

Cootamundra-Gundagai Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Cootamundra-Gundagai Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Cootamundra-Gundagai Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

Cootamundra-Gundagai Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

81 Wallendoon St
Cootamundra NSW 2590

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.cgrc.nsw.gov.au.

Cootamundra-Gundagai Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

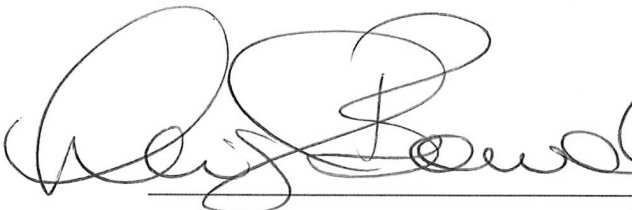
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

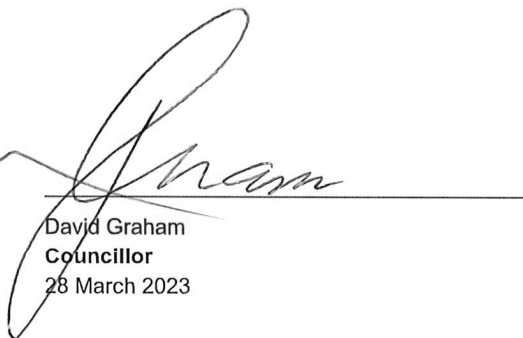
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 28 March 2023.



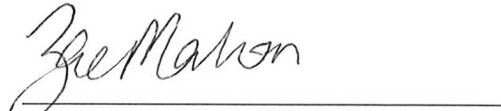
Leigh Bowden
Deputy Mayor
28 March 2023



David Graham
Councillor
28 March 2023



Steve McGrath
General Manager
28 March 2023



Zac Mahon
Responsible Accounting Officer
28 March 2023

Cootamundra-Gundagai Regional Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
16,538	Rates and annual charges	B2-1	16,687	14,460
7,239	User charges and fees	B2-2	9,528	8,098
1,054	Other revenues	B2-3	804	751
8,662	Grants and contributions provided for operating purposes	B2-4	11,230	8,908
7,757	Grants and contributions provided for capital purposes	B2-4	8,773	15,232
184	Interest and investment income	B2-5	152	124
—	Other income	B2-6	88	346
41,434	Total income from continuing operations		47,262	47,919
	Expenses from continuing operations			
11,480	Employee benefits and on-costs	B3-1	12,223	12,329
10,452	Materials and services	B3-2	15,542	13,132
250	Borrowing costs	B3-3	262	228
9,509	Depreciation, amortisation and impairment of non-financial assets	B3-4	11,194	10,600
3,231	Other expenses	B3-5	1,186	1,550
—	Net loss from the disposal of assets	B4-1	3,059	317
34,922	Total expenses from continuing operations		43,466	38,156
6,512	Operating result from continuing operations		3,796	9,763
6,512	Net operating result for the year attributable to Council		3,796	9,763
(1,245)	Net operating result for the year before grants and contributions provided for capital purposes		(4,977)	(5,469)

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

Cootamundra-Gundagai Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		3,796	9,763
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	73,448	419
Total items which will not be reclassified subsequently to the operating result		73,448	419
Total other comprehensive income for the year		73,448	419
Total comprehensive income for the year attributable to Council		77,244	10,182

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

Cootamundra-Gundagai Regional Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	8,225	10,264
Investments	C1-2	14,048	8,012
Receivables	C1-4	5,488	2,884
Inventories	C1-5	446	621
Contract assets and contract cost assets	C1-6	5,559	10,620
Total current assets		33,766	32,401
Non-current assets			
Receivables	C1-4	58	58
Inventories	C1-5	824	1,081
Infrastructure, property, plant and equipment (IPPE)	C1-7	657,499	583,133
Intangible assets	C1-8	87	130
Total non-current assets		658,468	584,402
Total assets		692,234	616,803
LIABILITIES			
Current liabilities			
Payables	C3-1	3,830	3,208
Contract liabilities	C3-2	4,969	4,367
Borrowings	C3-3	1,315	1,275
Employee benefit provisions	C3-4	3,486	4,243
Total current liabilities		13,600	13,093
Non-current liabilities			
Borrowings	C3-3	6,995	8,310
Employee benefit provisions	C3-4	341	433
Provisions	C3-5	4,259	5,172
Total non-current liabilities		11,595	13,915
Total liabilities		25,195	27,008
Net assets		667,039	589,795
EQUITY			
Accumulated surplus		412,389	408,593
IPPE revaluation reserve		254,650	181,202
Council equity interest		667,039	589,795
Total equity		667,039	589,795

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

Cootamundra-Gundagai Regional Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		408,593	181,202	589,795	398,830	180,783	579,613
Opening balance		408,593	181,202	589,795	398,830	180,783	579,613
Net operating result for the year		3,796	–	3,796	9,763	–	9,763
Net operating result for the period		3,796	–	3,796	9,763	–	9,763
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	73,448	73,448	–	419	419
Other comprehensive income		–	73,448	73,448	–	419	419
Total comprehensive income		3,796	73,448	77,244	9,763	419	10,182
Closing balance at 30 June		412,389	254,650	667,039	408,593	181,202	589,795

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

Cootamundra-Gundagai Regional Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
16,537	Rates and annual charges		16,588	14,550
7,238	User charges and fees		7,356	7,523
184	Interest received		117	144
16,419	Grants and contributions		25,666	20,947
2,947	Other income		528	881
Payments:				
(11,480)	Payments to employees		(13,175)	(12,286)
(10,452)	Payments for materials and services		(14,642)	(13,693)
–	Borrowing costs		(222)	(230)
(5,124)	Other expenses		(2,146)	3,097
16,269	Net cash flows from operating activities	G1-1	20,070	20,933
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		14,034	9,081
–	Sale of real estate assets		453	1,368
557	Proceeds from sale of IPPE		1,728	1,188
–	Deferred debtors receipts		73	–
Payments:				
–	Acquisition of term deposits		(20,070)	(8,020)
(16,855)	Payments for IPPE		(16,998)	(24,897)
–	Purchase of real estate assets		(55)	(4)
–	Purchase of intangible assets		1	(1)
–	Deferred debtors and advances made		–	(40)
(16,298)	Net cash flows from/(used in) investing activities		(20,834)	(21,325)
Cash flows from financing activities				
Receipts:				
4,000	Proceeds from borrowings		–	4,000
Payments:				
(1,520)	Repayment of borrowings		(1,275)	(1,052)
2,480	Net cash flows from/(used in) financing activities		(1,275)	2,948
2,451	Net change in cash and cash equivalents		(2,039)	2,556
–	Cash and cash equivalents at beginning of year		10,264	7,708
2,451	Cash and cash equivalents at end of year	C1-1	8,225	10,264
–	plus: Investments on hand at end of year	C1-2	14,048	8,012
2,451	Total cash, cash equivalents and investments		22,273	18,276

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

Cootamundra-Gundagai Regional Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 24/01/2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993* (Act) and *Local Government (General) Regulation 2005* (Regulation), and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- i. fair values of infrastructure, property, plant and equipment – refer Note C1-7
- ii. tip remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

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 Council's Trust Fund.

