

# Lockhart Shire Council

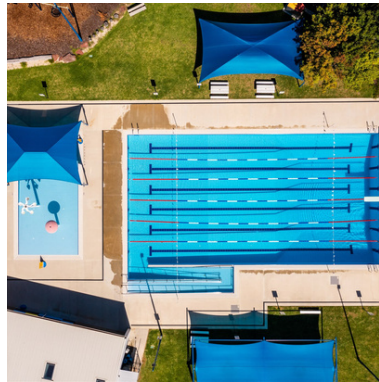
## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

---



Lockhart  
Shire Council



---

# ANNUAL FINANCIAL STATEMENT

*For the year ended 30 June 2023*

# Lockhart Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

---

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Primary Financial Statements:</b>	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
<b>Notes to the Financial Statements</b>	<b>9</b>
<b>Independent Auditor's Reports:</b>	
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](http://www.lockhart.nsw.gov.au)

# Lockhart Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

---

Statement by Councillors and Management made pursuant to Section 413(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 30 October 2023.



Cr Greg Verdon

**Mayor**

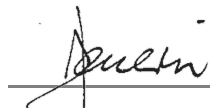
30 October 2023



Cr Peter Sharp

**Councillor**

30 October 2023



Peter Veneris

**General Manager**

30 October 2023



Craig Fletcher

**Responsible Accounting Officer**

30 October 2023

## Lockhart Shire Council

### Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Restated Actual 2022
<b>Income from continuing operations</b>				
3,715	Rates and annual charges	B2-1	<b>3,679</b>	3,610
477	User charges and fees	B2-2	<b>673</b>	575
236	Other revenues	B2-3	<b>514</b>	413
6,423	Grants and contributions provided for operating purposes	B2-4	<b>12,328</b>	8,740
–	Grants and contributions provided for capital purposes	B2-4	<b>1,768</b>	3,572
47	Interest and investment income	B2-5	<b>381</b>	39
–	Other income	B2-6	<b>90</b>	91
–	Net gain from the disposal of assets	B4-1	<b>27</b>	–
10,898	<b>Total income from continuing operations</b>		<b>19,460</b>	17,040
<b>Expenses from continuing operations</b>				
3,636	Employee benefits and on-costs	B3-1	<b>4,024</b>	3,555
2,786	Materials and services	B3-2	<b>5,073</b>	4,039
152	Borrowing costs	B3-3	<b>149</b>	158
3,491	Depreciation, amortisation and impairment of non-financial assets	B3-4	<b>5,296</b>	4,804
580	Other expenses	B3-5	<b>1,056</b>	830
–	Net loss from the disposal of assets	B4-1	<b>–</b>	1,484
10,645	<b>Total expenses from continuing operations</b>		<b>15,598</b>	14,870
253	<b>Operating result from continuing operations</b>		<b>3,862</b>	2,170
253	<b>Net operating result for the year attributable to Council</b>		<b>3,862</b>	2,170
–	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>2,094</b>	(1,402)

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 2023

\$ '000	Notes	2023	Restated 2022
<b>Net operating result for the year – from Income Statement</b>		<b>3,862</b>	2,170
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<u>25,646</u>	31,095
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>25,646</b>	31,095
<b>Total other comprehensive income for the year</b>		<b>25,646</b>	31,095
<b>Total comprehensive income for the year attributable to Council</b>		<b>29,508</b>	33,265

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 2023

\$ '000	Notes	2023	Restated 2022	Restated 1 July 2021
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	15,426	10,669	8,481
Receivables	C1-3	1,197	1,044	849
Inventories	C1-4	904	907	1,212
Contract assets and contract cost assets	C1-5	541	468	399
Other	C1-7	17	22	7
<b>Total current assets</b>		<b>18,085</b>	<b>13,110</b>	<b>10,948</b>
<b>Non-current assets</b>				
Receivables	C1-3	68	77	86
Infrastructure, property, plant and equipment (IPPE)	C1-6	393,059	368,366	336,761
Investments accounted for using the equity method	D2-1	113	113	110
<b>Total non-current assets</b>		<b>393,240</b>	<b>368,556</b>	<b>336,957</b>
<b>Total assets</b>		<b>411,325</b>	<b>381,666</b>	<b>347,905</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	767	599	1,027
Contract liabilities	C3-2	1,170	944	217
Borrowings	C3-3	188	172	157
Employee benefit provisions	C3-4	855	904	936
<b>Total current liabilities</b>		<b>2,980</b>	<b>2,619</b>	<b>2,337</b>
<b>Non-current liabilities</b>				
Payables	C3-1	–	2	3
Borrowings	C3-3	2,984	3,181	3,366
Employee benefit provisions	C3-4	97	91	93
Provisions	C3-5	771	788	386
<b>Total non-current liabilities</b>		<b>3,852</b>	<b>4,062</b>	<b>3,848</b>
<b>Total liabilities</b>		<b>6,832</b>	<b>6,681</b>	<b>6,185</b>
<b>Net assets</b>		<b>404,493</b>	<b>374,985</b>	<b>341,720</b>
<b>EQUITY</b>				
Accumulated surplus		244,508	240,646	238,476
IPPE revaluation reserve		159,985	134,339	103,244
<b>Council equity interest</b>		<b>404,493</b>	<b>374,985</b>	<b>341,720</b>
<b>Total equity</b>		<b>404,493</b>	<b>374,985</b>	<b>341,720</b>

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 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		240,646	134,339	374,985	220,149	103,244	323,393
Correction of prior period errors	G4-1	–	–	–	18,327	–	18,327
<b>Restated opening balance</b>		<b>240,646</b>	<b>134,339</b>	<b>374,985</b>	<b>238,476</b>	<b>103,244</b>	<b>341,720</b>
Net operating result for the year		3,862	–	3,862	2,446	–	2,446
Correction of prior period errors	G4-1	–	–	–	(276)	–	(276)
<b>Restated net operating result for the period</b>		<b>3,862</b>	<b>–</b>	<b>3,862</b>	<b>2,170</b>	<b>–</b>	<b>2,170</b>
<b>Other comprehensive income</b>							
Correction of prior period errors	G4-1	–	–	–	–	1,579	1,579
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	25,646	25,646	–	29,516	29,516
<b>Restated Other comprehensive income</b>		<b>–</b>	<b>25,646</b>	<b>25,646</b>	<b>–</b>	<b>31,095</b>	<b>31,095</b>
<b>Total comprehensive income</b>		<b>3,862</b>	<b>25,646</b>	<b>29,508</b>	<b>2,170</b>	<b>31,095</b>	<b>33,265</b>
<b>Closing balance at 30 June</b>		<b>244,508</b>	<b>159,985</b>	<b>404,493</b>	<b>240,646</b>	<b>134,339</b>	<b>374,985</b>

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 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
3,715	Rates and annual charges		3,625	3,616
477	User charges and fees		747	626
236	Interest received		340	34
6,426	Grants and contributions		14,226	12,357
44	Other		1,427	1,485
<i>Payments:</i>				
(4,028)	Payments to employees		(4,059)	(3,581)
(2,317)	Payments for materials and services		(5,826)	(4,456)
(152)	Borrowing costs		(150)	(160)
–	Bonds, deposits and retentions		(31)	(23)
(580)	Other		(1,174)	(1,546)
3,821	<b>Net cash flows from operating activities</b>	G1-1	<b>9,125</b>	<b>8,352</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of real estate assets		120	222
–	Proceeds from sale of IPPE		659	156
13	Deferred debtors receipts		9	9
<i>Payments:</i>				
(3,470)	Payments for IPPE		(4,975)	(6,376)
–	Purchase of real estate assets		–	(5)
(3,457)	<b>Net cash flows from investing activities</b>		<b>(4,187)</b>	<b>(5,994)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(179)	Repayment of borrowings		(181)	(170)
(179)	<b>Net cash flows from financing activities</b>		<b>(181)</b>	<b>(170)</b>
185	<b>Net change in cash and cash equivalents</b>		<b>4,757</b>	<b>2,188</b>
10,669	Cash and cash equivalents at beginning of year		10,669	8,481
10,854	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>15,426</b>	<b>10,669</b>

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 2023

<b>A About Council and these financial statements</b>	<b>11</b>
A1-1 Basis of preparation	11
<b>B Financial Performance</b>	<b>14</b>
<b>B1 Functions or activities</b>	<b>14</b>
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
<b>B2 Sources of income</b>	<b>16</b>
B2-1 Rates and annual charges	16
B2-2 User charges and fees	17
B2-3 Other revenues	18
B2-4 Grants and contributions	19
B2-5 Interest and investment income	22
B2-6 Other income	23
<b>B3 Costs of providing services</b>	<b>24</b>
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	25
B3-3 Borrowing costs	25
B3-4 Depreciation, amortisation and impairment of non-financial assets	26
B3-5 Other expenses	27
<b>B4 Gains or losses</b>	<b>27</b>
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	27
<b>B5 Performance against budget</b>	<b>28</b>
B5-1 Material budget variations	28
<b>C Financial position</b>	<b>30</b>
<b>C1 Assets we manage</b>	<b>30</b>
C1-1 Cash and cash equivalents	30
C1-2 Restricted and allocated cash, cash equivalents and investments	30
C1-3 Receivables	32
C1-4 Inventories	33
C1-5 Contract assets and Contract cost assets	34
C1-6 Infrastructure, property, plant and equipment	35
C1-7 Other	38
<b>C2 Leasing activities</b>	<b>39</b>
C2-1 Council as a lessee	39
C2-2 Council as a lessor	40
<b>C3 Liabilities of Council</b>	<b>41</b>
C3-1 Payables	41
C3-2 Contract Liabilities	42
C3-3 Borrowings	43
C3-4 Employee benefit provisions	45
C3-5 Provisions	46
<b>C4 Reserves</b>	<b>47</b>

# Lockhart Shire Council

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

C4-1 Nature and purpose of reserves	47
<b>D Council structure</b>	<b>48</b>
<b>D1 Results by fund</b>	<b>48</b>
D1-1 Income Statement by fund	48
D1-2 Statement of Financial Position by fund	49
<b>D2 Interests in other entities</b>	<b>50</b>
D2-1 Interests in joint arrangements	50
<b>E Risks and accounting uncertainties</b>	<b>51</b>
E1-1 Risks relating to financial instruments held	51
E2-1 Fair value measurement	54
E3-1 Contingencies	61
<b>F People and relationships</b>	<b>64</b>
<b>F1 Related party disclosures</b>	<b>64</b>
F1-1 Key management personnel (KMP)	64
F1-2 Councillor and Mayoral fees and associated expenses	65
<b>F2 Other relationships</b>	<b>65</b>
F2-1 Audit fees	65
<b>G Other matters</b>	<b>66</b>
G1-1 Statement of Cash Flows information	66
G2-1 Commitments	66
G3-1 Events occurring after the reporting date	66
<b>G4 Changes from prior year statements</b>	<b>67</b>
G4-1 Correction of errors	67
<b>G5 Statement of developer contributions as at 30 June 2023</b>	<b>69</b>
G5-1 Summary of developer contributions	69
G5-2 Developer contributions by plan	69
<b>G6 Statement of performance measures</b>	<b>70</b>
G6-1 Statement of performance measures – consolidated results	70
G6-2 Statement of performance measures by fund	71
<b>H Additional Council disclosures (unaudited)</b>	<b>72</b>
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 30th October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### **Historical cost convention**

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

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

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

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

(i) Impairment of receivables

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

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

#### **The Consolidated Fund**

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

The Consolidated Fund has been included in the financial statements of Lockhart Shire Council.

