Council Road Asset Data contains detailed dimensions and specification for all Council's bridges. Council fair values, bridges (non- componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Components
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of bridges takes into consideration the various type of structures such as:

- Bridge Deck/ Superstructure
- Bridge Abutments/Foundations
- Bridge rails and hand rails

Valuation techniques were consistent with prior year's with the addition of indexation for year ended 30 June 2022. The 'Unit Rate Approach' is used to value bridges. A revaluation as at 30 June 2021 was undertaken by Australis Asset Advisory Group.

Infrastructure – Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed, located within Council's road reserve. Council Road Asset Data contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths (non-componentised) using Level 3 inputs. The unobservable Level 3 input used include:

- Components
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of footpaths takes into consideration the various type of structure such as:

- Length
- Construction Materials

The 'Unit Rate Approach' is used to value footpaths, with the addition of indexation being applied for year ended 30 June 2022. A revaluation as at 30 June 2021 was undertaken inhouse by council's engineering and finance staff.

Infrastructure – Drainage

Council's Drainage Assets comprise pits, pipes, culverts, open channels, headwalls used to collect and remove stormwater. Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Components
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of drainage assets takes into consideration the various type of structure such as

- Pipe Diameter

E2-1 Fair value measurement (continued)

- Pit Type
- Water Quality Device Type
- Culverts and Headwall Constructions Type.

The 'Unit Rates Approach' is used to value drainage assets. An external valuation was performed this year by APV.

Property – Operational Land

Council's "Operational" land, by definition, has no special restriction other than those that may apply to any piece of land.

Council fair values operational land using an External Valuer, AssetVal completed a valuation as at 30 June 2022 using Level 2 inputs. The unobservable level 2 inputs used include:

- Land Area
- Rate per square Metre
- Planning and Other Restrictions
- Description of Land

The 'Market Approach' is used to value the Operational Land.

Property – Community Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years.

In relation to Community Land the Office of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group, the Office of Local Government has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under revaluation model to represent fair value for the revaluation of community land under paragraph 31 of AASB 116.
- Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General as at 1 July 2021 or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

Community land was revalued at 30 June 2022, using the latest NSW Valuer General Valuation dated 1 July 2021.

Property – Buildings (Specialised and non-Specialised)

Council Buildings incorporates Council Administration Buildings, Public Amenities, Sporting Club Rooms, Depot Buildings and workshops and Public Halls, Rural Fire Service Buildings and Council Caravan Park.

Council carries fair values of non-specialised buildings using Level 2 inputs and carries fair values of specialised buildings using Level 3. Valuations are generally carried out by an external Valuer, this approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected, and unit rates based on square metres and could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value. As such these assets are classified as having being valued using Level 3 inputs for specialised buildings and Level 2 inputs for non-specialised buildings.

The unobservable Level 3 inputs used include:

- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings. A revaluation as at 30 June 2022 was undertaken by AssetVal.

Other Structures, Swimming Pools, Open Space & Recreation:

Council's other structures incorporates the following types of assets;

E2-1 Fair value measurement (continued)

- Significant single assets such as swimming pools, playgrounds, floodlighting system, tennis courts, tennis shelters, etc. and
- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences, BBQs, irrigation systems etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. A revaluation as at 30 June 2021 was undertaken by AssetVal.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach” is used to value other structures. The “Cost Approach” has been used for both new swimming pools, with the addition of indexation being applied for year ended 30 June 2022

Sewerage Network

Council’s Sewerage Network incorporates:

- Sewer Lines
- Pump Stations
- Vent Stacks
- Sewer Treatment Plant
- Recycle Water System

Council carries fair value of waste water supply assets using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach” is used to value the sewerage network. A comprehensive revaluation as at 30 June 2020 was undertaken by an external valuer (Australis Asset Advisory Group). Indexation was applied for year ended 30 June 2022 using the prescribed NSW Water Supply & Sewerage Construction Cost Indices.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all asset classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land are undertaken by suitably qualified and experienced council officers. External valuers may also be engaged from time to time as management see fit. Community Land is valued using the Valuer General valuations. Management reviews the valuation reports for consistency and accuracy and to ensure all valuations are current.

E2-1 Fair value measurement (continued)

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

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

\$ '000	Fair value (30/6/22) 2022	Valuation techniques are cost, market and income approach	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant, equipment, furniture, fittings and office equipment	4,780	Cost approach	Gross replacement cost, useful life and residual value
Community Land	3,185	Market approach. Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Specialised buildings	10,329	Cost approach	Gross replacement cost, useful life and residual value, asset condition
Other structures	283	Cost approach	Gross replacement cost, useful life and residual value, asset condition
Roads, bridges, footpaths, earthworks	302,454	Cost approach	Asset condition, unit rate and dimensions, remaining lives
Stormwater drainage	3,885	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Sewerage Network	9,989	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Swimming Pools	4,209	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Other open space/recreational assets	2,525	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Tip & Gravel Pit assets	1,047	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value

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

\$ '000	Total IPP&E	
	2022	2021
Balance at 1 July	311,904	225,813
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	28,558	80,698
Other movements		
Transfers from/(to) level 2 FV hierarchy	(12)	(41)
Purchases	7,036	10,067
Disposals	(867)	(815)
Depreciation and impairment	(4,425)	(3,818)
Balance at 30 June	342,194	311,904

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

There have been no transfers into or out of level 3 fair value hierarchy.