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

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

- General purpose operations
- Water service
- Sewerage service

A1-1 Basis of preparation (continued)

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.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting periods.

Council has not to applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2021.

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

New accounting standards adopted during the year

During the year Council adopted all standards which were mandatorily effective from the first time at 30 June 2022.

None of standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Vibrant & supportive community	4,746	2,834	7,038	9,731	(2,292)	(6,897)	4,100	2,034	2,050	1,916
Prosperous & resilient economy	1,674	2,644	4,244	3,306	(2,570)	(662)	489	634	14,395	11,511
Sustainable natural & built environments	23,329	27,514	26,710	22,771	(3,381)	4,743	8,006	15,947	624,928	565,168
Good governance	17,513	14,927	5,474	2,348	12,039	12,579	7,408	5,525	41,652	38,207
Other	–	–	–	–	–	–	–	–	9,209	1
Total functions and activities	47,262	47,919	43,466	38,156	3,796	9,763	20,003	24,140	692,234	616,803

B1-2 Components of functions or activities

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

Vibrant & supportive community

1. Our community is inclusive and connected
2. Public spaces provide for a diversity of activity and strengthen our social connections
3. Our community members are healthy and safe

Prosperous & resilient economy

1. The local economy is strong and diverse
2. Strategic land-use planning is co-ordinated and needs based
3. Tourism opportunities are actively promoted
4. Our local workforce is skilled and workplace ready

Sustainable natural & built environments

1. The natural environment is valued and protected
2. Our built environments support and enhance liveability

Good governance

1. Decision making is based on collaborative, transparent and accountable leadership
2. Active participation and engagement in local decision making
3. Cootamundra-Gundagai Regional Council is a premier local government council

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	3,785	3,108
Farmland	4,455	3,702
Business	968	703
Less: pensioner rebates	(202)	(195)
Rates levied to ratepayers	9,006	7,318
Pensioner rate subsidies received	112	107
Total ordinary rates	9,118	7,425
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,087	1,993
Stormwater management services charge	127	127
Water supply services	2,122	1,893
Sewerage services	2,629	2,478
Waste management services (non-domestic)	665	614
Environmental	76	73
Less: pensioner rebates	(306)	(317)
Annual charges levied	7,400	6,861
Pensioner subsidies received:		
– Water	52	52
– Sewerage	50	50
– Domestic waste management	67	72
Total annual charges	7,569	7,035
Total rates and annual charges	16,687	14,460

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
User charges			
Water supply services		2,573	2,303
Sewerage services		487	397
Waste management services (non-domestic)		2	3
Other		17	16
Total user charges		3,079	2,719
Fees			
Private works – s67		181	1,250
Planning and building - regulatory		362	277
Regulatory/ statutory fees		16	19
S10.7 certificates (EP&A Act)		35	29
S603 certificates		31	34
Transport for NSW works (state roads not controlled by Council)		4,515	2,587
Caravan park		58	57
Cemeteries		307	380
Aerodrome		19	18
Leaseback fees – Council vehicles		50	48
Library and art gallery		22	28
Saleyards		132	143
Swimming centres		2	11
Tourism		7	6
Waste disposal tipping fees		574	398
Water connection fees		51	21
Sewer connection fees		36	27
Sports stadium		12	7
Other		39	39
Total fees		6,449	5,379
Total user charges and fees		9,528	8,098
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time		–	–
User charges and fees recognised at a point in time		9,528	8,098
Total user charges and fees		9,528	8,098

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Fines		24	17
Legal fees recovery		24	59
Commissions and agency fees		28	38
Diesel rebate		101	121

B2-3 Other revenues (continued)

\$ '000	Timing	2022	2021
RFS reimbursement		194	248
Sales – miscellaneous		73	63
Sales of Scrap		81	28
Workers comp incentive payments		157	79
Insurance rebates		83	91
Other		39	7
Total other revenue		804	751
Timing of revenue recognition for other revenue			
Other revenue recognised over time		–	–
Other revenue recognised at a point in time		804	751
Total other revenue		804	751

Accounting policy for other revenue

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

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
Financial Assistance Grant ¹					
Relating to current year		2,920	2,617	–	–
Prepayment received in advance for subsequent year		4,488	2,802	–	–
Amount recognised as income during current year		7,408	5,419	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Sewerage services		–	–	875	8,319
Community care		8	–	491	162
Environmental programs		130	92	573	413
Recreation and culture		111	94	–	96
Storm/flood damage		552	213	–	698
Other roads and bridges		384	422	4,763	4,309
Roads to recovery		1,011	909	–	–
Transport for NSW contributions (regional roads, block grant)		918	876	223	154
NSW Rural fire services		273	260	–	–
Other grants		239	148	72	124
OLG grants		196	475	1,244	599
Total special purpose grants and non-developer contributions (tied)		3,822	3,489	8,241	14,874
Total grants and non-developer contributions		11,230	8,908	8,241	14,874
Comprising:					
– Commonwealth funding		8,507	6,405	1,669	3,664
– State funding		2,100	1,828	6,545	11,204
– Other funding		623	675	27	6
		11,230	8,908	8,241	14,874

(1) \$4.488m of the 2022-2023 Financial Assistance Grant from Commonwealth Government was received by Council in June 2022 and hence is reported as 2021-2022 income although it relates to 2022-2023 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:	G3				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash Contributions		–	–	532	358
Total developer contributions		–	–	532	358
Total grants and contributions		11,230	8,908	8,773	15,232
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		–	640	–	14,446
Grants and contributions recognised at a point in time		11,230	8,268	8,773	786
Total grants and contributions		11,230	8,908	8,773	15,232

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent funds at 1 July	1,250	1,533	3,366	1,058
Add: Funds received and not recognised as revenue in the current year	204	186	6,108	2,767
Less: Funds received in prior year but revenue recognised and funds spent in current year	(610)	(469)	(3,039)	(459)
Unspent funds at 30 June ¹	844	1,250	6,435	3,366

(1) Unexpended grants relate mainly to Stronger Communities Fund, Fixing Local Roads Grants, Local Roads and Community Infrastructure Grants and NSW Department of Planning Grants income. These amounts are expected to be spent during the next financial year.

B2-4 Grants and contributions (continued)

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 passing milestones or meeting outputs. 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.