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

- General purpose operations
- Sewerage service

## A1-1 Basis of preparation (continued)

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
- Lockhart Golf Course Management Committee
- Lockhart Airstrip 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.

### Volunteer services

Council has not recorded the value of volunteer services as they can not be reliably measured.

### New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

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

## A1-1 Basis of preparation (continued)

---

During the year, Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2023.

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.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022 Restated	2023	2022 Restated	2023	2022	2023	2022 Restated
<b>\$ '000</b>										
<b>Functions or activities</b>										
Governance	–	–	228	283	(228)	(283)	–	–	–	–
Administration	283	408	2,274	2,311	(1,991)	(1,903)	194	249	22,010	17,005
Public Order & Safety	191	84	317	247	(126)	(163)	191	84	1,172	915
Environment	922	3,027	1,074	1,493	(152)	1,534	243	2,272	396	334
Community Services & Education	288	268	264	247	24	21	30	45	–	–
Housing & Community Amenities	60	79	148	164	(88)	(85)	–	–	5,734	5,467
Sewerage Services	610	574	709	689	(99)	(115)	24	10	13,281	12,333
Recreation & Culture	1,944	1,502	2,603	2,328	(659)	(826)	1,603	903	18,885	15,605
Mining, manufacturing and construction	3	5	165	223	(162)	(218)	–	–	–	–
Transport and communication	6,048	3,380	7,444	6,089	(1,396)	(2,709)	5,871	3,371	347,003	327,451
Economic Affairs	325	154	372	796	(47)	(642)	114	–	2,844	2,556
General purpose income	8,786	7,559	–	–	8,786	7,559	5,826	5,378	–	–
<b>Total functions and activities</b>	<b>19,460</b>	<b>17,040</b>	<b>15,598</b>	<b>14,870</b>	<b>3,862</b>	<b>2,170</b>	<b>14,096</b>	<b>12,312</b>	<b>411,325</b>	<b>381,666</b>

## 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	2023	2022
<b>Ordinary rates</b>		
Residential	417	411
Farmland	2,118	2,077
Business	108	105
Less: pensioner rebates	(29)	(30)
<b>Rates levied to ratepayers</b>	<b>2,614</b>	<b>2,563</b>
Pensioner rate subsidies received	16	16
<b>Total ordinary rates</b>	<b>2,630</b>	<b>2,579</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	421	411
Sewerage services	537	532
Waste management services (not domestic)	113	111
Less: pensioner rebates	(50)	(51)
<b>Annual charges levied</b>	<b>1,021</b>	<b>1,003</b>
Pensioner annual charges subsidies received:		
– Sewerage	10	10
– Domestic waste management	18	18
<b>Total annual charges</b>	<b>1,049</b>	<b>1,031</b>
<b>Total rates and annual charges</b>	<b>3,679</b>	<b>3,610</b>
<b>Timing of revenue recognition for rates and annual charges</b>		
Rates and annual charges recognised at a point in time (2)	3,679	3,610
<b>Total rates and annual charges</b>	<b>3,679</b>	<b>3,610</b>

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	2023	2022
<b>User charges</b>			
Sewerage services	2	44	20
<b>Total user charges</b>		<b>44</b>	<b>20</b>
<b>Fees</b>			
Inspection services	2	26	26
Planning and building regulation	2	59	56
Private works – section 67	2	127	58
Regulatory/ statutory fees	2	1	1
Section 10.7 certificates (EP&A Act)	2	9	10
Section 603 certificates	2	9	9
Town planning	2	47	46
Tipping fees	2	31	30
Caravan park	2	43	47
Cemeteries	2	103	41
Quarry revenues	2	3	5
OOSH fees	2	138	172
Scrap metal sales – from tips	2	24	37
Other	2	9	17
<b>Total fees</b>		<b>629</b>	<b>555</b>
<b>Total user charges and fees</b>		<b>673</b>	<b>575</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised at a point in time (2)		673	575
<b>Total user charges and fees</b>		<b>673</b>	<b>575</b>

### Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. 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	2023	2022
Diesel rebate	2	46	52
Recycling income (non-domestic)	2	21	10
Garbage bins sales	2	4	4
Employee contribution to vehicle	2	10	9
Foodshop inspection	2	2	2
Insurance policy rebates/dividend	2	14	18
RockOOSH fees	2	17	10
RFS reimbursement	2	-	-
Other	2	60	51
S355 Committee income	2	340	257
<b>Total other revenue</b>		<b>514</b>	<b>413</b>
<b>Timing of revenue recognition for other revenue</b>			
Other revenue recognised at a point in time (2)		514	413
<b>Total other revenue</b>		<b>514</b>	<b>413</b>

### 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 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	781	1,257	–	–
Financial assistance – local roads component	2	449	738	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	2,909	1,923	–	–
Financial assistance – local roads component	2	1,688	1,145	–	–
<b>Amount recognised as income during current year</b>		<b>5,827</b>	<b>5,063</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
Bushfire and emergency services	2	–	84	–	–
Economic development	2	111	–	–	–
Employment and training programs	2	191	125	–	–
Environmental programs	2	117	–	–	1,612
Heritage and cultural	2	3	7	–	–
Library	2	67	66	–	–
Noxious weeds	2	55	55	–	–
Storm/flood damage	2	–	474	–	–
Country passenger transport grant	2	–	–	–	5
Food & Organics Grant	2	–	46	–	–
Flood mitigation voluntary purchase	2	–	462	–	–
Heritage fund submission	2	3	3	–	–
Local lands service – Brookong Creek Res	2	7	–	–	–
Street lighting	2	4	4	–	–
Museum advisor	2	11	10	–	–
Museum upgrade	2	–	5	–	–
Yerong Creek Oval Irrigation	2	–	–	20	–
RockOOSH sustainability grants	2	27	27	–	–
Stronger Country Communities Fund	1	–	–	336	–
Youth activities	2	–	18	–	–
Museum/Showground Riv Water Grants	2	–	29	25	–
Local Roads and Community Infrastructure	1	–	–	1,090	487
Mosquito Control	2	3	–	–	–
Stronger Country Community Fund Rd 2 & 3	1	–	8	–	252
Growing Local Economy	1	–	–	–	–
Regional Planning	2	–	–	–	31
Transport (roads to recovery)	2	638	920	–	–
Drought Communities	1	–	–	–	17
Fixing Local Roads	2	–	–	–	767
Recreation and culture	2	6	6	42	–
Sewerage SSWP IWCM	2	24	–	–	–
Covid support	2	–	90	–	–
Other specific grants	2	5	38	–	–
Disaster Funding Jan 23 Event	2	1,000	–	–	–
Pothole Repair	2	457	–	–	–
DRFA Storm 22 Repair Grant	2	197	–	–	–
Regional & Local Rd Repair Program	2	2,427	–	–	–
<b>Previously contributions:</b>					
Transport for NSW contributions (regional roads, block grant)	2	933	871	–	–
RMS RRRP grant	2	26	157	–	–

## B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
RMS regional roads traffic facilities	2	88	71	–	–
RMS regional roads supplementary	2	101	101	–	–
RFS Fire Shed	2	–	–	191	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>6,501</b>	<b>3,677</b>	<b>1,704</b>	<b>3,171</b>
<b>Non-cash contributions</b>					
Recreation and culture	2	–	–	–	353
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>353</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>6,501</b>	<b>3,677</b>	<b>1,704</b>	<b>3,524</b>
<b>Total grants and non-developer contributions</b>		<b>12,328</b>	<b>8,740</b>	<b>1,704</b>	<b>3,524</b>
<b>Comprising:</b>					
– Commonwealth funding		6,491	6,010	1,090	504
– State funding		2,386	2,671	565	2,666
– Other funding		3,451	59	49	354
		<b>12,328</b>	<b>8,740</b>	<b>1,704</b>	<b>3,524</b>

## Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.12 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.12 – fixed development consent levies		2	–	–	64	48
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>64</b>	<b>48</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>64</b>	<b>48</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>64</b>	<b>48</b>
<b>Total grants and contributions</b>			<b>12,328</b>	<b>8,740</b>	<b>1,768</b>	<b>3,572</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			–	–	1,426	–
Grants and contributions recognised at a point in time (2)			12,328	8,740	342	3,572
<b>Total grants and contributions</b>			<b>12,328</b>	<b>8,740</b>	<b>1,768</b>	<b>3,572</b>

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	217	144	798	118
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	3,434	40	–	–
<b>Add:</b> Funds received and not recognised as revenue in the current year	36	146	992	798
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(43)	(99)	–	(118)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(3)	(14)	(798)	–
<b>Unspent funds at 30 June</b>	<b>3,641</b>	<b>217</b>	<b>992</b>	<b>798</b>
<b>Contributions</b>				
Unspent contributions at 1 July	48	–	256	256
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	48	64	–
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
<b>Unspent contributions at 30 June</b>	<b>48</b>	<b>48</b>	<b>320</b>	<b>256</b>

### Accounting policy

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

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

The performance obligations vary according to the agreement 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	2023	2022
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	19	16
– Cash and investments	362	23
<b>Total interest and investment income (losses)</b>	<b>381</b>	<b>39</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	14	12
General Council cash and investments	345	14
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	10	1
Sewerage fund operations	12	12
<b>Total interest and investment income</b>	<b>381</b>	<b>39</b>

### Accounting policy

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

## B2-6 Other income

\$ '000	Notes	2023	2022
<b>Rental income</b>			
<b>Other lease income</b>			
Commercial Rents		22	21
Housing Rents		68	67
<b>Total other lease income</b>		<b>90</b>	<b>88</b>
<b>Total rental income</b>	C2-2	<b>90</b>	<b>88</b>
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		-	3
<b>Total net share of interests in joint ventures and associates using the equity method</b>	D2-1	<b>-</b>	<b>3</b>
<b>Total other income</b>		<b>90</b>	<b>91</b>



## B3 Costs of providing services

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

\$ '000	2023	2022
Salaries and wages	3,456	3,363
Employee leave entitlements (ELE)	482	481
Superannuation	407	381
Workers' compensation insurance	109	97
Fringe benefit tax (FBT)	39	34
Training costs (other than salaries and wages)	–	19
<b>Total employee costs</b>	<b>4,493</b>	<b>4,375</b>
Less: capitalised costs	(469)	(820)
<b>Total employee costs expensed</b>	<b>4,024</b>	<b>3,555</b>
Number of 'full-time equivalent' employees (FTE) at year end	54	53

#### 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 future payments is available.

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

## B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		3,471	2,389
Contractor costs		267	277
Audit Fees	F2-1	52	59
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	166	140
Advertising		9	11
Bank charges		13	17
Cleaning		14	13
Computer software and maintenance		179	179
Election expenses		–	29
Electricity and heating		106	102
Fire control expenses		–	6
Insurance		281	237
Office supplies and stationery		14	17
Postage		10	13
Printing and photocopying		2	–
Street lighting		46	41
Subscriptions and memberships		54	50
Telephone and communications		64	58
Tourism expenses (excluding employee costs)		19	128
Valuation fees		26	22
Travel expenses		96	94
Training costs (other than salaries and wages)		56	47
Other expenses		7	48
DCP, S94 and S64 plans updates		58	–
Newsletter		5	5
Land Development Costs		17	10
<b>Legal expenses:</b>			
– Legal expenses: other		5	3
Expenses from leases of low value assets		33	35
Variable lease expense relating to usage		3	3
Other		–	6
<b>Total materials and services</b>		<b>5,073</b>	<b>4,039</b>
<b>Total materials and services</b>		<b>5,073</b>	<b>4,039</b>