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. Contingent liabilities

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$18,551.13. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$6,143.64. Council's expected contribution to the plan for the next annual reporting period is \$9,013.92.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.03%.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other contingent liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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

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

(ii) 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.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	617	779
Post-employment benefits	51	59
Other long-term benefits	13	15
Total	681	853

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2022					
Councillor Rockliff / Lockhart Newsagency	11	–	Creditor 30 day account	–	–
Mayor Schirmer / MWS Fabrication	48	–	Creditor 30 day account	–	–
Councillor Mathews / Lockhart IGA	6	–	Creditor 30 day account	–	–
2021					
Councillor Rockliff / Lockhart Newsagency	11	1	Creditor 30 day account	–	–
Mayor Schirmer / MWS Fabrication	71	18	Creditor 30 day account	–	–
Councillor Mathews / Lockhart IGA	–	–	Creditor 30 day account	–	–

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	24	27
Councillors' fees	95	96
Other Councillors' expenses (including Mayor)	21	3
Total	140	126

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	55	43
Remuneration for audit and other assurance services	55	43
Total Auditor-General remuneration	55	43
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal Audit	4	18
Remuneration for audit and other assurance services	4	18
Total remuneration of non NSW Auditor-General audit firms	4	18
Total audit fees	59	61

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	2,446	5,884
Add / (less) non-cash items:		
Depreciation and amortisation	4,528	3,928
(Gain) / loss on disposal of assets	1,484	1,140
Non-cash capital grants and contributions	(353)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
Write down of real estate inventory	16	–
Share of net (profits)/losses of associates/joint ventures using the equity method	(3)	(4)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(195)	238
(Increase) / decrease of inventories	38	(158)
(Increase) / decrease of other current assets	(15)	(4)
(Increase) / decrease of contract asset	(69)	(399)
Increase / (decrease) in payables	(455)	387
Increase / (decrease) in accrued interest payable	(2)	(6)
Increase / (decrease) in other accrued expenses payable	14	86
Increase / (decrease) in other liabilities	14	67
Increase / (decrease) in contract liabilities	727	(221)
Increase / (decrease) in employee benefit provision	(34)	41
Increase / (decrease) in other provisions	211	–
Net cash flows from operating activities	8,352	10,979

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Council does not have any capital expenditure committed as at the reporting date:		
Property, plant and equipment		
Drainage – Flood Mitigation	–	2,218
Total commitments	–	2,218
These expenditures are payable as follows:		
Within the next year	–	2,218
Total payable	–	2,218
Sources for funding of capital commitments:		
Future Grants - Flood Mitigation	–	1,901
Internal Restricted Reserve-Flood Mitigation	–	317
Total sources of funding	–	2,218

G3-1 Events occurring after the reporting date

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

G3-1 Events occurring after the reporting date (continued)

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Community facilities	251	48	-	1	-	-	300	-
Halls	5	-	-	-	-	-	5	-
S7.11 contributions – under a plan	256	48	-	1	-	-	305	-
Total S7.11 and S7.12 revenue under plans	256	48	-	1	-	-	305	-
Total contributions	256	48	-	1	-	-	305	-

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

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN - COUNCIL WIDE S94A CONTRIBUTIONS								
Community facilities	251	48	-	1	-	-	300	-
Halls	5	-	-	-	-	-	5	-
Total	256	48	-	1	-	-	305	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	355	2.64%	9.51%	8.37%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	13,465				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	4,725	27.73%	25.87%	29.10%	> 60.00%
Total continuing operating revenue ¹	17,037				
3. Unrestricted current ratio					
Current assets less all external restrictions	9,275	8.75x	5.22x	6.51x	> 1.50x
Current liabilities less specific purpose liabilities	1,060				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5,041	15.37x	16.27x	15.84x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	328				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	315	8.05%	7.56%	6.83%	< 10.00%
Rates and annual charges collectable	3,914				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	10,669	12.89 months	11.98 months	11.02 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	828				

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2022	2021	2022	2021	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3.64%	11.36%	(20.65)%	(29.58)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹	25.29%	23.51%	100.00%	99.65%	> 60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	8.75x	5.22x	55.83x	49.93x	> 1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	16.55x	20.34x	5.12x	1.70x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	9.29%	6.51%	0.00%	13.19%	< 10.00%
Rates and annual charges collectable					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	10.16 months	9.50 months	∞	50.42 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities					

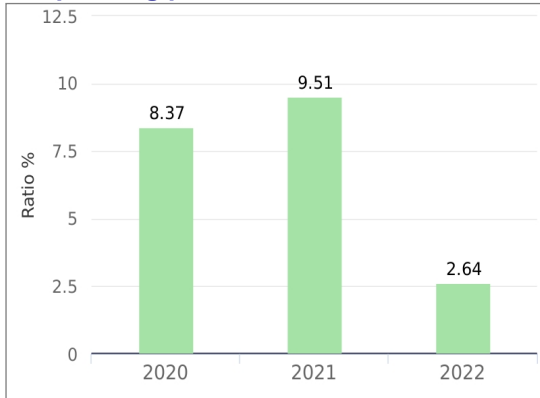
(1) - (2) Refer to Notes at Note G4-1 above.