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges	72	47
– Cash and investments	80	77
Total interest and investment income (losses)	152	124

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Commercial rental		57	301
Residential rental		10	23
Agistment		21	22
Total rental income	C2-1	88	346
Total other income		88	346

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	11,387	11,047
Employee leave entitlements	98	793
Superannuation	1,108	1,070
Workers' compensation insurance	707	682
FBT	82	53
Training costs	106	127
Other	23	6
Less: capitalised costs	(1,288)	(1,449)
Total employee costs expensed	12,223	12,329

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		10,996	9,042
Contractor and consultancy costs		17,819	19,347
Audit Fees	F2-1	95	82
Councillor and Mayoral fees and associated expenses	F1-2	185	159
Advertising		51	60
Bank charges		49	43
Computer software charges		317	353
Election expenses		125	—
Electricity and heating		435	440
Insurance		857	840
Postage		69	73
Printing and stationery		138	135
Street lighting		195	199
Subscriptions and publications		118	107
Telephone and communications		102	102
Tourism expenses		68	61
Valuation fees		52	52
Legal expenses		112	66
Other		45	88
Less: capitalised costs		(16,286)	(18,332)
Total materials and services		15,542	13,132

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
Interest on loans		215	228
Discount adjustments relating to movements in Remediation liabilities	C3-5	47	—
Total borrowing costs expensed		262	228

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Infrastructure, property, plant and equipment	C1-7	11,152	10,557
Intangibles - Software	C1-8	42	43
Total depreciation and amortisation costs		11,194	10,600
Total depreciation, amortisation and impairment for non-financial assets		11,194	10,600

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.

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

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

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

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

B3-5 Other expenses

\$ '000	2022	2021
Impairment of receivables	–	147
Donations, contributions and assistance to other organisations (Section 356)	46	27
Contributions/levies to other levels of government	38	36
– Emergency services levy (includes FRNSW, SES, and RFS levies)	525	699
– Waste levy	295	328
– REROC Contributions	51	52
Other contributions/levies	29	60
Contribution regional library service	202	201
Total other expenses	1,186	1,550

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Less: carrying amount of property assets sold/written off		(42)	(120)
Gain (or loss) on disposal		(42)	(120)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal		1,728	1,170
Less: carrying amount of assets sold		(277)	(341)
Gain (or loss) on disposal		1,451	829
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		–	18
Less: carrying amount of infrastructure assets sold/written off		(4,609)	(2,164)
Gain (or loss) on disposal		(4,609)	(2,146)
Gain (or loss) on disposal of real estate assets held for sale			
Proceeds from disposal – real estate assets		453	1,368
Less: carrying amount of real estate assets sold/written off		(312)	(248)
Gain (or loss) on disposal		141	1,120
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		14,034	9,080
Less: carrying amount of term deposits sold/redeemed/matured		(14,034)	(9,080)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(3,059)	(317)

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 31/05/2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	16,538	16,687	149	1% F
User charges and fees	7,239	9,528	2,289	32% F
User charges were underbudgeted in the initial adoption of budget.				
Other revenues	1,054	804	(250)	(24)% U
No income from commercial lease due to lack of business activity in 2022.				
Operating grants and contributions	8,662	11,230	2,568	30% F
More grants awarded during financial year than the initial budgeted.				
Capital grants and contributions	7,757	8,773	1,016	13% F
More grants awarded during financial year than the initial budgeted.				
Interest and investment revenue	184	152	(32)	(17)% U
low interest rates in 2022 impacted this revenue item.				
Other income	–	88	88	∞ F
Expenses				
Employee benefits and on-costs	11,480	12,223	(743)	(6)% U
Materials and services	10,452	15,542	(5,090)	(49)% U
Greater expense required to fulfil grant requirements during 2022.				
Borrowing costs	250	262	(12)	(5)% U
Depreciation, amortisation and impairment of non-financial assets	9,509	11,194	(1,685)	(18)% U
New grant funded assets being capitalized and accruing depreciation.				
Other expenses	3,231	1,186	2,045	63% F
As per Code of accounting changed last year, there were several items move to "Material and Services" category. The original budget adopted categories these items in Other expenses.				
Net losses from disposal of assets	–	3,059	(3,059)	∞ U
Statement of cash flows				
Cash flows from operating activities	16,269	20,070	3,801	23% F

continued on next page ...

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Cash flow variance is due to grant funding timing differences.				
Cash flows from investing activities	(16,298)	(20,834)	(4,536)	28% U
Cash flow variance is due to grant funding timing differences.				
Cash flows from financing activities	2,480	(1,275)	(3,755)	(151)% U
Cash flow variance is due to grant funding timing differences.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash at bank and on hand	4,817	625
Deposits at call	3,408	9,639
Total cash and cash equivalents	8,225	10,264

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	8,225	10,264
Balance as per the Statement of Cash Flows	8,225	10,264

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Term deposits	14,048	–	8,012	–
Total	14,048	–	8,012	–
Total financial investments	14,048	–	8,012	–
Total cash assets, cash equivalents and investments	22,273	–	18,276	–

Accounting policy

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

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

Financial assets

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

Classification

On initial recognition, Council classifies its financial assets at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

Interest income, impairment and gains or loss on de-recognition are recognised in the Income Statement.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments ¹		
Total cash, cash equivalents and investments	22,273	18,276
Less: Externally restricted cash, cash equivalents and investments	(21,679)	(17,469)
Cash, cash equivalents and investments not subject to external restrictions	594	807

(1) Negative Unrestricted Cash. As at 30 June 2022 Council had incurred significant grant funded project expense for which grant funding claims had not yet been evaluated and submitted, and for which payments from State and Commonwealth Govts had not yet been received. Refer Grants Contract Assets \$5,559,000 per Note C1-6. Additionally, Council is undertaking a full review of internally restricted allocations in the course of the 2023 year, with a view to rationalisation of these where possible.

External restrictions

Specific purpose unexpended grants – general fund	7,279	4,616
Developer contributions – general	765	291
Water fund	7,100	5,870
Sewer fund	5,318	5,594
Stormwater management	179	60
Domestic waste management	1,038	1,038
Total external restrictions	21,679	17,469

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.

\$ '000	2022	2021
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(b) Internal allocations

Internal allocations

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

Plant and vehicle replacement	2,244	1,645
Employees leave entitlement	1,858	1,752
Aerodrome bitumen resurfacing	166	166
Bradman's birthplace	95	83
Cootamundra caravan park	150	132
Development	2,360	1,897
Heritage centre	24	20
Prepaid financial assistance grant	–	2,802
Quarries and pit restoration	557	239
Southern Phone Proceeds	603	780
Cemetery	45	59
Waste Management	2,746	413
Saleyards	18	15
Total internal allocations	10,866	10,003

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

\$ '000	2022	2021
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(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	(10,272)	(9,196)
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C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	885	–	779	–
Interest and extra charges	136	–	134	–
User charges and fees	3,605	–	806	–
Private works	27	–	654	–
Interest on investments	46	–	13	–
Other income accruals	34	–	127	–
Deferred debtors	21	58	94	58
Net GST receivable	723	–	250	–
Other debtors	19	–	35	–
Total	5,496	58	2,892	58
Less: provision for impairment				
User charges and fees	(8)	–	(8)	–
Total provision for impairment – receivables	(8)	–	(8)	–
Total net receivables	5,488	58	2,884	58

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.