### Accounting policy

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

## B3-3 Borrowing costs

\$ '000	2023	2022
<b>(i) Interest bearing liability costs</b>		
Interest on loans	149	158
<b>Total interest bearing liability costs</b>	<b>149</b>	<b>158</b>
<b>Total interest bearing liability costs expensed</b>	<b>149</b>	<b>158</b>
<b>Total borrowing costs expensed</b>	<b>149</b>	<b>158</b>

### Accounting policy

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

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

\$ '000	Notes	2023	2022 Restated
<b>Depreciation and amortisation</b>			
Plant and equipment		487	503
Office equipment		43	41
Furniture and fittings		6	6
<b>Infrastructure:</b>	C1-6		
– Buildings – non-specialised		104	103
– Buildings – specialised		351	363
– Other structures		27	25
– Roads		2,804	2,553
– Bridges		110	102
– Footpaths		45	42
– Culverts		358	321
– Stormwater drainage		29	6
– Sewerage network		265	255
– Swimming pools		176	155
– Other open space/recreational assets		318	307
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets		22	22
– Quarry asset	C3-5,C1-6	151	–
Gravel Assets		–	–
<b>Total depreciation and amortisation costs</b>		<b>5,296</b>	<b>4,804</b>
<b>Total depreciation and amortisation costs</b>		<b>5,296</b>	<b>4,804</b>
<b>Total depreciation and amortisation</b>		<b>5,296</b>	<b>4,804</b>

### Accounting policy

#### Depreciation and amortisation

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

#### Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are 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	2023	2022
<b>Other</b>		
Contributions/levies to other levels of government		
– Emergency services levy	9	5
– NSW fire brigade levy	22	20
– NSW rural fire service levy	274	205
– Contribution – REROC	43	43
– Contribution – Riverina Regional Library	140	139
– Contribution – sec 355 committees	74	76
– Contribution – sec 356	61	57
– Other contributions/levies	–	4
S355 committee expenses	433	265
Write-down of inventories held for sale or distribution	–	16
<b>Total other</b>	<b>1,056</b>	<b>830</b>
<b>Total other expenses</b>	<b>1,056</b>	<b>830</b>

### Accounting policy

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

Impairment expenses are recognised when identified.

## B4 Gains or losses

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

\$ '000	Notes	2023	2022
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		1	–
Less: carrying amount of property assets sold/written off		(105)	(401)
<b>Gain (or loss) on disposal</b>		<b>(104)</b>	<b>(401)</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		658	156
Less: carrying amount of plant and equipment assets sold/written off		(527)	(190)
<b>Gain (or loss) on disposal</b>		<b>131</b>	<b>(34)</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		–	(668)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(668)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-4		
Proceeds from disposal – real estate assets		120	222
Less: carrying amount of real estate assets sold/written off		(120)	(256)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(34)</b>
<b>Voluntary Purchase Property</b>			
Proceeds from disposal – Voluntary Purchase Property		–	–
Less: carrying amount of Voluntary Purchase Property sold/written off		–	(347)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(347)</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>27</b>	<b>(1,484)</b>

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

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	3,715	3,679	(36)	(1)% <b>U</b>
<b>User charges and fees</b>	477	673	196	41% <b>F</b>
Council received additional income from Private Works \$92k, Cemeteries Fees \$53k and Sewer Connection Fees \$30k.				
<b>Other revenues</b>	236	514	278	118% <b>F</b>
Council received additional income from Section 355 Committee revenue \$340k.				
<b>Operating grants and contributions</b>	6,423	12,328	5,905	92% <b>F</b>
As a result of receiving the Advance Financial Assistance Grants payment.				
<b>Capital grants and contributions</b>	-	1,768	1,768	∞ <b>F</b>
As a result of grant programs from both State and Federal Governments there were 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 4 \$336k and Local Roads & Community Infrastructure Phase 3 \$1,070k.				
<b>Interest and investment revenue</b>	47	381	334	711% <b>F</b>
Increased revenue from the significant change in interest rates on term deposits from the previous 12 months.				
<b>Net gains from disposal of assets</b>	-	27	27	∞ <b>F</b>
<b>Other income</b>	-	90	90	∞ <b>F</b>
Variance mainly due to inconsistency with classification of certain expense items in the Budget to that of the general purpose financial statements.				

## B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	3,636	4,024	(388)	(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, where salaries, plant, creditors and stores can be costed to the same general ledger account.				
<b>Materials and services</b>	2,786	5,073	(2,287)	(82)% U
The variance is mainly as a result of expenditure on grant funded projects. The expenditure was for the following grant funded programs: Regional & Local Roads Repair Program (RLRRP) \$200k, Disaster Recovery Funding Arrangements (DRFA) \$833k, Pot Hole Funding \$178k and over budget expenditure on Unsealed Rural Roads \$245k.				
<b>Borrowing costs</b>	152	149	3	2% F
<b>Depreciation, amortisation and impairment of non-financial assets</b>	3,491	5,296	(1,805)	(52)% U
Increases in depreciation for Culverts \$243k as a result of revaluation and accounting for prior period error. Budget was underestimated for Roads and Associated Infrastructure \$630k, Specialised Buildings \$167k, Sewer network \$70k, Swimming Pools \$75k and Open Spaces & Recreational Assets \$226k.				
<b>Other expenses</b>	580	1,056	(476)	(82)% U
Due to bringing to account the expenditure from Council's Section 355 committees which was not included in Council's adopted Budget \$433k.				
<b>Net losses from disposal of assets</b>	-	-	-	∞ F
<b>Statement of cash flows</b>				
<b>Cash flows from operating activities</b>	3,821	9,125	5,304	139% F
Increase in State and Federal Government grant programs has resulted in cashflows exceeding budget.				
<b>Cash flows from investing activities</b>	(3,457)	(4,187)	(730)	21% U
Cash flows from investing activities was up due to the increase in construction of IPPE assets.				
<b>Cash flows from financing activities</b>	(179)	(181)	(2)	1% U

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2023	2022
<b>Cash assets</b>		
Cash on hand and at bank	510	2,419
Cash equivalent assets		
– Deposits at call	66	100
– Short-term deposits	14,850	8,150
<b>Total cash and cash equivalents</b>	<b>15,426</b>	<b>10,669</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	15,426	10,669
<b>Balance as per the Statement of Cash Flows</b>	<b>15,426</b>	<b>10,669</b>

#### Accounting policy

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

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>15,426</b>	10,669
Less: Externally restricted cash, cash equivalents and investments	(7,336)	(3,576)
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>8,090</b>	7,093
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	1,170	944
<b>External restrictions – included in liabilities</b>	<b>1,170</b>	944
<b>External restrictions</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	379	305
Specific purpose unexpended grants (recognised as revenue) – general fund	3,463	71
Sewer fund	2,324	2,256
<b>External restrictions – other</b>	<b>6,166</b>	2,632
<b>Total external restrictions</b>	<b>7,336</b>	3,576

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	2023	2022
<b>(b) Internal allocations</b>		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>8,090</b>	<b>7,093</b>
Less: Internally restricted cash, cash equivalents and investments	<u>(7,922)</u>	<u>(6,427)</u>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>168</b>	<b>666</b>

**Internal allocations**

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

Plant and vehicle replacement	52	13
Employees leave entitlement	831	831
Systems & IT Improvements	177	177
Advance financial assistance – general	2,909	1,936
Advance financial assistance – roads	1,688	1,144
Economic development	75	75
Future election expenses	36	24
Galore Hill reserve	16	16
Lockhart recreation ground	–	10
Waste Management Reserve	25	25
Buildings	146	146
Rehabilitation Reserve	261	257
Disaster Recovery	418	418
Future Infrastructure Development	836	836
Community Financial Assist S356	70	56
Tim Fischer Bequest	66	100
Bonds & Retentions	18	38
Section 355 Committee Funds	<u>298</u>	<u>325</u>
<b>Total internal allocations</b>	<b>7,922</b>	<b>6,427</b>

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

\$ '000	2023	2022
<b>(c) Unrestricted and unallocated</b>		
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>168</b>	<b>666</b>



## C1-3 Receivables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Rates and annual charges	364	–	315	–
User charges and fees	–	–	7	–
Accrued revenues				
– Interest on investments	50	–	9	–
Deferred debtors	9	68	9	77
Government grants and subsidies	653	–	592	–
Net GST receivable	121	–	112	–
<b>Total</b>	<b>1,197</b>	<b>68</b>	<b>1,044</b>	<b>77</b>
<b>Total net receivables</b>	<b>1,197</b>	<b>68</b>	<b>1,044</b>	<b>77</b>

### Accounting policy

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

### Impairment

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

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

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

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

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

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

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

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

## C1-4 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	241	-	361	-
Stores and materials	663	-	546	-
<b>Total inventories at cost</b>	<b>904</b>	<b>-</b>	<b>907</b>	<b>-</b>
<b>Total inventories</b>	<b>904</b>	<b>-</b>	<b>907</b>	<b>-</b>

### (i) Other disclosures

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>(a) Details for real estate development</b>					
Industrial/commercial		241	-	361	-
<b>Total real estate for resale</b>		<b>241</b>	<b>-</b>	<b>361</b>	<b>-</b>
Real estate assets at beginning of the year		361	-	628	-
– Purchases and other costs		-	-	5	-
– WDV of sales (expense)	B4-1	(120)	-	(256)	-
– Write down of real estate inventory		-	-	(16)	-
<b>Total real estate for resale</b>		<b>241</b>	<b>-</b>	<b>361</b>	<b>-</b>

### (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	2023	2022
Real estate for resale	50	170
	<b>50</b>	<b>170</b>

### Accounting policy

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

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

#### Land held for resale

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

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

## C1-5 Contract assets and Contract cost assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Contract assets	541	-	468	-
<b>Total contract assets and contract cost assets</b>	<b>541</b>	<b>-</b>	<b>468</b>	<b>-</b>

### Contract assets

Work relating to infrastructure grants	541	-	468	-
<b>Total contract assets</b>	<b>541</b>	<b>-</b>	<b>468</b>	<b>-</b>