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

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio 2.64%

Council's Operating performance ratio has incurred a decrease from its consistent percentage from prior three year's. This is partly attributed to grant funded expenditure and not having received the grant program reimbursement as yet.

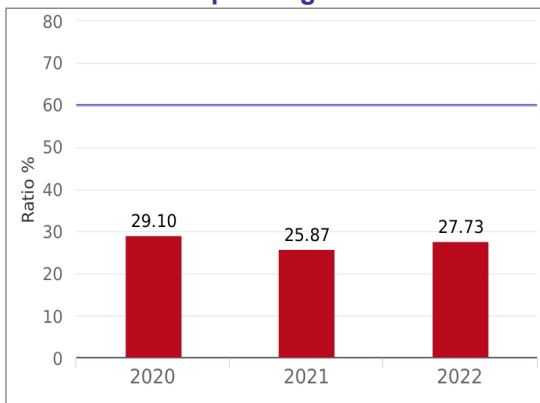
Benchmark: — > 0.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 27.73%

Council's own source operating revenue is being impacted by the level of grants being provided by both the Federal and State governments, mainly related to COVID-19 stimulus.

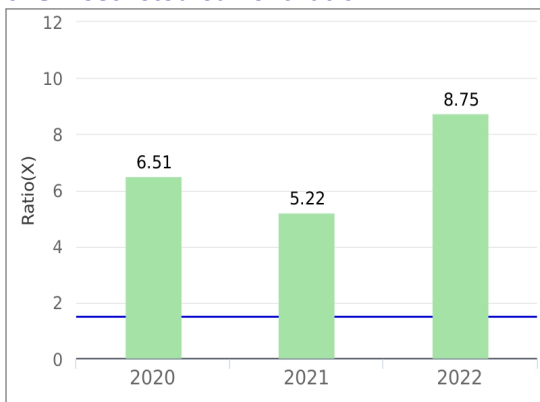
Benchmark: — > 60.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 8.75x

Council's ratio for this year has increased and is well above the industry benchmark. Council is in a strong financial position to pay its debts as and when they fall due.

Benchmark: — > 1.50x

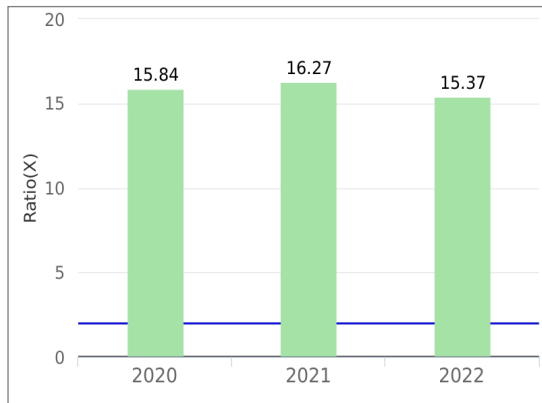
Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 15.37x

Council's ratio is well above the industry benchmark and consistent with prior years.

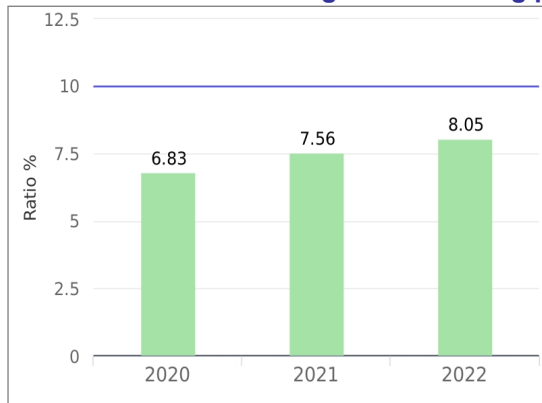
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 8.05%

While the percentage of rates and annual charges outstanding has increased slightly, the percentage remains under the industry benchmark of 10%.

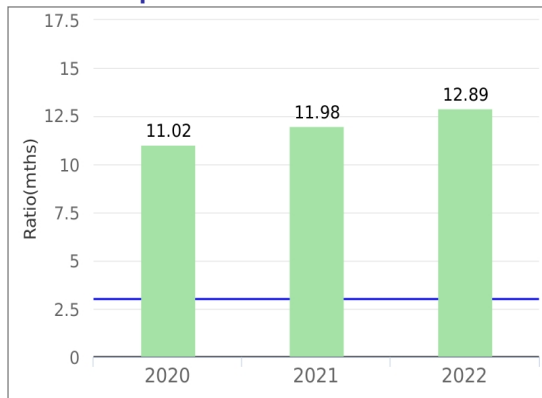
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 12.89 months

Council continues to maintain a strong liquidity ratio which is well above the industry benchmark.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

65 Green Street
LOCKHART NSW 2656

Contact details

Mailing Address:

P O BOX 21
LOCKHART NSW 2656

Telephone: 02 6920 5305

Facsimile: 02 6920 5247

Opening hours:

8:30am - 4.30pm
Monday to Friday

Internet: www.lockhart.nsw.gov.au

Email: mail@lockhart.nsw.gov.au

Officers

General Manager

Peter Veneris

Responsible Accounting Officer

Craig Fletcher

Auditors

Auditor-General
Audit Office of NSW
Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Elected members

Mayor

Cr Greg Verdon

Councillors

Clr Frances Day
Clr Gail Driscoll
Clr Jane Hunter
Clr Ian Marston
Clr Robert Mathews
Clr Andrew Rockliff (Deputy Mayor)
Clr Peter Sharp
Clr James Walker

Other information

ABN: 82 002 584 082



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Lockhart Shire Council

To the Councillors of Lockhart Shire Council

Qualified Opinion

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

In my opinion, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-6 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. 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 refers 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 17 July 2007
- 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.