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

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
At cost:				
Real estate (refer to [i] below)	–	824	–	1,081
Stores, materials and trading stock	446	–	621	–
Total inventories	446	824	621	1,081

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Residential		–	824	–	1,081
Total real estate for resale		–	824	–	1,081
Movements:					
Real estate assets at beginning of the year		–	1,081	23	1,302
– Transfer out		312	(257)	–	4
– WDV of sales (expense)	B4-1	(312)	–	(23)	(225)
Total real estate held for sale		–	824	–	1,081

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

Contract assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Work relating to grants	5,559	–	10,620	–
Total contract assets	5,559	–	10,620	–

Significant changes in contract assets

Grant Contract Assets value is due to significant works undertaken for which grant funding milestone claims had not been prepared nor submitted as at 30 June 2022. Council is actively working to acquit these grants and receive this money as demonstrated by the reduction in the asset from 2021.

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

C1-6 Contract assets and Contract cost assets (continued)

billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

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

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital WIP	19,861	–	19,861	–	–	–	–	(14,413)	–	–	–	5,448	–	5,448
Plant and equipment, furniture and fittings	20,740	(11,440)	9,300	–	2,359	(280)	(1,495)	(3)	–	–	–	21,023	(11,142)	9,881
Land	11,709	–	11,709	–	–	–	–	–	–	–	3,027	14,736	–	14,736
Land improvements	693	(252)	441	–	(6)	–	(11)	6	–	–	–	693	(263)	430
Infrastructure:														
Buildings and other structures	56,276	(29,114)	27,162	247	–	(3)	(1,413)	241	–	–	3,021	63,847	(34,592)	29,255
- Roads, bridges and footpaths	383,081	(143,823)	239,258	8,692	–	(1,189)	(5,646)	616	–	–	25,490	429,873	(162,652)	267,221
- Other road assets (incl bulk earthworks)	202,991	–	202,991	83	–	–	–	–	–	–	24,429	227,503	–	227,503
– Stormwater drainage	18,625	(6,682)	11,943	–	618	–	(188)	(7)	–	–	5,368	27,730	(9,996)	17,734
– Water supply network	36,767	(16,010)	20,757	490	–	(234)	(472)	193	–	(842)	–	40,418	(20,526)	19,892
– Sewerage network	52,056	(28,239)	23,817	4,296	–	(3,182)	(414)	13,530	–	–	10,060	73,483	(25,376)	48,107
– Open space/recreational assets	20,687	(9,848)	10,839	1,179	–	(40)	(506)	(163)	–	–	2,895	26,572	(12,368)	14,204
Other assets:														
Other	40	(14)	26	–	–	–	(9)	–	–	–	–	40	(23)	17
– Tip assets	5,193	(164)	5,029	–	–	–	(998)	–	(960)	–	–	4,233	(1,162)	3,071
Total infrastructure, property, plant and equipment	828,719	(245,586)	583,133	14,987	2,971	(4,928)	(11,152)	–	(960)	(842)	74,290	935,599	(278,100)	657,499

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital WIP	10,535	—	10,535	5,056	—	—	—	4,270	—	19,861	—	19,861
Plant, equipment, furniture and fittings	19,926	(10,858)	9,068	—	2,025	(341)	(1,433)	(19)	—	20,740	(11,440)	9,300
Land	11,721	—	11,721	—	206	—	—	(224)	6	11,709	—	11,709
Land improvements	509	(238)	271	184	—	—	(14)	—	—	693	(252)	441
Infrastructure:												
– Buildings	54,412	(28,224)	26,188	2,076	2,375	(91)	(1,296)	(2,090)	—	56,276	(29,114)	27,162
- Roads, bridges and footpaths	381,066	(140,409)	240,657	6,614	—	(2,040)	(5,973)	—	—	383,081	(143,823)	239,258
– Other road assets incl bulk earthworks	202,992	—	202,992	—	—	—	—	(1)	—	202,991	—	202,991
– Stormwater drainage	18,531	(6,495)	12,036	—	94	—	(187)	—	—	18,625	(6,682)	11,943
– Water supply network	36,416	(15,498)	20,918	276	—	(123)	(506)	1	191	36,767	(16,010)	20,757
– Sewerage network	51,567	(27,557)	24,010	—	17	—	(430)	(2)	222	52,056	(28,239)	23,817
– Open space/recreational assets	21,282	(9,462)	11,820	—	1,453	(30)	(467)	(1,937)	—	20,687	(9,848)	10,839
Other assets	40	(13)	27	—	—	—	(1)	—	—	40	(14)	26
– Tip assets	670	86	756	4,523	—	—	(250)	—	—	5,193	(164)	5,029
Total infrastructure, property, plant and equipment	809,667	(238,668)	570,999	18,729	6,170	(2,625)	(10,557)	(2)	419	828,719	(245,586)	583,133

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

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

Accounting policy

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

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

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

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

Useful lives of IPPE

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	5 to 30	Benches, seats etc.	10 to 20
Computer equipment	4 to 10		
Vehicles	5 to 20	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Reservoirs	80 to 100	Drains	70 to 200
Treatment Works	30 to 150	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100 to 200
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 40	Bulk earthworks	infinite
Sealed roads: structure	75 to 240	Swimming pools	60 to 100
Unsealed roads	20	Other open space/recreational assets	5 to 60
Bridge: concrete	80 to 130	Other land improvement assets	20 to 100
Bridge: other	70 to 100		
Road pavements	100		
Kerb, gutter and footpaths	30 to 60		

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

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

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 *Land Under Roads*.

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

Crown reserves

Crown reserves under Council's care and control are recognised as assets of 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. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the Council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including buildings, plant and vehicles.

C1-8 Intangible assets

\$ '000	2022	2021
Software		
Opening values at 1 July		
Gross book value	420	420
Accumulated amortisation	(290)	(248)
Net book value – opening balance	130	172
Movements for the year		
Other movements	(1)	1
Amortisation charges	(42)	(43)
Closing values at 30 June		
Gross book value	420	420
Accumulated amortisation	(333)	(290)
Total software – net book value	87	130
Total intangible assets – net book value	87	130

Accounting policy

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

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

\$ '000	2022	2021
(i) Assets held as property, plant and equipment		
Council provides operating leases on Council land and buildings for the purposes of agistment, staff housing, health and community services.		
Lease income (excluding variable lease payments not dependent on an index or rate)	88	346
Total income relating to operating leases for Council assets	88	346

(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	213	201
1–2 years	186	192
2–3 years	182	184
3–4 years	182	180

C2-1 Council as a lessor (continued)

\$ '000	2022	2021
4–5 years	171	181
> 5 years	33	34
Total undiscounted lease payments to be received	967	972

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services	3,245	–	2,520	–
Accrued expenses:				
– Borrowings	28	–	35	–
– Salaries and wages	(113)	–	(10)	–
Prepaid rates	670	–	663	–
Total payables	3,830	–	3,208	–

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Funds to construct Council controlled assets (i)	(i)	4,262	–	3,211	–
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15 (ii)	(ii)	707	–	1,156	–
Total contract liabilities		4,969	–	4,367	–

Notes

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

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

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

\$ '000	2022	2021
Funds to construct Council controlled assets	2,329	449
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	501	459
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,830	908

Significant changes in contract liabilities

The value of contract liabilities has remained steady between in the 2022 financial year. The Council is working hard to finalise projects and acquit grants.