### **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 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	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
<b>\$ '000</b>													
Capital work in progress	117	–	117	751	556	–	–	(23)	–	–	1,401	–	1,401
Plant and equipment	7,427	(2,943)	4,484	–	1,023	(527)	(487)	–	–	–	7,453	(2,960)	4,493
Office equipment	430	(186)	244	17	45	(7)	(43)	–	–	–	451	(195)	256
Furniture and fittings	174	(122)	52	–	11	–	(6)	–	–	–	185	(128)	57
<b>Land:</b>													
– Operational land	2,085	–	2,085	7	–	–	–	–	–	–	2,092	–	2,092
– Community land	3,185	–	3,185	–	–	–	–	–	–	1,221	4,406	–	4,406
<b>Infrastructure:</b>													
– Buildings – non-specialised	7,199	(2,859)	4,340	129	60	–	(104)	–	–	497	7,389	(2,467)	4,922
– Buildings – specialised	18,506	(8,177)	10,329	29	162	–	(351)	4	–	1,316	18,697	(7,208)	11,489
– Other structures	553	(270)	283	–	52	–	(27)	–	–	27	605	(270)	335
– Roads (incls Kerb & Gutter, Causeways and Earthworks)	329,047	(39,256)	289,791	1,674	–	–	(2,804)	19	–	18,458	348,425	(41,287)	307,138
– Bridges	7,969	(2,356)	5,613	–	–	–	(110)	–	–	293	8,238	(2,442)	5,796
– Footpaths	2,654	(816)	1,838	28	–	–	(45)	–	–	116	2,795	(858)	1,937
– Culverts	31,079	(6,237)	24,842	33	–	–	(358)	–	–	1,827	32,951	(6,606)	26,345
– Stormwater drainage	4,218	(333)	3,885	–	–	–	(29)	–	–	32	4,200	(312)	3,888
– Sewerage network	17,785	(7,796)	9,989	–	–	–	(265)	–	–	1,086	17,937	(7,127)	10,810
– Swimming pools	4,602	(393)	4,209	14	–	–	(176)	–	–	227	4,616	(342)	4,274
– Other open space/recreational assets	4,893	(2,368)	2,525	117	237	(97)	(318)	–	–	546	5,173	(2,163)	3,010
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>													
Tip assets	373	(22)	351	–	–	–	(22)	–	31	–	404	(44)	360
Gravel assets	204	–	204	–	–	–	(151)	–	(3)	–	201	(151)	50
<b>Total infrastructure, property, plant and equipment</b>	<b>442,500</b>	<b>(74,134)</b>	<b>368,366</b>	<b>2,799</b>	<b>2,146</b>	<b>(631)</b>	<b>(5,296)</b>	<b>–</b>	<b>28</b>	<b>25,646</b>	<b>467,619</b>	<b>(74,560)</b>	<b>393,059</b>

(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 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated
<b>\$ '000</b>													
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
<b>Land:</b>													
– 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
<b>Infrastructure:</b>													
– 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 and Bulk Earthworks	301,861	(36,602)	265,259	891	1,318	(599)	(2,553)	–	–	25,475	329,047	(39,256)	289,791
– 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
– Culverts	27,627	(5,816)	21,811	–	1,804	(67)	(320)	–	–	1,614	31,079	(6,237)	24,842
– 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
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>													
Tip assets	386	–	386	–	–	–	(22)	–	(13)	–	373	(22)	351
– Quarry assets	–	–	–	–	–	–	–	–	204	–	204	–	204
<b>Total infrastructure, property, plant and equipment</b>	<b>404,824</b>	<b>(68,063)</b>	<b>336,761</b>	<b>1,477</b>	<b>5,249</b>	<b>(1,603)</b>	<b>(4,803)</b>	<b>–</b>	<b>191</b>	<b>31,094</b>	<b>442,500</b>	<b>(74,134)</b>	<b>368,366</b>

(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	N/A
- Stormwater drainage	50 to 175
- Culverts	70 to 100
- 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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	17	–	22	–
<b>Total other assets</b>	<b>17</b>	<b>–</b>	<b>22</b>	<b>–</b>

## 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	2023	2022
Variable lease payments based on usage	3	3
Expenses relating to low-value leases	33	35
	<b>36</b>	<b>38</b>

#### (b) Statement of Cash Flows

Total cash outflow for leases	36	38
	<b>36</b>	<b>38</b>

#### 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	2023	2022
<b>(i) Assets held as property, plant and equipment</b>		
Council provides operating leases on Council buildings for the purpose of a medical centre and housing, land for the purpose of 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)	90	88
<b>Total income relating to operating leases for Council assets</b>	<b>90</b>	<b>88</b>

### Amount of IPPE leased out by Council under operating leases

Land	685	685
Buildings	2,519	2,334
<b>Total amount of IPPE leased out by Council under operating leases</b>	<b>3,204</b>	<b>3,019</b>

### (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	3	13
1–2 years	3	3
2–3 years	–	1
<b>Total undiscounted lease payments to be received</b>	<b>6</b>	<b>17</b>

### 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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services – operating expenditure	424	–	223	2
Accrued expenses:				
– Borrowings	24	–	25	–
– Salaries and wages	102	–	94	–
– Other expenditure accruals	23	–	29	–
Prepaid rates	84	–	89	–
Security bonds, deposits and retentions	84	–	115	–
Other	26	–	24	–
<b>Total payables</b>	<b>767</b>	<b>–</b>	<b>599</b>	<b>2</b>

#### Accounting policy

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

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	992	-	798	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	178	-	146	-
<b>Total contract liabilities</b>		<b>1,170</b>	<b>-</b>	<b>944</b>	<b>-</b>

### 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	2023	2022
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	798	99
Operating grants (received prior to performance obligation being satisfied)	146	118
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>944</b>	<b>217</b>

### Accounting policy

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

### C3-3 Borrowings

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	188	2,984	172	3,181
<b>Total borrowings</b>	<b>188</b>	<b>2,984</b>	<b>172</b>	<b>3,181</b>

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

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

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

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	3,353	(181)	–	–	–	–	3,172
<b>Total liabilities from financing activities</b>	<b>3,353</b>	<b>(181)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,172</b>

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

### C3-3 Borrowings (continued)

\$ '000	2023	2022
<b>Total facilities</b>		
Credit cards/purchase cards	15	15
<b>Total financing arrangements</b>	<b>15</b>	<b>15</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	5	–
<b>Total drawn financing arrangements</b>	<b>5</b>	<b>–</b>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	10	15
<b>Total undrawn financing arrangements</b>	<b>10</b>	<b>15</b>

#### Accounting policy

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

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.

#### Breaches and defaults

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

### C3-4 Employee benefit provisions

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Annual leave	313	–	315	–
Long service leave	508	95	550	89
Employee leave entitlements on-costs	34	2	39	2
<b>Total employee benefit provisions</b>	<b>855</b>	<b>97</b>	<b>904</b>	<b>91</b>

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	561	573
	<b>561</b>	<b>573</b>

#### 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	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	771	–	788
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>771</b>	<b>–</b>	<b>788</b>
<b>Total provisions</b>	<b>–</b>	<b>771</b>	<b>–</b>	<b>788</b>

### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2023</b>		
At beginning of year	788	788
Remeasurement effects	(17)	(17)
Total remediation/restoration provisions at end of year	771	771
<b>2022</b>		
At beginning of year	386	386
Remeasurement effects	402	402
Total remediation/restoration provisions at end of year	788	788

### Nature and purpose of provisions

#### Asset remediation

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

### Accounting policy

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

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

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

### Asset remediation – tips and quarries

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

---

#### **IPPE Revaluation reserve**

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



## D Council structure

### D1 Results by fund

General fund refers to all Council activities other than 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 2023	Sewer 2023
<b>Income from continuing operations</b>		
Rates and annual charges	3,149	530
User charges and fees	630	43
Interest and investment revenue	368	13
Other revenues	514	–
Grants and contributions provided for operating purposes	12,304	24
Grants and contributions provided for capital purposes	1,768	–
Net gains from disposal of assets	27	–
Other income	90	–
<b>Total income from continuing operations</b>	<b>18,850</b>	<b>610</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,916	108
Materials and services	4,769	304
Borrowing costs	116	33
Depreciation, amortisation and impairment of non-financial assets	5,031	265
Other expenses	1,056	–
<b>Total expenses from continuing operations</b>	<b>14,888</b>	<b>710</b>
<b>Operating result from continuing operations</b>	<b>3,962</b>	<b>(100)</b>
<b>Net operating result for the year</b>	<b>3,962</b>	<b>(100)</b>
<b>Net operating result attributable to each council fund</b>	<b>3,962</b>	<b>(100)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,194</b>	<b>(100)</b>

## D1-2 Statement of Financial Position by fund

\$ '000	General 2023	Sewer 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,102	2,324
Receivables	1,050	147
Inventories	904	–
Contract assets and contract cost assets	541	–
Other	17	–
<b>Total current assets</b>	<b>15,614</b>	<b>2,471</b>
<b>Non-current assets</b>		
Receivables	68	–
Infrastructure, property, plant and equipment	382,250	10,809
Investments accounted for using the equity method	113	–
<b>Total non-current assets</b>	<b>382,431</b>	<b>10,809</b>
<b>Total assets</b>	<b>398,045</b>	<b>13,280</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	764	3
Contract liabilities	1,170	–
Borrowings	147	41
Employee benefit provision	855	–
<b>Total current liabilities</b>	<b>2,936</b>	<b>44</b>
<b>Non-current liabilities</b>		
Borrowings	2,207	777
Employee benefit provision	97	–
Provisions	771	–
<b>Total non-current liabilities</b>	<b>3,075</b>	<b>777</b>
<b>Total liabilities</b>	<b>6,011</b>	<b>821</b>
<b>Net assets</b>	<b>392,034</b>	<b>12,459</b>
<b>EQUITY</b>		
Accumulated surplus	237,480	7,028
Revaluation reserves	154,554	5,431
<b>Council equity interest</b>	<b>392,034</b>	<b>12,459</b>
<b>Total equity</b>	<b>392,034</b>	<b>12,459</b>

## D2 Interests in other entities

\$ '000	Council's share of net assets	
	2023	2022
<b>Council's share of net assets</b>		
<b>Net share of interests in joint ventures and associates using the equity method – assets</b>		
Joint ventures	113	113
<b>Total net share of interests in joint ventures and associates using the equity method – assets</b>	<b>113</b>	<b>113</b>
<b>Total Council's share of net assets</b>	<b>113</b>	<b>113</b>

### D2-1 Interests in joint arrangements

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

\$ '000	Place of business	Nature of relationship	Interest in ownership			
			2023	2022	2023	2022
Riverina Regional Library	Lockhart Milbrulong Pleasant Hills The Rock Yerong Creek	Joint venture	3.5%	2.3%	113	113

#### Riverina Regional Library

The Riverina Regional Library (RRL) is the largest regional library service in NSW. It provides library services to approximately 87,000 constituents of 10 local government areas, those being the shires of Bland, Coolamon, Cootamundra-Gundagai, Federation, Greater Hume, Junee, Leeton, Lockhart, Snowy Valleys and Temora. The service consists of 19 stationary library branches and a mobile library spread over an area of 44,258 sq km.

Sections 11 and 12 of the NSW Library Act 1939 provide for the joint provision of library services by two or more Councils under the Executive Council model. This is the only model under which a regional library may operate in NSW, and requires participating Councils to appoint an Executive Council to administer library services on their behalf.

RRL operates under a Deed of Agreement which is reviewed every 5 years. The Agreement was last reviewed in 2022.

While Council is a participant in the RRL joint arrangement, the level of participation is not individually material to Council's operations.