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 these are assets provided to 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 that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- 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 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 '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).

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

- about any other information which may have been hyperlinked to/from the financial statements.



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

27 October 2022
SYDNEY



OFFICIAL

Cr Greg Verdon
Mayor
Lockhart Shire Council
PO Box 21
LOCKHART NSW 2656

Contact: Hong Wee Soh
Phone no: 02 9275 7397
Our ref: D2222629/1757

27 October 2022

Dear Mayor

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

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

I expressed 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 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue and observations during my audit of the Council's financial statements.

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. 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 refers 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 17 July 2007

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- 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.

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 these are assets provided to Council free-of-charge.

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2022 GPFS to be modified.

Refer to the Independent Auditor's report on the GPFS.

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	3.6	3.5	↑ 2.9
Grants and contributions revenue	12.3	13.6	↓ 9.6
Operating result from continuing operations	2.7	5.9	↓ 54.2
Net operating result before capital grants and contributions	(0.9)	0.1	↓ >100

Rates and annual charges revenue (\$3.6 million) increased by \$0.1 million (2.9 per cent) in 2021–22, with the main increase due to the IPART rate peg of 2.0 per cent.

Grants and contributions revenue (\$12.3 million) decreased by \$1.3 million (9.6 per cent) in 2021–22 due to:

- decrease in the capital grant revenue of \$2.2 million (from \$5.8 million in 2020-21, to \$3.6 million in 2021-22).
- increase in the Financial Assistance Grant of \$1.3 million (from \$3.8 million in 2020-21, to \$5.1 million in 2021-22), due to an additional advance payment received in 2021-22;

The Council's operating result from continuing operations (\$2.5 million including depreciation and amortisation expense of \$4.5 million) was \$3.4 million lower than the 2020–21 result. The decrease is due to:

- decrease of grants and contributions revenue by \$1.3 million.

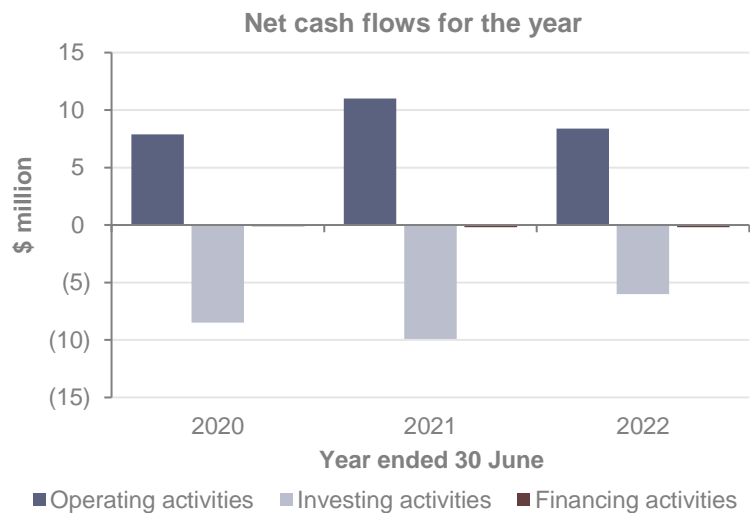
- increase in depreciation expense by \$0.6 million.
- increase in materials and services expense by \$0.7 million.
- increase in the loss on disposal of assets by \$0.4 million, relating to the gifting of six independent living units (Magnolia Lodge) to Respect Group Ltd (a not-for-profit provider of aged care services) on 1 July 2021.

The net operating result before capital grants and contributions (\$1.1 million loss) was \$1.2 million lower than the 2020–21 result due to:

- increase in operating grants received by \$0.9 million, driven by the additional advance payment of the Financial Assistance Grant received in 2021-22;
- increase in depreciation expense by \$0.6 million.
- increase in materials and services expense by \$0.7 million.
- increase in the loss on disposal of assets by \$0.4 million.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$10.7 million at 30 June 2022 (\$8.5 million at 30 June 2021). There was a net increase in cash and cash equivalents of \$2.2 million during 2021-22 financial year.
- Net cash provided by operating activities has decreased by \$2.6 million. The decrease is mainly due to the decrease in grants and contributions revenue, and increase payments for materials and services.
- Net cash used in investing activities has decreased by \$3.9 million. The decrease is due to lower purchase of infrastructure, property, plant and equipment by \$4.4 million, offset by a decrease in proceeds from sale of real estate assets by \$0.4 million.
- There were no significant movement in the net cash flows from financing activities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	10.7	8.5	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The externally restricted funds as at 30 June 2022 has increased, mainly due to increase in specific purpose unexpended grants (recognised as revenue) by \$0.7 million. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase is due to the additional advance payment of the Financial Assistance Grant, which increased the related internal restrictions for this from \$2.0 million as at 30 June 2021 to \$3.1 million as at 30 June 2022. Unrestricted cash and investments have remained relatively consistent with the prior year.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	3.6	2.7	
• Internal allocations	6.4	5.3	
• Unrestricted	0.7	0.5	

Debt

Council has \$3.4 million of borrowings as at 30 June 2022 (2021: \$3.5 million). The borrowings are drawn through Bendigo Bank related to Council's administration building and T-Corp related to capital works for swimming pool upgrades and the sewer network extension.