Accounting policy

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

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured	1,315	6,995	1,275	8,310
Total borrowings	1,315	6,995	1,275	8,310

(a) Changes in liabilities arising from financing activities

	2021	Non-cash movements					2022
\$ '000	Opening Balance	Drawdown/ Repayment of Principal	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	9,585	(1,275)	–	–	–	–	8,310
Total liabilities from financing activities	9,585	(1,275)	–	–	–	–	8,310

	2020	Non-cash movements					2021
\$ '000	Opening Balance	Drawdown/ Repayment of Principal	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,637	(1,052)	4,000	–	–	–	9,585
Total liabilities from financing activities	6,637	(1,052)	4,000	–	–	–	9,585

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	39	47
Total financing arrangements	39	47
Drawn facilities		
– Credit cards/purchase cards	10	12
Total drawn financing arrangements	10	12
Undrawn facilities		
– Credit cards/purchase cards	29	35
Total undrawn financing arrangements	29	35

Breaches and defaults

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

Security over loans

Loans secured over future cash flows.

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	1,305	–	1,462	–
Long service leave	2,181	341	2,781	433
Total employee benefit provisions	3,486	341	4,243	433

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,836	4,043
	3,836	4,043

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation	–	4,259	–	5,172
Asset remediation/restoration	–	4,259	–	5,172

Movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	5,172	5,172
Unwinding of discount	47	47
Derecognition of Provision	(960)	(960)
Total other provisions at end of year	4,259	4,259
2021		
At beginning of year	670	670
Additional provisions	4,502	4,502
Total other provisions at end of year	5,172	5,172

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	12,038	2,061	2,588
User charges and fees	6,346	2,658	524
Other revenues	799	5	—
Grants and contributions provided for operating purposes	11,230	—	—
Grants and contributions provided for capital purposes	7,721	—	1,052
Interest and investment income	112	27	13
Other income	88	—	—
Total income from continuing operations	38,334	4,751	4,177
Expenses from continuing operations			
Employee benefits and on-costs	11,184	576	463
Materials and services	13,798	1,744	—
Borrowing costs	119	87	56
Depreciation, amortisation and impairment of non-financial assets	10,268	496	430
Other expenses	1,186	—	—
Net losses from the disposal of assets	(359)	234	3,184
Total expenses from continuing operations	36,196	3,137	4,133
Operating result from continuing operations	2,138	1,614	44
Net operating result for the year	2,138	1,614	44
Net operating result attributable to each council fund	2,138	1,614	44
Net operating result for the year before grants and contributions provided for capital purposes	(5,583)	1,614	(1,008)

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	8,225	–	–
Investments	1,630	7,100	5,318
Receivables	4,515	665	308
Inventories	427	19	–
Contract assets and contract cost assets	4,210	–	1,349
Total current assets	19,007	7,784	6,975
Non-current assets			
Receivables	58	–	–
Inventories	824	–	–
Infrastructure, property, plant and equipment	586,889	20,398	50,212
Intangible assets	87	–	–
Total non-current assets	587,858	20,398	50,212
Total assets	606,865	28,182	57,187
LIABILITIES			
Current liabilities			
Payables	3,143	10	6
Income received in advance	467	204	–
Contract liabilities	4,969	–	–
Borrowings	557	376	382
Employee benefit provision	3,486	–	–
Income received in advance	–	–	–
Total current liabilities	12,622	590	388
Non-current liabilities			
Borrowings	1,038	2,901	3,056
Employee benefit provision	341	–	–
Provisions	4,259	–	–
Total non-current liabilities	5,638	2,901	3,056
Total liabilities	18,260	3,491	3,444
Net assets	588,605	24,691	53,743
EQUITY			
Accumulated surplus	347,081	22,961	42,347
Revaluation reserves	241,524	1,730	11,396
Council equity interest	588,605	24,691	53,743
Total equity	588,605	24,691	53,743

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 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 Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	103	120
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

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. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
2022				
Gross carrying amount	–	840	45	885
2021				
Gross carrying amount	–	732	47	779

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 0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
2022						
Gross carrying amount	399	155	77	1,367	532	2,530
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.48%	0.31%
ECL provision	–	–	–	–	8	8
2021						
Gross carrying amount	1,732	92	49	29	269	2,171
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.97%	0.37%
ECL provision	–	–	–	–	8	8

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	0.00%	–	4,087	–	–	4,087	4,087
Borrowings	1.77%	–	1,315	4,069	2,926	8,310	8,310
Total financial liabilities		–	5,402	4,069	2,926	12,397	12,397
2021							
Payables	0.00%	–	2,545	–	–	2,545	2,545
Borrowings	1.82%	–	1,275	4,516	3,794	9,585	9,585
Total financial liabilities		–	3,820	4,516	3,794	12,130	12,130

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-7								
Plant, equipment, furniture and fittings		30/06/22	30/6/21	—	—	9,881	9,300	9,881	9,300
Operational Land		30/06/18	30/06/18	7,634	6,525	—	—	7,634	6,525
Other Land		30/06/18	30/06/18	—	—	7,532	5,625	7,532	5,625
Buildings and other structures		30/06/18	30/6/18	—	—	29,255	27,162	29,255	27,162
Roads, bridges and footpaths		30/06/20	30/6/20	—	—	267,221	239,258	267,221	239,258
Other road assets incl bulk earthworks		30/06/20	30/6/20	—	—	227,503	202,991	227,503	202,991
Stormwater drainage		30/06/22	30/6/15	—	—	17,734	11,943	17,734	11,943
Water supply network		30/06/22	30/6/17	—	—	19,892	20,757	19,892	20,757
Sewerage network		30/06/22	30/6/17	—	—	48,107	23,817	48,107	23,817
Open space/recreational assets		30/06/18	30/6/18	—	—	14,204	10,839	14,204	10,839
Other assets		12/05/16	12/5/16	—	—	17	26	17	26
Tip restoration asset		30/06/22	30/6/21	—	—	3,071	5,029	3,071	5,029
Total infrastructure, property, plant and equipment				7,634	6,525	644,417	556,747	652,051	563,272

Non-recurring fair value measurements

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:

Infrastructure, property, plant and equipment (IPPE)

Level 2 Inputs

E2-1 Fair value measurement (continued)

Plant & equipment

It is considered that there is a liquid second hand market for Council's plant & equipment, however, there is subjectivity of prices in this market dependant on the age and condition of the equipment being sold. Plant & equipment are valued at written down value and disclosed at fair value.