#### 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	2023	2022
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	106	83

## 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 rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
<b>2023</b>				
Gross carrying amount	194	146	24	364
2022				
Gross carrying amount	156	140	19	315

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

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2023</b>						
Gross carrying amount	1,360	1	–	–	81	1,442
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
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	–	–	–	–	–	–

## 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		
<b>2023</b>							
Payables	0.00%	84	573	26	–	683	767
Borrowings	4.42%	–	331	1,324	2,564	4,219	3,172
<b>Total financial liabilities</b>		<b>84</b>	<b>904</b>	<b>1,350</b>	<b>2,564</b>	<b>4,902</b>	<b>3,939</b>
<b>2022</b>							
Payables	0.00%	115	395	2	–	512	601
Borrowings	4.42%	–	331	1,324	2,895	4,550	3,353
<b>Total financial liabilities</b>		<b>115</b>	<b>726</b>	<b>1,326</b>	<b>2,895</b>	<b>5,062</b>	<b>3,954</b>

## E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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	
		2023	2022	2023	2022 Restated	2023	2022 Restated
<b>Recurring fair value measurements</b>							
<b>Infrastructure, property, plant and equipment</b> <span style="float: right;">C1-6</span>							
Plant and equipment		–	–	4,493	4,484	4,493	4,484
Office equipment		–	–	256	244	256	244
Furniture and fittings		–	–	57	52	57	52
Operational land		2,092	2,085	–	–	2,092	2,085
Community land		–	–	4,406	3,185	4,406	3,185
Buildings – non-specialised		4,922	4,340	–	–	4,922	4,340
Buildings – specialised		–	–	11,489	10,329	11,489	10,329
Other structures		–	–	335	283	335	283
Roads, bridges, footpaths and bulk earthworks		–	–	314,871	297,242	314,871	297,242
Culverts		–	–	26,345	24,842	26,345	24,842
Stormwater drainage		–	–	3,888	3,885	3,888	3,885
Sewerage network		–	–	10,810	9,989	10,810	9,989
Swimming pools		–	–	4,274	4,209	4,274	4,209
Other open space/recreational assets		–	–	3,010	2,525	3,010	2,525
Tip assets		–	–	360	351	360	351
Gravel Pit Asset		–	–	50	204	50	204
<b>Total infrastructure, property, plant and equipment</b>		<b>7,014</b>	<b>6,425</b>	<b>384,644</b>	<b>361,824</b>	<b>391,658</b>	<b>368,249</b>

### 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 and Equipment.

### Furniture & Fittings

Council's Furniture and Fittings incorporates:

- Furniture and fittings – Desks, Chairs, Display Systems

Council fair values furniture and 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 and Fittings.

### Office Equipment

Council's Office Equipment incorporates:

- Office Equipment: computers, servers, 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 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. (Univerus Assets)

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



## E2-1 Fair value measurement (continued)

---

- Asset Condition
- 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 2023. 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.

### 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 2023. 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 2023. A revaluation as at 30 June 2021 was undertaken inhouse by council's engineering and finance staff.

### Infrastructure – Culverts

Council's Culverts Assets comprise box culverts, pipe culverts and headwalls used to collect and remove stormwater. Council carries fair values culverts 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 culvert assets takes into consideration the various type of structure such as

## E2-1 Fair value measurement (continued)

- Culvert type (pipe or box)
- Length
- Construction Type

The 'Unit Rates Approach' is used to value culvert assets. A revaluation has been undertaken internally for Culverts as at 30 June 2023.

### Infrastructure – Drainage

Council's Drainage Assets comprise pits, pipes, open channels used to collect and remove stormwater. Council carries fair values drainage 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
- Pit Type
- Water Quality Device Type

The 'Unit Rates Approach' is used to value drainage assets as at 30 June 2022.

### 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 2022 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 2023, using the latest NSW Valuer General Valuation dated 1 July 2022.

### Property – Buildings (Specialised and non-Specialised)

## E2-1 Fair value measurement (continued)

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. Valuation techniques were consistent with prior year's with the addition of indexation for year ended 30 June 2023

### Other Structures, Swimming Pools, Open Space & Recreation:

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

- 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 2023.

### 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 2023 using the prescribed NSW Water Supply & Sewerage Construction Cost Indices.

## E2-1 Fair value measurement (continued)

### 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.

#### 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 (30/6/23) 2023	Valuation techniques are cost, market and income approach	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant, equipment, furniture, fittings and office equipment	4,806	Cost approach	Gross replacement cost, useful life and residual value
Community Land	4,406	Market approach. Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Specialised buildings	11,489	Cost approach	Gross replacement cost, useful life and residual value, asset condition
Other structures	335	Cost approach	Gross replacement cost, useful life and residual value, asset condition
Roads, bridges, footpaths, earthworks	314,871	Cost approach	Asset condition, unit rate and dimensions, remaining lives
Culverts	26,345	Cost approach	Asset condition, unit rate and diensions, remaining lives
Stormwater drainage	3,888	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Sewerage Network	10,810	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Swimming Pools	4,274	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Other open space/recreational assets	3,010	Cost approach	Asset condition and remaining lives, gross replacement cost, residual value
Tip & Gravel Pit assets	410	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 2023	2022 Restated
<b>Balance at 1 July</b>	<b>361,824</b>	330,231
<b>Total gains or losses for the period</b>		
Recognised in other comprehensive income – revaluation surplus	<b>25,149</b>	30,136
<b>Other movements</b>		
Purchases	<b>3,442</b>	6,263
Disposals	<b>(631)</b>	(867)
Depreciation and impairment	<b>(5,191)</b>	(4,700)
WIP Transfers	<b>23</b>	582
Adjustments and Transfers	<b>28</b>	179
<b>Balance at 30 June</b>	<b>384,644</b>	361,824

## E2-1 Fair value measurement (continued)

---

**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.

### Contingent liability

#### (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:

- 1) Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
  - 2) 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;
  - 3) Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
  - 4) The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.
- Given the factors set out 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). As such we do not believe that there is sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan. As a result we believe that each sponsoring employer should account for the subgroup under paragraph 34 of the Standard and in particular the additional disclosure requirements set out in paragraph 148 apply (see Appendix).

#### Disclosure items under paragraph 148

We have set out below the disclosure requirements under paragraph 148 of the Standard for each sponsoring employer. These disclosure requirements should be verified with the sponsoring employers' relevant auditors.

*(a) a description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.*

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

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

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

\* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

*(b) a description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.*

As stated 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.

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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

*(c) a description of any agreed allocation of a deficit or surplus on:*

*(i) wind-up of the plan*

## E3-1 Contingencies (continued)

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

*(ii) the entity's withdrawal from the plan*

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

*(a) Given the entity accounts for that plan as if it were a defined contribution plan in accordance with paragraph 34, the following information:*

*(i) the fact that the plan is a defined benefit plan.*

*We confirm the plan is a defined benefit plan.*

*(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.*

See earlier section on "AASB119 accounting observations".

*(iii) the expected contributions to the plan for the next annual reporting period.*

See cover letter

*(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.*

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

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

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

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

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

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2023.

### **(ii) Statewide Limited**

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

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

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

### **(iii) StateCover Limited**

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

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

## E3-1 Contingencies (continued)

---

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.

### Other liabilities

#### (i) Third party claims

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

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

#### (ii) 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.

### CONTINGENT ASSET

#### (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	2023	2022
<b>Compensation:</b>		
Short-term benefits	657	617
Post-employment benefits	56	51
Other long-term benefits	14	13
<b>Total</b>	<b>727</b>	<b>681</b>

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

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed. Lockhart is a very small Council and no related parties are employed at Council.

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
<b>2023</b>					
Councillor Rockliff / Lockhart Newsagency	6	-	Creditor 30 day account	-	-
Mayor Schirmer / MWS Fabrication	55	-	Creditor 30 day account	-	-
Councillor Rockliff / Billabong Motors	9	-		-	-
Councillor Hunter / Prominda	22	-		-	-
Councillor Mathews / Lockhart IGA	5	-	Creditor 30 day account	-	-
<b>2022</b>					
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	-	-

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

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	28	24
Councillors' fees	100	95
Other Councillors' expenses (including Mayor)	38	21
<b>Total</b>	<b>166</b>	<b>140</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2023	2022
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	34	55
<b>Remuneration for audit and other assurance services</b>	<b>34</b>	<b>55</b>
<b>Total Auditor-General remuneration</b>	<b>34</b>	<b>55</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Internal Audit	18	4
<b>Remuneration for audit and other assurance services</b>	<b>18</b>	<b>4</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>18</b>	<b>4</b>
<b>Total audit fees</b>	<b>52</b>	<b>59</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
<b>Net operating result from Income Statement</b>	<b>3,862</b>	2,170
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	5,296	4,804
(Gain) / loss on disposal of assets	(27)	1,484
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)
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(153)	(195)
(Increase) / decrease of inventories	(117)	38
(Increase) / decrease of other current assets	5	(15)
(Increase) / decrease of contract asset	(73)	(69)
Increase / (decrease) in payables	199	(455)
Increase / (decrease) in accrued interest payable	(1)	(2)
Increase / (decrease) in other accrued expenses payable	2	14
Increase / (decrease) in other liabilities	(34)	14
Increase / (decrease) in contract liabilities	226	727
Increase / (decrease) in employee benefit provision	(43)	(34)
Increase / (decrease) in other provisions	(17)	211
<b>Net cash flows from operating activities</b>	<b>9,125</b>	<b>8,352</b>

### G2-1 Commitments

#### Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
	-	-
<b>Property, plant and equipment</b>		
Plant and equipment	256	-
<b>Total commitments</b>	<b>256</b>	<b>-</b>
Within the next year	256	-
<b>Total payable</b>	<b>256</b>	<b>-</b>
Unrestricted general funds	256	-
<b>Total sources of funding</b>	<b>256</b>	<b>-</b>

### G3-1 Events occurring after the reporting date

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

## G4 Changes from prior year statements

### G4-1 Correction of errors

#### Recognition of 'Found' Culvert Assets

In undertaking a comprehensive revaluations of Roads and associated infrastructure for the financial year 2020/21, for the external valuation data provided for culverts there was a significant difference to the culverts at those locations selected for physical sighting. Council did not take up the revaluation data for the culverts for the FY21 audit. Over the next 12-18 months post the FY21 audit, Council undertook a complete inspection and data collection of every culvert in the Shire. Council now has a complete and accurate register for culverts in the Shire. Council is now recognising those culvert assets not previously recognised in the fixed assets register.

The error identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction of errors. The impact on each line item at 1 July 2021 is shown in the table below.