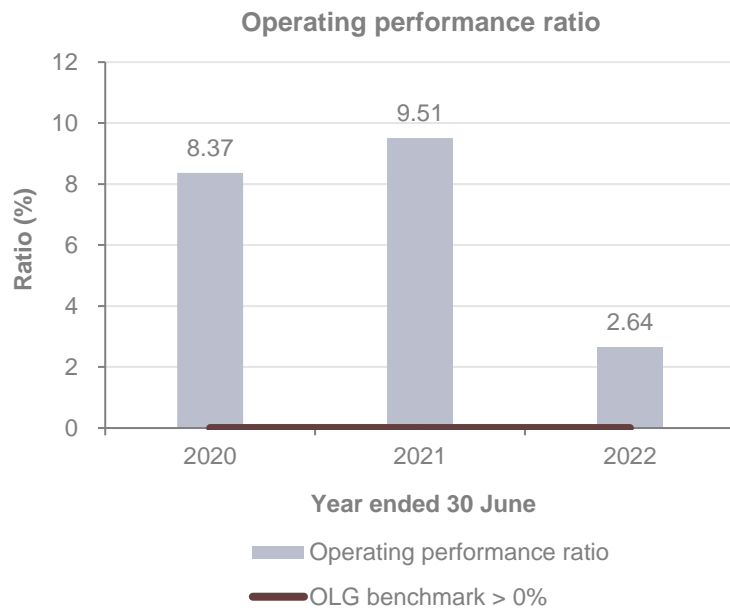
PERFORMANCE

Performance measures

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

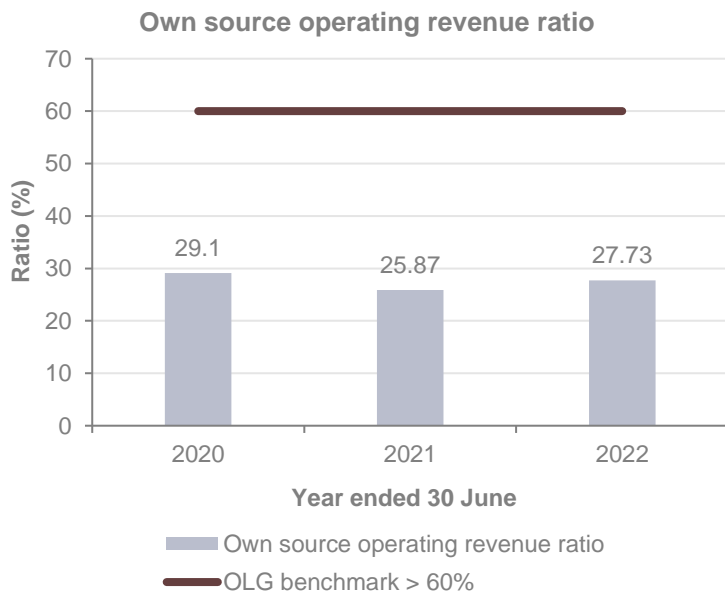
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council exceeded the OLG benchmark for the current reporting period.
- The operating performance ratio decreased to 2.64 per cent (2021: 9.51 per cent) due to the increase in depreciation expense by \$0.6 million and materials and services expense by \$0.7 million in 2021-22.



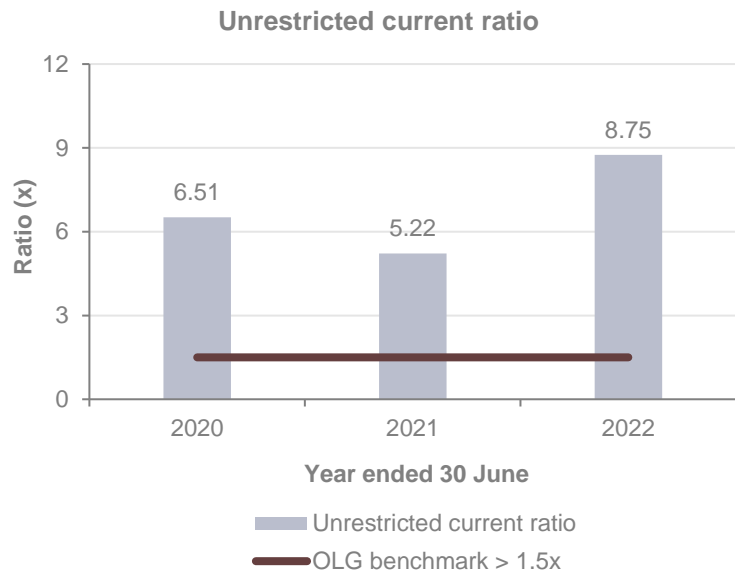
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- Council did not meet the OLG benchmark for the current reporting period. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio has increased in 2022, due to the overall reduction in grants and contributions revenue of \$1.3 million in 2021-22.