Office equipment & Furniture & fittings

There is a liquid second hand market for these type of assets, but the market is not liquid enough to qualify the assets as valued at level 1. These assets typically have very short useful lives, are held to the end of their economic life and have no residual value. The written down value reflects their value in use rather than their market value and are therefore valued at written down value and disclosed at fair value.

Operational land

There is an active liquid market for most of Council's operational land, however, the subjectivity of pricing has resulted in this land to be classified as level 2. Operational land has been valued as at 30 June 2018 by an external valuer, Australis, taking into consideration the land characteristics, location, zoning, proximity to services and comparable sales.

Level 3 Inputs

Capital works in progress

These assets are valued at the cost of construction of the asset. As there is no active market for any of the infrastructure assets that are partially constructed, the only valuation is costs, or inputs to the construction work.

Community land

Community land has been valued as at 30 June 2018 by an external valuer, Australis, taking into consideration the land characteristics, location, zoning, and proximity to services.

Land under roads

Council has elected to only recognise land under roads which was acquired after 30 June 2008. There is no market for land that is currently used for road or road reserve purposes. The NSW Valuer General's valuations of neighbouring land was used to calculate the value of land under roads.

Land improvements

There is no active market for sale of land improvements, therefore land improvements are valued at written down value and disclosed at fair value.

Buildings & Other structures

Buildings and other structures were valued as at 30 June 2018 by external valuers, Australis. Non-specialised building are valued using a market based approach where an active market could be identified. Other buildings and structures are valued using depreciated replacement cost taking into account the useful lives and condition of the asset.

Roads, Bridges, Footpaths, Bulk earthworks & Stormwater drainage

Roads assets were valued using a combination of external valuers and internal professional Council staff. The assets were componentised and valued at the depreciated replacement cost method, taking into account unit rates, useful lives and asset condition.

Water supply network & Sewerage network

Council's water and sewer assets were valued by external valuers as at 30 June 2022. The value represents the depreciated replacement cost, taking into account the Crown Lands and Water's (CLAW) reference rates, useful lives, dimension, specification and asset condition. In between full valuations, these assets are indexed annually in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Heritage collection

These assets include memorabilia and collectibles and are valued at written down value based upon cost and are disclosed at fair value.

E2-1 Fair value measurement (continued)

There were no changes in valuation techniques from prior years.

Fair value measurements using significant unobservable inputs (level 3)

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.

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Capital work in progress	Cost of construction	Cost of materials, wages, plant
Community Land	Land values obtained by the NSW Valuer General	VG land value, land area, rate per sq metre
Land under Roads	Land values obtained by the NSW Valuer General	Adjoining land values based upon VG value, rate per sq metre
Land improvements	Depreciated replacement cost used to approximate fair value	Purchase price, useful life
Buildings & other structure	Combination of market value and depreciated replacement cost used to approximate fair value	Cost, unit rates, useful life, asset condition
Roads assets	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Water & sewer	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Heritage collection	Depreciated replacement cost used to approximate fair value	Cost, useful life

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

	Total IPP&E	
\$ '000	2022	2021
Opening balance	556,747	549,074
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	72,339	–
Other movements		
Purchases (GBV)	26,483	16,797
Depreciation and impairment	(11,152)	(9,124)
Closing balance	644,417	556,747

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

Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$91,138.48. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$79,864.20.

E3-1 Contingencies (continued)

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.22%

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

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

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	501	576
Post-employment benefits	30	41
Other long-term benefits	7	–
Termination benefits	214	–
Total	752	617

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2022					
Supply of new motor vehicles and motor vehicle servicing	75	–	At arm's length, normal commercial terms.	–	–
Supply of stationery, office supplies and newspapers	–	–	At arm's length, normal commercial terms.	–	–
2021					
Supply of new motor vehicles and motor vehicle servicing	249	–	At arm's length, normal commercial terms.	–	–
Supply of stationery, office supplies and newspapers	–	–	At arm's length, normal commercial terms.	–	–

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	25	26
Councillors' fees	98	106
Councillors' (including Mayor) expenses	62	27
Total	185	159

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
Audit and other assurance services: Auditors of NSW Council - NSW Auditor General:		
Audit of financial statements	95	82
Total fees paid or payable to Auditor-General	95	82
 Total audit fees	 95	 82

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	3,796	9,763
Add / (less) non-cash items:		
Depreciation and amortisation	11,194	10,600
(Gain) / loss on disposal of assets	3,059	317
Unwinding of discount rates on reinstatement provisions	47	—
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(2,677)	(657)
(Increase) / decrease of inventories	175	177
(Increase) / decrease of contract asset	5,061	(5,050)
Increase / (decrease) in payables	725	(642)
Increase / (decrease) in accrued interest payable	(7)	(2)
Increase / (decrease) in other accrued expenses payable	(103)	(115)
Increase / (decrease) in other liabilities	7	121
Increase / (decrease) in contract liabilities	602	1,857
Increase / (decrease) in employee benefit provision	(849)	62
Increase / (decrease) in other provisions	(960)	4,502
Net cash flows from operating activities	20,070	20,933

G2-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

Natural Disasters

Cootamundra-Gundagai Regional Council was declared a natural disaster area twice after 30 June 2022; AGRN 1030 in August 2022 and 1034 in September 2022. Both events were due to severe weather and flooding.

Council's road network has been damaged by these events. Council is working with Damage Control Project Management Pty Ltd and Transport for NSW to evaluate the damage and will submit flood damage claims for the restoration works. It is expected that these claims will be approved and the works will be fully funded. Council has so far received \$1m of funding from Transport for NSW for emergency maintenance costs. The cost of the restoration works required to restore Council's road network has not been recognised in these financial statements.

Cootamundra-Gundagai Regional Council Demerger

The NSW Government is proceeding with the demerger of Cootamundra-Gundagai Regional Council, in line with the recommendations of the Local Government Boundaries Commission.

As part of this process, the Office of Local Government (OLG) has developed a Roadmap outlining the steps involved in the demerger. It is anticipated that Council elections for the de-amalgamated shires will be held in line with the local government general elections in September 2024.

The financial statements for the year ended 30 June 2022 have been prepared on a going concern basis.

G3 Statement of developer contributions as at 30 June 2022

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S7.12 levies – under a plan	291	354	–	–	(58)	–	587	–
Total S7.11 and S7.12 revenue under plans	291	354	–	–	(58)	–	587	–
S64 contributions	–	178	–	–	–	–	178	–
Total contributions	291	532	–	–	(58)	–	765	–

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.