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

##### Statement of Financial Position

\$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, property, plant and equipment (IPPE)	318,434	18,327	336,761
<b>Total non-current assets</b>	<b>318,630</b>	<b>18,327</b>	<b>336,957</b>
<b>Total assets</b>	<b>329,578</b>	<b>18,327</b>	<b>347,905</b>
<b>Net assets</b>	<b>323,393</b>	<b>18,327</b>	<b>341,720</b>
Accumulated Surplus	220,149	18,327	238,476
<b>Total equity</b>	<b>323,393</b>	<b>18,327</b>	<b>341,720</b>

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

##### Statement of Financial Position

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Infrastructure, property, plant and equipment	348,736	19,630	368,366
<b>Total non-current assets</b>	<b>348,926</b>	<b>19,630</b>	<b>368,556</b>
<b>Total assets</b>	<b>362,036</b>	<b>19,630</b>	<b>381,666</b>
<b>Net assets</b>	<b>355,355</b>	<b>19,630</b>	<b>374,985</b>
Accumulated Surplus	222,595	18,051	240,646
IPPE revaluation reserve	132,760	1,579	134,339
<b>Total equity</b>	<b>355,355</b>	<b>19,630</b>	<b>374,985</b>

## G4-1 Correction of errors (continued)

## Income Statement

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Depreciation	4,528	276	4,804
<b>Total expenses from continuing operations</b>	<b>14,594</b>	<b>276</b>	<b>14,870</b>
<b>Net operating result for the year</b>	<b>2,446</b>	<b>(276)</b>	<b>2,170</b>

## Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
<b>Net operating result for the year</b>	<b>2,446</b>	<b>(276)</b>	<b>2,170</b>
Gain (loss) on revaluation of infrastructure, property, plant and equipment	29,516	1,579	31,095
<b>Total comprehensive income for the year</b>	<b>31,962</b>	<b>1,303</b>	<b>33,265</b>

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

### G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Community facilities	300	64	–	–	10	–	–	374	–
Halls	5	–	–	–	–	–	–	5	–
<b>S7.11 contributions – under a plan</b>	<b>305</b>	<b>64</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>379</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>305</b>	<b>64</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>379</b>	<b>–</b>
<b>Total contributions</b>	<b>305</b>	<b>64</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>379</b>	<b>–</b>

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

### G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
<b>CONTRIBUTION PLAN - COUNCIL WIDE S94A CONTRIBUTIONS</b>									
Community facilities	300	64	–	–	10	–	–	374	–
Halls	5	–	–	–	–	–	–	5	–
<b>Total</b>	<b>305</b>	<b>64</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>379</b>	<b>–</b>

## G6 Statement of performance measures

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

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	2021	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>2,067</b>	<b>11.70%</b>	0.59%	9.51%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>17,665</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>5,337</b>	<b>27.46%</b>	27.73%	25.87%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>19,433</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>10,552</b>	<b>8.76x</b>	8.75x	5.22x	> 1.50x
Current liabilities less specific purpose liabilities	<b>1,205</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>7,512</b>	<b>22.76x</b>	15.37x	16.27x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>330</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>364</b>	<b>9.07%</b>	8.05%	7.56%	< 10.00%
Rates and annual charges collectable	<b>4,013</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>15,426</b>	<b>16.21 months</b>	12.89 months	11.98 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	<b>952</b>				

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

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

## G6-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Sewer Indicators		Benchmark
	2023	Restated 2022	2023	2022	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>12.71%</b>	1.50%	<b>(16.39)%</b>	(20.65)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>25.24%</b>	25.29%	<b>96.07%</b>	100.00%	> 60.00%
Total continuing operating revenue <sup>1</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>8.76x</b>	8.75x	<b>56.16x</b>	55.83x	> 1.50x
Current liabilities less specific purpose liabilities					
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>24.63x</b>	16.55x	<b>6.00x</b>	5.12x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>10.45%</b>	9.29%	<b>0.00%</b>	0.00%	< 10.00%
Rates and annual charges collectable					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>13.77</b>	10.16	<b>∞</b>	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months			months

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

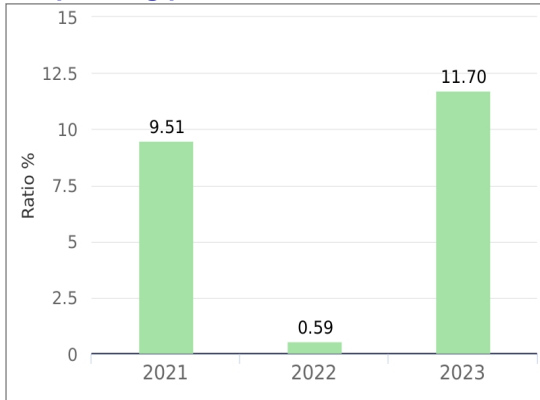
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.



## 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 2022/23 result**

**2022/23 ratio 11.70%**

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

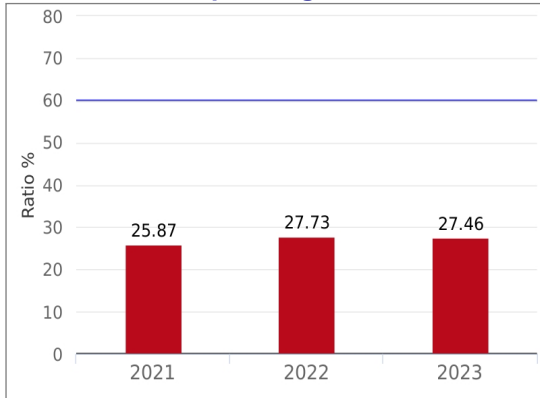
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2022/23 result**

**2022/23 ratio 27.46%**

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 disaster funding and roads repair funding.

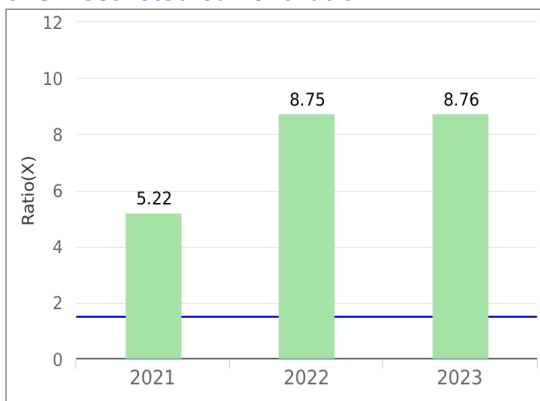
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2022/23 result**

**2022/23 ratio 8.76x**

Council's ratio for this year is consistent with last year 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

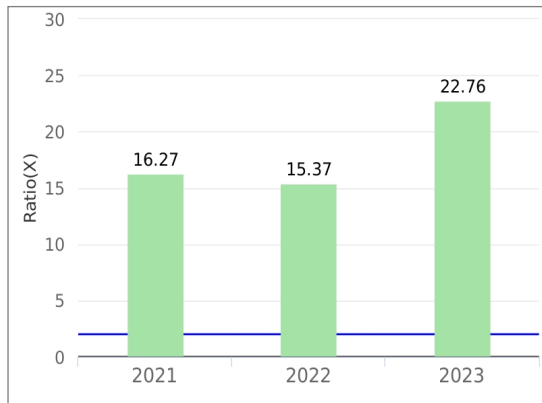
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2022/23 result

2022/23 ratio 22.76x

Council's ratio is well above the industry benchmark, while marginally lower than the prior three years.

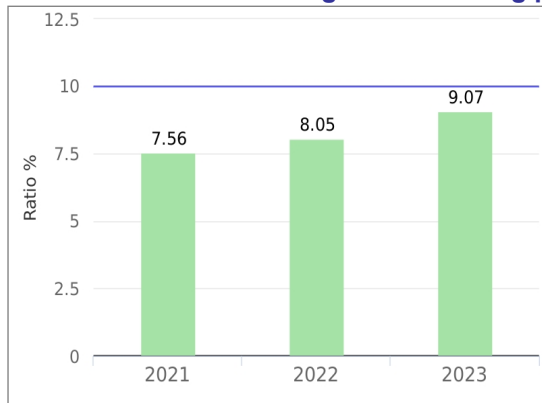
Benchmark: — > 2.00x

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 2022/23 result

2022/23 ratio 9.07%

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

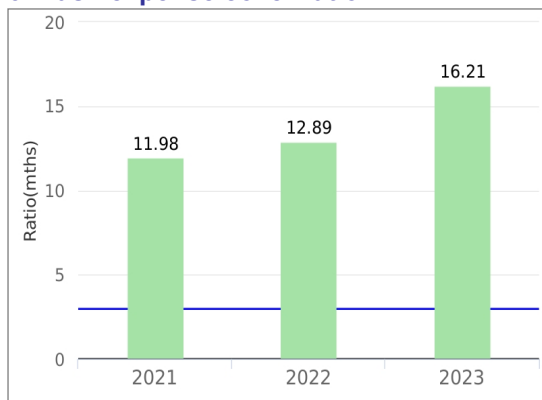
Benchmark: — < 10.00%

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 2022/23 result

2022/23 ratio 16.21 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](http://www.lockhart.nsw.gov.au)

**Email:** [mail@lockhart.nsw.gov.au](mailto: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  
Clr Peter Sharp (Deputy Mayor)  
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 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

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

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

### Basis for Qualified Opinion

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

As disclosed in Note C1-6 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

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

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

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

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



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

12 December 2023  
SYDNEY



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

Contact: Hong Wee Soh  
Phone no: 02 9275 7397  
Our ref: R008-16585809-49456/1757

12 December 2023

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2023  
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 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed a modified opinion on the Council's GPFS.

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

## **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

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

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

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

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

Australian Accounting Standards 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.

Consequently, we were unable to determine the carrying values of rural firefighting equipment and related amounts that should be recorded and recognised in the Council's 30 June 2023 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2023 GPFS to be modified.

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

## INCOME STATEMENT

### Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	3.7	3.6	↑ 2.8
Grants and contributions revenue	14.1	12.3	↑ 14.6
Operating result from continuing operations	3.9	2.2	↑ 77.3
Net operating result before capital grants and contributions	2.1	(1.4)	↑ >100

Rates and annual charges revenue (\$3.7 million) increased by \$0.1 million (2.8 per cent) in 2022–23, due to increase in rateable properties and the IPART approved increase of 2.0 per cent.

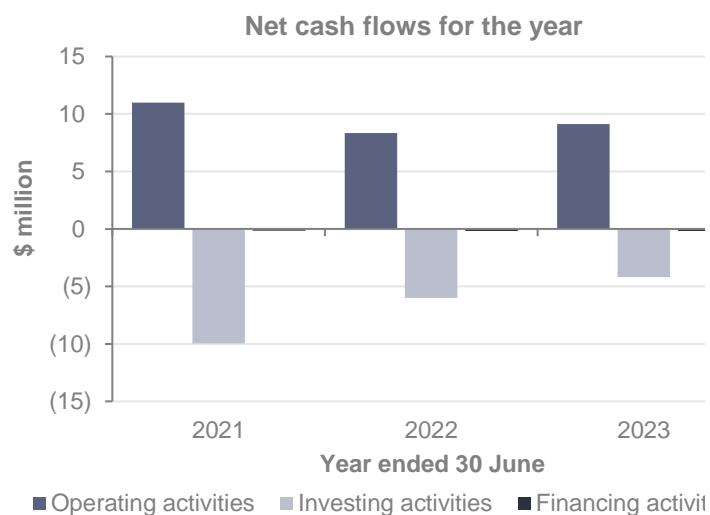
Grants and contributions revenue (\$14.1 million) increased by \$1.8 million (14.6 per cent) in 2022–23 due to additional \$1.0 million of disaster funding and \$2.4 million for the Regional and Local Roads Repair Program funding offset by decreases in various other grants.

The Council's operating result from continuing operations \$3.9 million (including depreciation and amortisation expense of \$5.3 million) was \$1.7 million higher than the 2021–22 result.

The net operating result before grants and contributions provided for capital purposes (\$2.1 million) was \$3.5 million higher than the 2021–22 result, due to the additional operating grants received in 2022-23.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$15.4 million at 30 June 2023 (\$10.7 million at 30 June 2022). There was a net increase in cash and cash equivalents of \$4.8 million during 2022-23 financial year.
- Net cash provided by operating activities has increased by \$0.7 million. The increase is due to the increase in grants and contributions receipts.
- Net cash used in investing activities has reduced by \$1.8 million. The decrease is due to lower purchase of infrastructure, property, plant and equipment by \$1.4 million.
- There were no significant movement in the net cash flows from financing activities.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>15.4</b>	<b>10.7</b>	<ul style="list-style-type: none"> <li>• Externally restricted cash and investments comprise mainly specific purpose unexpended grants and sewer fund. The externally restricted funds as at 30 June 2023 has increased due to increase in specific purpose unexpended grants by \$3.4 million.</li> </ul>
Restricted and allocated cash, cash equivalents and investments:			<ul style="list-style-type: none"> <li>• Internal allocations are determined by Council policies or decisions, which are subject to change. The increase is mainly due to the increase in the advanced Financial Assistance Grant allocation by of \$1.5 million.</li> </ul>
• External restrictions	7.3	3.6	
• Internal allocations	7.9	6.4	

### Debt

Council has \$3.2 million of borrowings as at 30 June 2023 (2022: \$3.4 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.