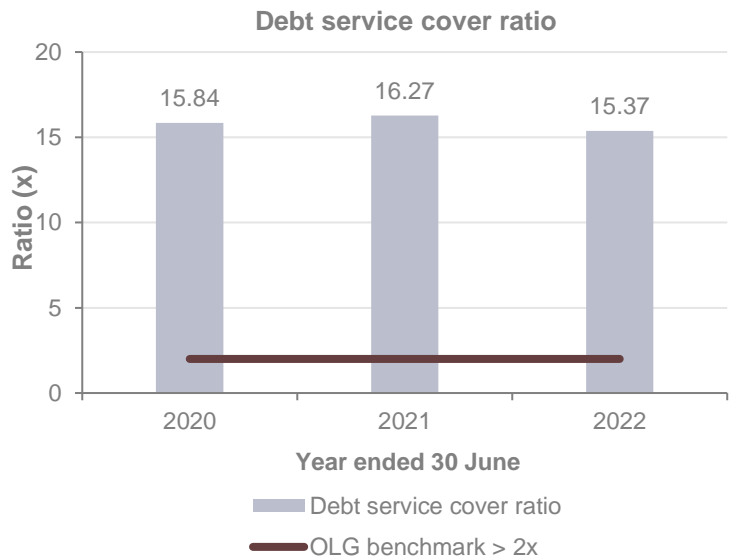
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents the Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council exceeded the OLG benchmark for the current reporting period.
- Council's unrestricted current ratio has improved, due to the increase in cash and cash equivalents from additional advanced Financial Assistance Grant of \$1.3 million in 2021-22.



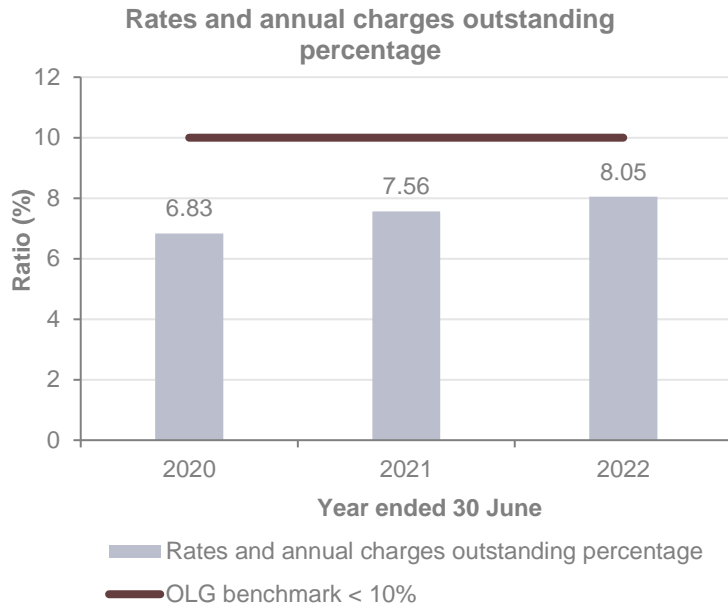
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- Council exceeded the OLG benchmark for the current reporting period.
- The Council's debt service cover ratio remained relatively constant from 2020-21 to 2021-22.



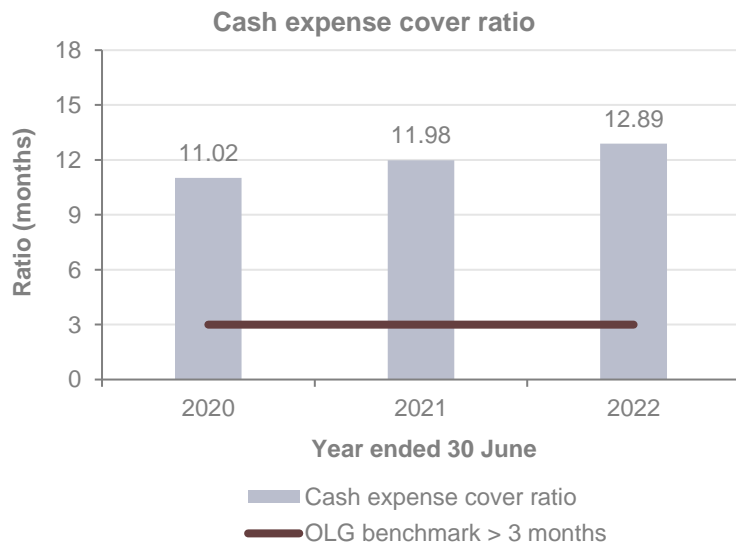
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council met the OLG benchmark for the current reporting period which is a reflection of sound debt recovery procedures at the Council.
- The Council's rates and annual charges outstanding percentage has remained relatively constant from 2020-21 to 2021-22.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council exceeded the OLG benchmark for the current reporting period. This indicates that Council had the capacity to cover 12.89 months of operating cash expenditure without additional cash inflows at 30 June 2022.
- The cash expense cover ratio has increased due to increase in cash and cash equivalent by \$2.2 million.