S7.12 Levies – under a plan

	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
CONTRIBUTION PLAN FOR OTHER DEVELOPMENTS								
Community facilities	291	354	–	–	(58)	–	587	–
Total	291	354	–	–	(58)	–	587	–

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,918)	(4.98)%	(15.31)%	(19.45)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	38,489				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	27,259	57.68%	49.62%	56.88%	> 60.00%
Total continuing operating revenue ¹	47,262				
3. Unrestricted current ratio					
Current assets less all external restrictions	9,746	6.47x	5.00x	2.91x	> 1.50x
Current liabilities less specific purpose liabilities	1,507				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	9,538	6.21x	4.55x	5.27x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,537				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,021	5.77%	5.91%	6.09%	< 10.00%
Rates and annual charges collectable	17,696				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	22,273	8.50	9.08	6.66	> 3.00
Monthly payments from cash flow of operating and financing activities	2,622	months	months	months	months

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

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

G4-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(8.24)%	(26.07)%	33.97%	11.28%	(32.26)%	34.44%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	50.56%	50.60%	100.00%	100.00%	74.81%	26.28%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	6.47x	5.00x	13.19x	9.38x	17.98x	5.74x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5.64x	2.78x	25.25x	11.92x	(9.32)x	41.61x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.83%	8.28%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.50	9.08	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months					months

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

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

End of the audited financial statements

H Additional Council disclosures

H1-1 Council information and contact details

Principal place of business:

81 Wallendoon Street
Cootamundra NSW 2590

Contact details

Mailing Address:

PO Box 420
Cootamundra NSW 2590

Telephone: 02 6940 2100

Facsimile: 02 6940 2127

Opening hours:

9am - 5:00pm
Monday to Friday

Internet: www.cgrc.nsw.gov.au

Email: mail@cgrc.nsw.gov.au

Officers

General Manager

Steve McGrath

Responsible Accounting Officer

Zac Mahon

Elected members

Mayor

Charlie Sheahan

Councillors

Leigh Bowden (Deputy Mayor)

Abb McAlister

David Graham

Gil Kelly

Penny Nicholson

Logan Collins

Les Boyd

Trevor Glover



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Qualified Opinion

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

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

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting assets

As disclosed in Note C1-7 to the financial statements, the Council has not recognised rural fire-fighting equipment and buildings located on land that is controlled and recognised by the Council as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

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 13 December 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 and buildings located on land that is controlled and recognised by the Council that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G4-1 'Statement of performance measures – consolidated results' and Note G4-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 March 2023
SYDNEY



Cr Charlie Sheahan
Mayor
Cootamundra-Gundagai Regional Council
PO Box 420
COOTAMUNDRA NSW 2590

Contact: Nirupama Mani
Phone no: (02) 9275 7111
Our ref: D2304278/1734

29 March 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Cootamundra-Gundagai Regional Council**

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit 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 assets

The Council has not recognised rural fire-fighting equipment and buildings located on land that is controlled and recognised by Council within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

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 13 December 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 assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

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

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

INCOME STATEMENT

Operating result

	2022 \$m	2021 \$m	Variance %
Rates and annual charges revenue	16.7	14.5	15.2
Grants and contributions revenue	20.0	24.1	17.0
Operating result from continuing operations	3.8	9.8	61.2
Net operating result before capital grants and contributions	(5.0)	(5.5)	9.1

Rates and annual charges revenue was \$16.7 million (\$14.5 million for the year ended 30 June 2021). The increase of \$2.2 million (15.2%) is consistent with an increase in ordinary rates in line with the 20.0% special variation.

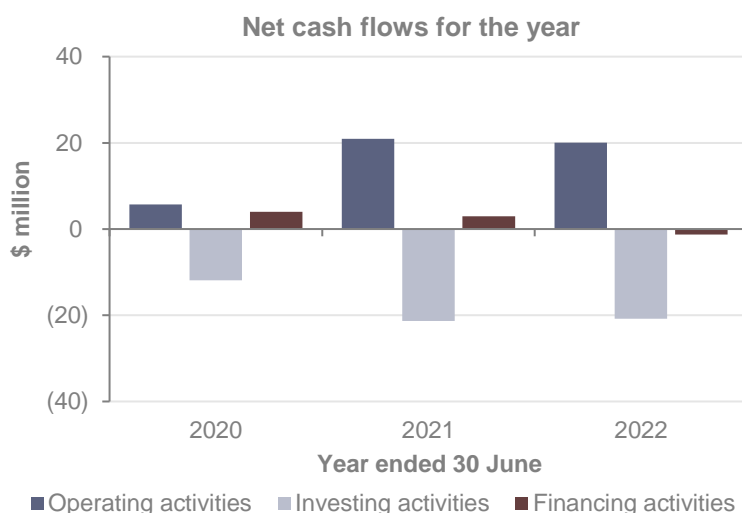
Grants and contributions revenue was \$20.0 million (\$24.1 million for the year ended 30 June 2021). The decrease of \$4.1 million (17.0%) was primarily due to the significant funding (of \$8.3 million) for the sewer treatment project which was recognised as revenue in the prior year.

The Council's operating result from continuing operations (\$3.8 million including depreciation and amortisation expense of \$11.2 million) was \$6.0 million lower than the 2020–21 result. A contributor to this the \$2.7 million increase in the net loss from the disposal of assets.

The net operating result before capital grants and contributions (deficit of \$5.0 million) was a \$0.5 million improvement compared to the 2020–21 result. This is mainly due to the \$2.2 million increase in rates and annual charges revenue.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$8.2 million (\$10.3 million for the year ended 30 June 2021). There was a net decrease in cash and cash equivalents of \$2.1 million during the 2021-22 financial year.
- Net cash provided by operating activities has decreased by \$0.9 million.
- Net cash used in investing activities has decreased by \$0.5 million due to a decrease in purchase of infrastructure, property plant and equipment of \$7.6 million which is partially offset by an increase in the net acquisition of term deposits of \$7.1 million.
- Net cash flows used in financing activities has increased by \$4.2 million as a result of Council entering into a new borrowing arrangement for \$4 million in the previous financial year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	22.3	18.3	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$4.0 million is primarily due to the \$2.6 million increase in specific purpose unexpended grants and \$1.2 million increase in the water fund restrictions.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	21.5	17.5	<ul style="list-style-type: none"> Internal allocations increase of \$0.9 million is primarily due to the \$0.6 million increase in plant and vehicle replacement.
• Internal allocations	10.9	10.0	
• Unrestricted	(10.1)	(9.2)	<ul style="list-style-type: none"> Unrestricted cash and investments were reported as a deficit of \$10.1 million. There was a \$0.9 million decrease in the unrestricted cash and investments balance. Council is awaiting funding from State and Commonwealth Governments claims of \$5.6 million.

Debt

Council has \$8.3 million of external borrowings (2021: \$9.6 million) which is secured over the revenue of Council.