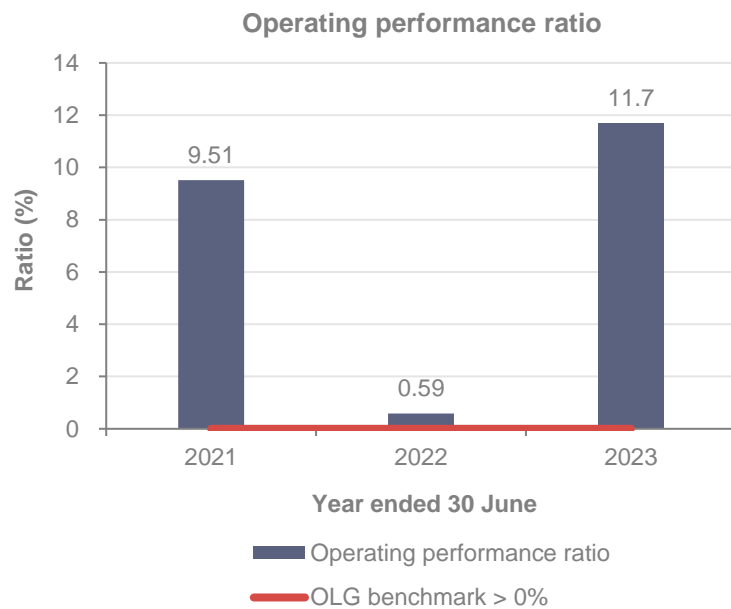
### Operating performance ratio

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 increased to 11.70 per cent (2022: 0.59 per cent) due to the increase in operating grants received.

The 2022 ratio was restated to correct a prior period error relating to found culvert assets, which increased depreciation expense for the 2022 financial year. This is disclosed in note G4-1 in the financial statements.

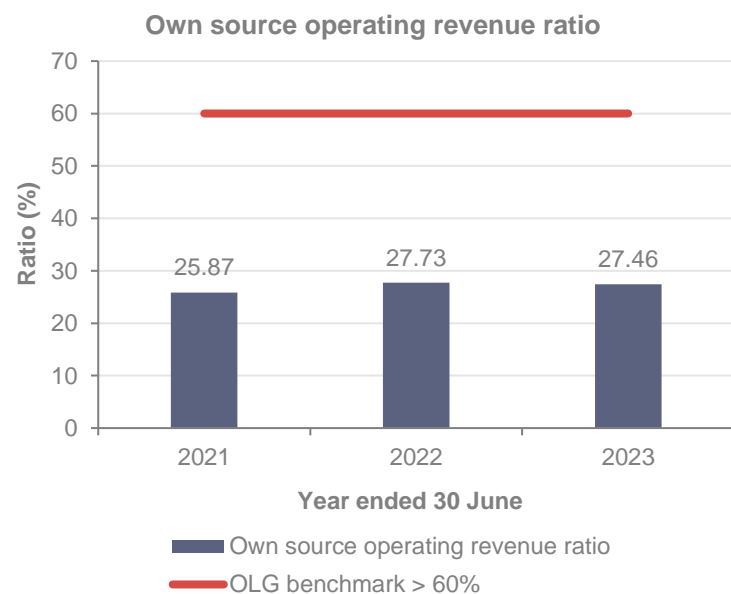


### Own source operating revenue ratio

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 decreased in 2023, due to the overall increase in grants and contributions revenue of \$1.9 million.

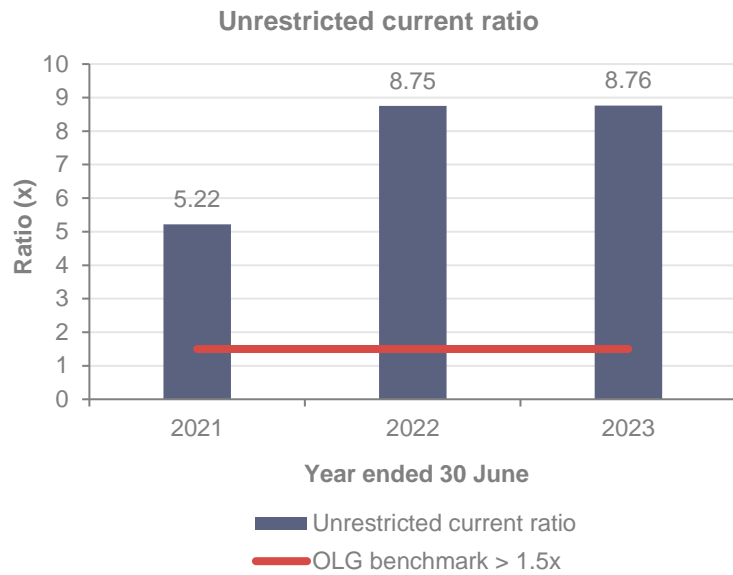


### Unrestricted current ratio

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 remained consistent from 2021-22 to 2022-23.

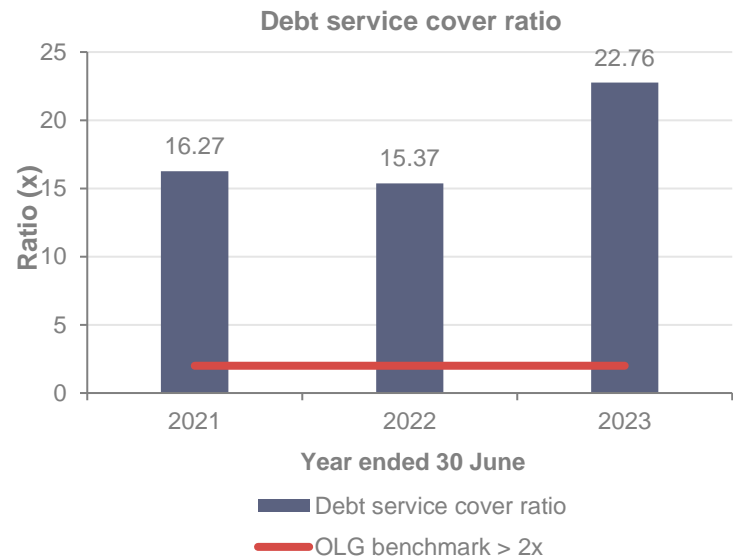


### Debt service cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period. This indicates that the Council has sufficient operating revenue to service its debts.

Council's debt service cover ratio has improved, due to the increase in operating grants and contributions revenue.

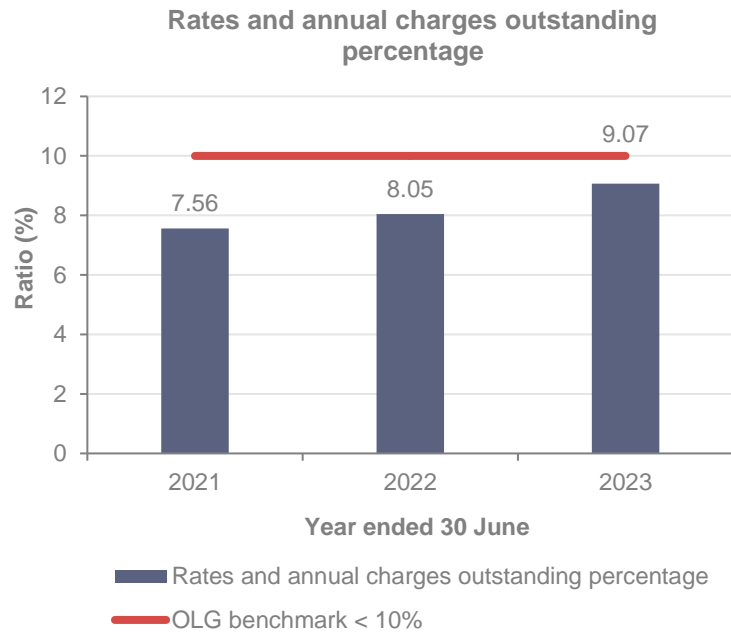


## Rates and annual charges outstanding percentage

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 rates and annual charges outstanding percentage has increased from the previous year, but still remains below the OLG benchmark.

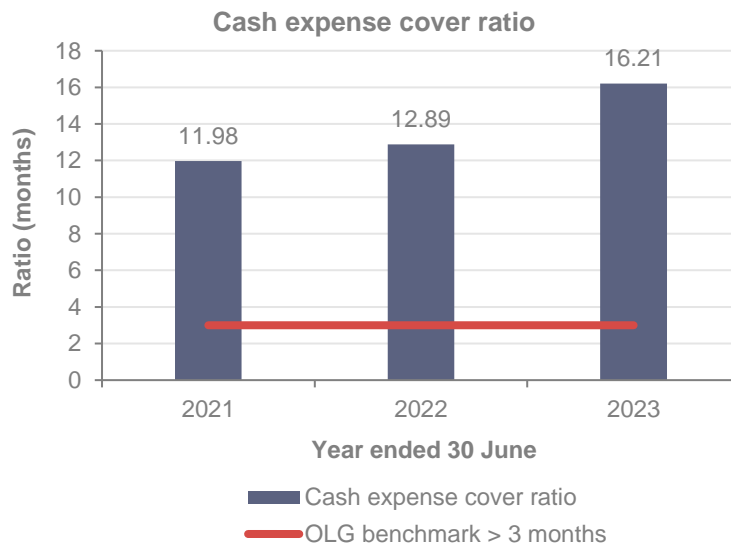


## Cash expense cover ratio

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

The Council's cash expense cover ratio was 16.21 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 16.21 months of operating cash expenditure without additional cash inflows at 30 June 2023.

The cash expense cover ratio has increased due to increase in cash and cash equivalent and investment by \$4.8 million.



## Infrastructure, property, plant and equipment renewals

The Council renewed \$2.8 million of assets in the 2022-23 financial year, compared to \$1.5 million of assets in the 2021-22 financial year. This increase is largely due to \$0.8 million increase in road renewals.

## OTHER MATTERS

### Legislative compliance

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

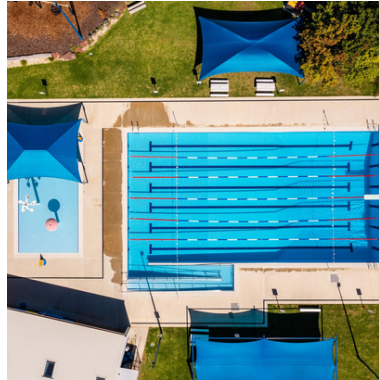
Except for the matter outlined above, the Council's:

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



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

cc: Mr Peter Veneris, General Manager  
Mr Craig Fletcher, Director of Corporate and Community Service  
Mr James Davis, Chair of the Audit, Risk and Improvement Committee  
Ms Kiersten Fishburn, Secretary of the Department of Planning and Environment



---

# ANNUAL FINANCIAL STATEMENT

*For the year ended 30 June 2023*



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

---

## Background

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

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

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

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

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



## Lockhart Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

---

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

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

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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

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

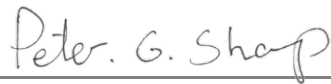
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 30 October 2023.