Infrastructure, property, plant and equipment renewals

The Council renewed \$1.5 million of assets in the 2021-22 financial year, compared to \$3.0 million of assets in the 2020-21 financial year. This decline is largely due to \$1.3 million decrease in road renewals.

OTHER MATTERS

My audit procedures identified a material deficiency in the Council's financial statements that will be reported in the Management Letter. Rural fire-fighting equipment was not recognised in the financial statements.

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.



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

cc: Mr Peter Veneris, General Manager
Mr James Davis, Chair of the Audit Risk and Improvement Committee
Mr Craig Fletcher, Director of Corporate and Community Services
Mr Michael Cassel, Secretary of the Department of Planning and Environment

Lockhart Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Lockhart
Shire Council

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of sewerage business activity	4
Statement of Financial Position of sewerage business activity	5
Note – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	9

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).

Lockhart Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2022.



Cr Greg Verdon

Mayor

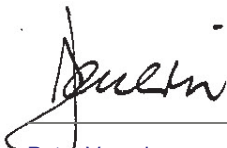
17 October 2022



Cr Andrew Rockliff

Councillor

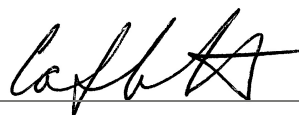
17 October 2022



Peter Veneris

General Manager

17 October 2022



Craig Fletcher

Responsible Accounting Officer

17 October 2022

Lockhart Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	525	530
User charges	2	5
Fees	18	20
Interest and investment income	12	13
Total income from continuing operations	557	568
Expenses from continuing operations		
Employee benefits and on-costs	43	19
Borrowing costs	34	36
Materials and services	340	428
Depreciation, amortisation and impairment	255	253
Total expenses from continuing operations	672	736
Surplus (deficit) from continuing operations before capital amounts	(115)	(168)
Grants and contributions provided for capital purposes	-	2
Surplus (deficit) from continuing operations after capital amounts	(115)	(166)
Surplus (deficit) from all operations before tax	(115)	(166)
Surplus (deficit) after tax	(115)	(166)
Plus accumulated surplus	7,243	7,409
Plus adjustments for amounts unpaid:		
Less:		
Closing accumulated surplus	7,128	7,243
Return on capital %	(0.8)%	(1.3)%
Subsidy from Council	447	278
Calculation of dividend payable:		
Surplus (deficit) after tax	(115)	(166)
Less: capital grants and contributions (excluding developer contributions)	-	(2)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Lockhart Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	2,256	2,168
Receivables	89	79
Total current assets	2,345	2,247
Non-current assets		
Infrastructure, property, plant and equipment	9,989	9,811
Total non-current assets	9,989	9,811
Total assets	12,334	12,058
LIABILITIES		
Current liabilities		
Payables	3	7
Borrowings	39	38
Total current liabilities	42	45
Non-current liabilities		
Borrowings	818	858
Total non-current liabilities	818	858
Total liabilities	860	903
Net assets	11,474	11,155
EQUITY		
Accumulated surplus	7,128	7,243
Revaluation reserves	4,346	3,912
Total equity	11,474	11,155

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

None

Category 2

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

Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the villages of Lockhart, The Rock and Yerong Creek.

Taxation equivalent charges

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

Notional rate applied (%)

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

Note – Significant Accounting Policies (continued)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

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

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

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

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

Income tax

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

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

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

Note – Significant Accounting Policies (continued)

(iii) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Lockhart Shire Council

To the Councillors of Lockhart Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

27 October 2022
SYDNEY

Lockhart Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Lockhart
Shire Council

Lockhart Shire Council

Special Schedules

for the year ended 30 June 2022

Contents

Page

Special Schedules:

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2022 7

Lockhart Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	2,542	2,598
Plus or minus adjustments ²	b	11	1
Notional general income	c = a + b	2,553	2,599
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.00%
Or plus rate peg amount	i = e x (c + g)	51	52
Sub-total	k = (c + g + h + i + j)	2,604	2,651
Plus (or minus) last year's carry forward total	l	8	7
Sub-total	n = (l + m)	8	7
Total permissible income	o = k + n	2,612	2,658
Less notional general income yield	p	2,598	2,647
Catch-up or (excess) result	q = o - p	14	11
Less unused catch-up ⁵	s	(7)	-
Carry forward to next year ⁶	t = q + r + s	7	11

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)*.
- (5) Unused catch-up amounts or the rate peg balance amounts will be deducted if they are not caught up within ten years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for when setting the rates in a future year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the 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

Lockhart Shire Council

To the Councillors of Lockhart Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