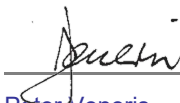
---

Cr Greg Verdon  
**Mayor**  
30 October 2023



---

Cr Peter Sharp  
**Councillor**  
30 October 2023



---

Peter Veneris  
**General Manager**  
30 October 2023



---

Craig Fletcher  
**Responsible Accounting Officer**  
30 October 2023

## Lockhart Shire Council

### Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
<b>Income from continuing operations</b>		
Access charges	530	525
User charges	3	2
Fees	40	18
Interest and investment income	13	12
Grants and contributions provided for operating purposes	24	–
<b>Total income from continuing operations</b>	<b>610</b>	<b>557</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	108	43
Borrowing costs	33	34
Materials and services	304	340
Depreciation, amortisation and impairment	265	255
<b>Total expenses from continuing operations</b>	<b>710</b>	<b>672</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(100)</b>	<b>(115)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(100)</b>	<b>(115)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(100)</b>	<b>(115)</b>
<b>Surplus (deficit) after tax</b>	<b>(100)</b>	<b>(115)</b>
<b>Plus accumulated surplus</b>	<b>7,128</b>	<b>7,243</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>7,028</b>	<b>7,128</b>
<b>Return on capital %</b>	<b>(0.6)%</b>	<b>(0.8)%</b>
<b>Subsidy from Council</b>	<b>502</b>	<b>447</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(100)	(115)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Lockhart Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,324	2,256
Receivables	147	89
<b>Total current assets</b>	<b>2,471</b>	<b>2,345</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	10,809	9,989
<b>Total non-current assets</b>	<b>10,809</b>	<b>9,989</b>
<b>Total assets</b>	<b>13,280</b>	<b>12,334</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	3	3
Borrowings	41	39
<b>Total current liabilities</b>	<b>44</b>	<b>42</b>
<b>Non-current liabilities</b>		
Borrowings	777	818
<b>Total non-current liabilities</b>	<b>777</b>	<b>818</b>
<b>Total liabilities</b>	<b>821</b>	<b>860</b>
<b>Net assets</b>	<b>12,459</b>	<b>11,474</b>
<b>EQUITY</b>		
Accumulated surplus	7,028	7,128
Revaluation reserves	5,431	4,346
<b>Total equity</b>	<b>12,459</b>	<b>11,474</b>

## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

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%** (21/22 25%)

## Note – Significant Accounting Policies (continued)

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

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

In accordance with section 4 of Department of Planning and Environment (DPE) – Water's regulatory and assurance framework, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the regulatory and assurance framework as a 'dividend for tax equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to sections 3 and 4 of DPE – Water's regulatory and assurance framework is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

### Income tax

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

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

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

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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

#### (ii) Return on investments (rate of return)

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

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

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 4.02% at 30/6/23.

## Note – Significant Accounting Policies (continued)

---

### (iii) Dividends

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

A local government sewerage business is permitted to pay an annual dividend from its sewerage business surplus.

Each dividend must be calculated and approved in accordance with section 4 of DPE - Water's regulatory and assurance framework and must not exceed:

- 50% of the relevant surplus in any one year, or
- the number of sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the section 4 of DPE – Water's regulatory and assurance framework, statement of compliance and statement of dividend payment, dividend payment form and unqualified independent financial audit report are submitted to DPE - 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, which comprise the Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of the Declared Business Activity as at 30 June 2023 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 2023, 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 2022–23 (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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



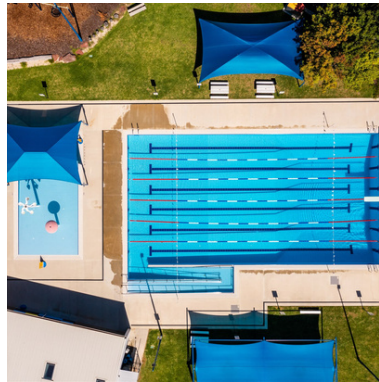
The scope of my audit does not include, nor provide assurance:

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



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

12 December 2023  
SYDNEY



---

# ANNUAL FINANCIAL STATEMENT

*For the year ended 30 June 2023*

Lockhart Shire Council

Special Schedules

for the year ended 30 June 2023

---

Contents

Page

**Special Schedules:**

Permissible income for general rates 3

Report on infrastructure assets as at 30 June 2023 6

## Lockhart Shire Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	2,598	2,647
Plus or minus adjustments <sup>2</sup>	b	1	2
<b>Notional general income</b>	c = a + b	<b>2,599</b>	<b>2,649</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.00%	3.70%
Or plus rate peg amount	i = e x (c + g)	52	98
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>2,651</b>	<b>2,747</b>
Plus (or minus) last year's carry forward total	l	7	11
<b>Sub-total</b>	n = (l + m)	<b>7</b>	<b>11</b>
<b>Total permissible income</b>	o = k + n	<b>2,658</b>	<b>2,758</b>
Less notional general income yield	p	2,647	2,772
<b>Catch-up or (excess) result</b>	q = o - p	<b>11</b>	<b>(14)</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>11</b>	<b>(14)</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### 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 2024.

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Schedule**

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

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

### **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

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

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

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



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

12 December 2023  
SYDNEY

## Lockhart Shire Council

## Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance <sup>a</sup>	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>Buildings</b>	Buildings – non-specialised	–	–	45	36	4,922	7,389	0.0%	0.0%	0.0%	0.0%	100.0%
	Buildings – specialised	–	–	70	49	11,489	18,697	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>115</b>	<b>85</b>	<b>16,411</b>	<b>26,086</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Other structures</b>	Other structures	–	–	–	–	335	605	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>335</b>	<b>605</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Roads</b>	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	–	–	650	916	213,707	246,392	0.0%	0.0%	0.0%	0.0%	100.0%
	Unsealed roads	–	–	650	880	89,886	95,877	0.0%	0.0%	0.0%	0.0%	100.0%
	Bridges	–	–	–	–	5,796	8,238	0.0%	0.0%	0.0%	0.0%	100.0%
	Footpaths	–	–	–	27	1,937	2,795	0.0%	0.0%	0.0%	0.0%	100.0%
	Other road assets	–	–	–	–	3,545	6,514	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,300</b>	<b>1,823</b>	<b>314,871</b>	<b>359,816</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	220	124	10,810	17,937	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>220</b>	<b>124</b>	<b>10,810</b>	<b>17,937</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	–	27	3,888	4,200	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>27</b>	<b>3,888</b>	<b>4,200</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	50	44	4,274	4,616	0.0%	0.0%	0.0%	0.0%	100.0%
	Open Space/Recreation	–	–	150	103	3,010	5,173	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>200</b>	<b>147</b>	<b>7,284</b>	<b>9,789</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Culverts</b>	Culverts	–	–	–	–	26,345	32,951	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26,345</b>	<b>32,951</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Total – all assets</b>		<b>–</b>	<b>–</b>	<b>1,835</b>	<b>2,206</b>	<b>379,944</b>	<b>451,384</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>

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

## Infrastructure asset condition assessment 'key'

# Condition Integrated planning and reporting (IP&amp;R) description

continued on next page ...

## Lockhart Shire Council

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

---

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required



## Lockhart Shire Council

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

#### Infrastructure asset performance indicators (consolidated) \*

	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	2021	
<b>\$ '000</b>					
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>2,799</b>	<b>61.02%</b>	34.91%	89.29%	> 100.00%
Depreciation, amortisation and impairment	<b>4,587</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>500</b>	<b>0.13%</b>	0.12%	0.13%	< 2.00%
Net carrying amount of infrastructure assets	<b>381,345</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>2,206</b>	<b>120.22%</b>	102.89%	115.54%	> 100.00%
Required asset maintenance	<b>1,835</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>–</b>	<b>0.00%</b>	0.00%	0.00%	
Gross replacement cost	<b>451,384</b>				

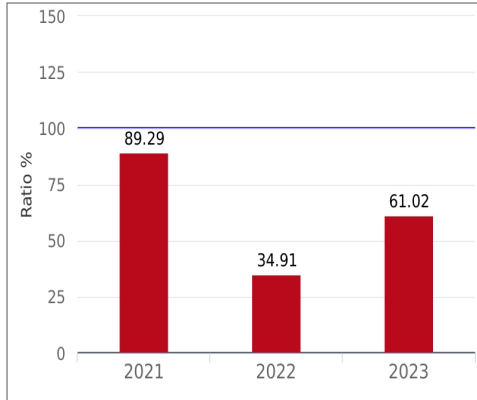
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Lockhart Shire Council

## Report on infrastructure assets as at 30 June 2023

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

Commentary on result	
22/23 ratio	61.02%
Although FY23 ratio is below the benchmark, Council has maintained a healthy average of 96.29 over the 5 year period 2019-2023.	

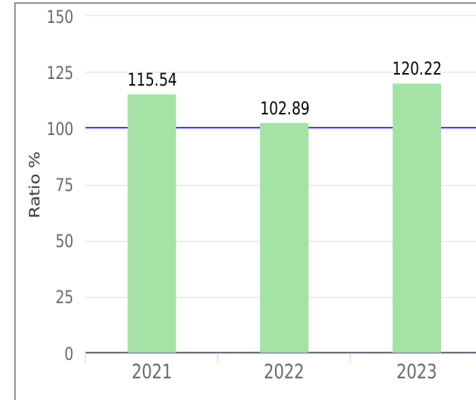
Benchmark: — > 100.00%

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	
22/23 ratio	120.22%
Council has achieved a consistent ratio over the past 4 years.	

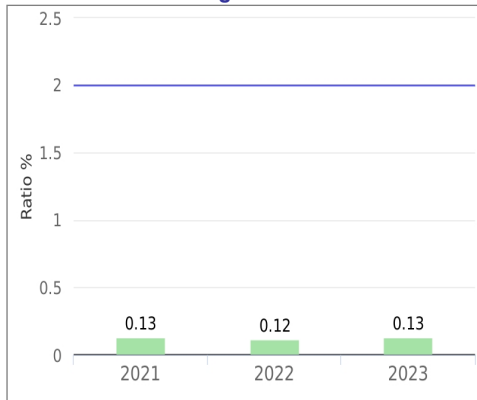
Benchmark: — > 100.00%

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	
22/23 ratio	0.13%
Average remains under the industry benchmark.	

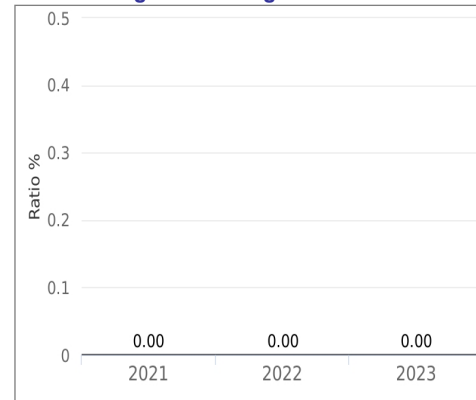
Benchmark: — < 2.00%

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	
22/23 ratio	0.00%

## Lockhart Shire Council

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

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

\$ '000	General fund		Sewer fund		Benchmark
	2023	Restated 2022	2023	2022	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>64.76%</b>	37.15%	<b>0.00%</b>	0.00%	> 100.00%
Depreciation, amortisation and impairment					
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>0.13%</b>	0.12%	<b>0.00%</b>	0.00%	< 2.00%
Net carrying amount of infrastructure assets					
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>128.92%</b>	105.43%	<b>56.36%</b>	82.27%	> 100.00%
Required asset maintenance					
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	
Gross replacement cost					

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