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

27 October 2022
SYDNEY

Lockhart Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	45	37	4,340	7,199	0.0%	0.0%	0.0%	0.0%	100.0%
	Buildings – specialised	–	–	70	65	10,329	18,506	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	–	–	115	102	14,669	25,705	0.0%	0.0%	0.0%	0.0%	100.0%
Other structures	Other structures	–	–	–	–	283	553	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	283	553	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	–	–	620	711	119,723	150,486	0.0%	0.0%	0.0%	0.0%	100.0%
	Unsealed roads	–	–	620	609	27,651	33,347	0.0%	0.0%	0.0%	0.0%	100.0%
	Bridges	–	–	–	–	5,613	7,969	0.0%	0.0%	0.0%	0.0%	100.0%
	Footpaths	–	–	–	27	1,838	2,654	0.0%	0.0%	0.0%	0.0%	100.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	138,801	138,801	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	8,828	12,450	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	–	–	1,240	1,347	302,454	345,707	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Sewerage network	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	220	181	9,989	17,785	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	–	–	220	181	9,989	17,785	0.0%	0.0%	0.0%	0.0%	100.0%
Stormwater drainage	Stormwater drainage	–	–	–	6	3,885	4,218	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	6	3,885	4,218	0.0%	0.0%	0.0%	0.0%	100.0%
Open space / recreational assets	Swimming pools	–	–	50	62	4,209	4,242	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Open Space/Recreation	–	–	380	365	2,525	4,893	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	–	–	430	427	6,734	9,135	0.0%	0.0%	0.0%	0.0%	100.0%
Total – all assets		–	–	2,005	2,063	338,014	403,103	0.0%	0.0%	0.0%	0.0%	100.0%

(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

Lockhart Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	1,477	37.34%	89.29%	124.44%	>= 100.00%
Depreciation, amortisation and impairment	3,956				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	400	0.12%	0.13%	0.18%	< 2.00%
Net carrying amount of infrastructure assets	338,131				
Asset maintenance ratio					
Actual asset maintenance	2,063	102.89%	115.54%	101.65%	> 100.00%
Required asset maintenance	2,005				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	-	0.00%	0.00%	0.00%	
Gross replacement cost	403,103				

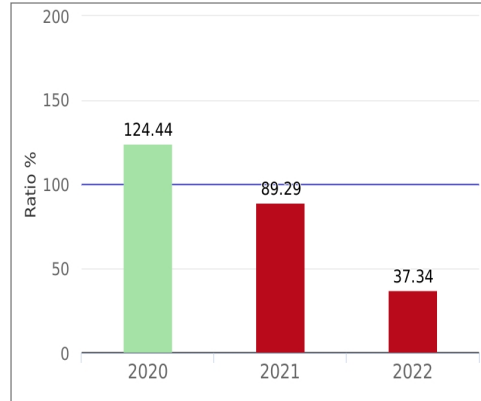
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Lockhart Shire Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

21/22 ratio 37.34%

Although FY22 ratio is below the benchmark, Council has maintained an average of 102.68 over the 4 year period 2019-2022 which is slightly above the industry benchmark.

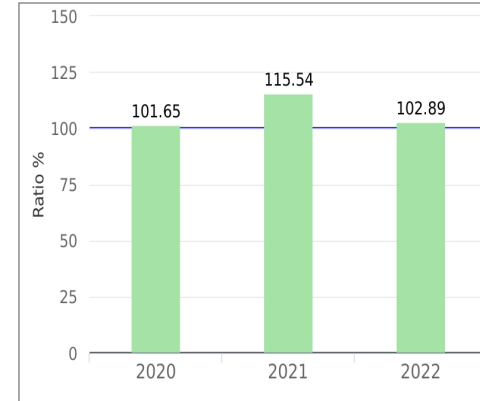
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

21/22 ratio 102.89%

Council has achieved a consistent ratio with an average of 106.5 over past 4 years.

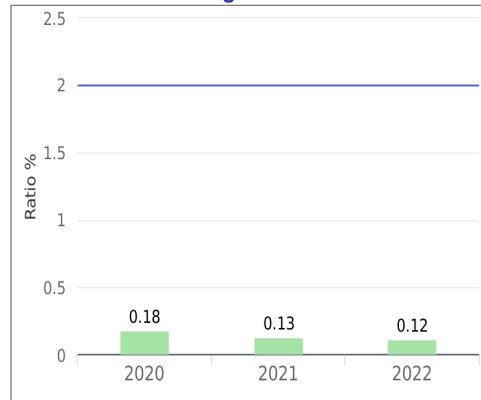
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

21/22 ratio 0.12%

Average remains well under the industry benchmark.

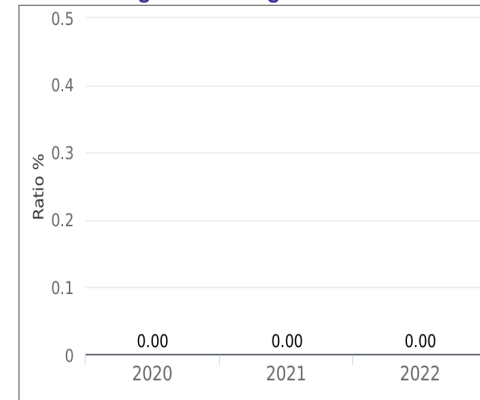
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

21/22 ratio 0.00%

Lockhart Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Sewer fund		Benchmark
	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹					
Depreciation, amortisation and impairment	39.91%	96.45%	0.00%	0.00%	>= 100.00%
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	0.12%	0.13%	0.00%	0.00%	< 2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	105.43%	119.88%	82.27%	87.60%	> 100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	0.00%	0.00%	0.00%	0.00%	

(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.