PERFORMANCE

Performance measures

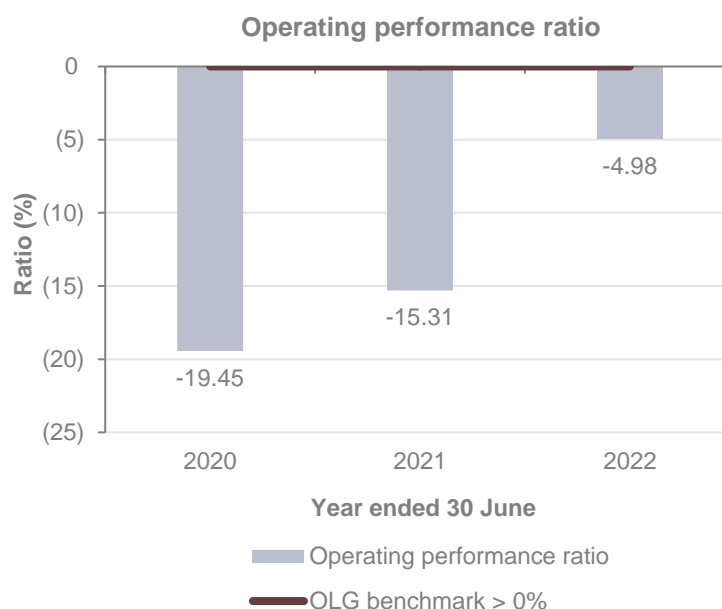
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

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

The operating performance ratio improved to negative 4.98 per cent (2021: negative 15.31 per cent) due to the increase in rates and annual charges revenue.

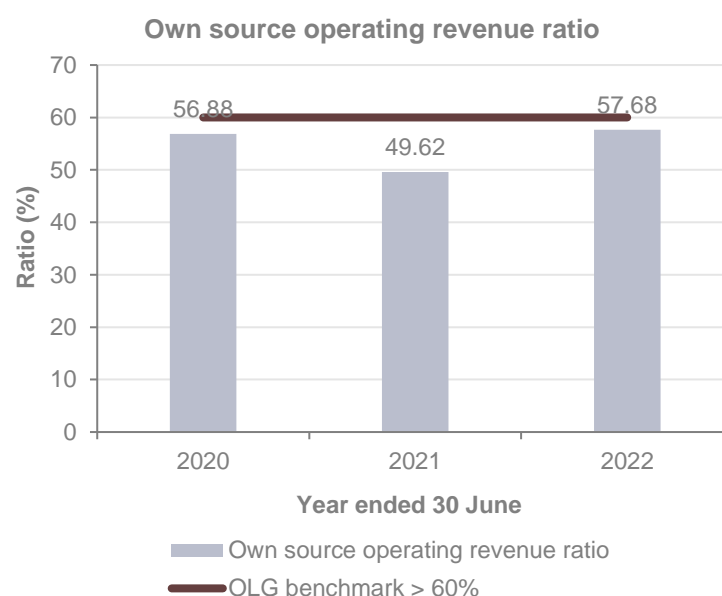


Own source operating revenue ratio

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

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

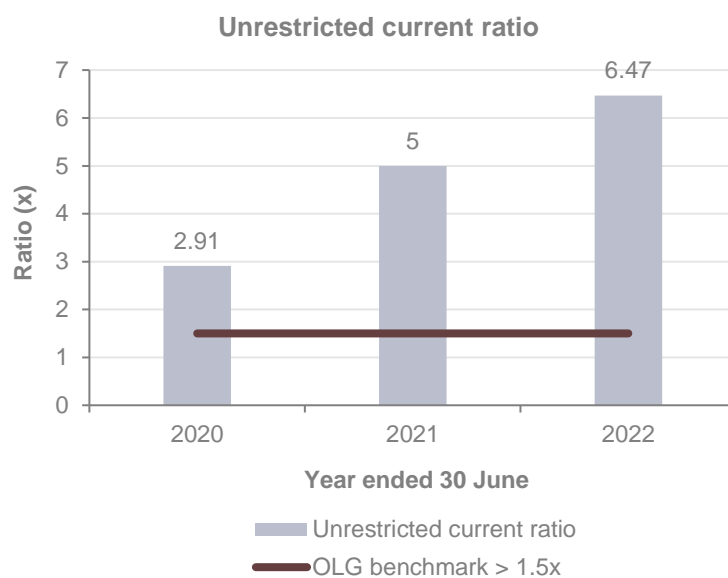
The own source operating revenue ratio has improved from 30 June 2021.



Unrestricted current ratio

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

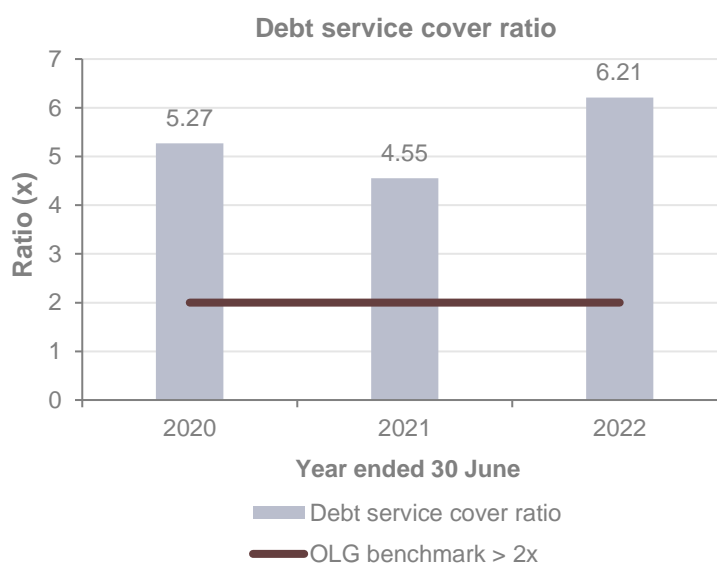
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

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

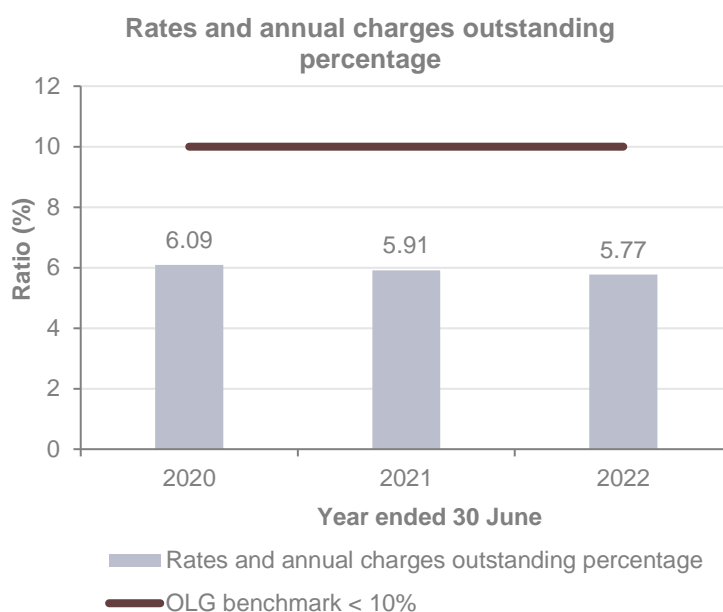


Rates and annual charges outstanding percentage

The Council is within the OLG benchmark for the current reporting period.

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

The rates and annual charges outstanding remained consistent for the last three years, which reflects sound debt recovery at the Council.

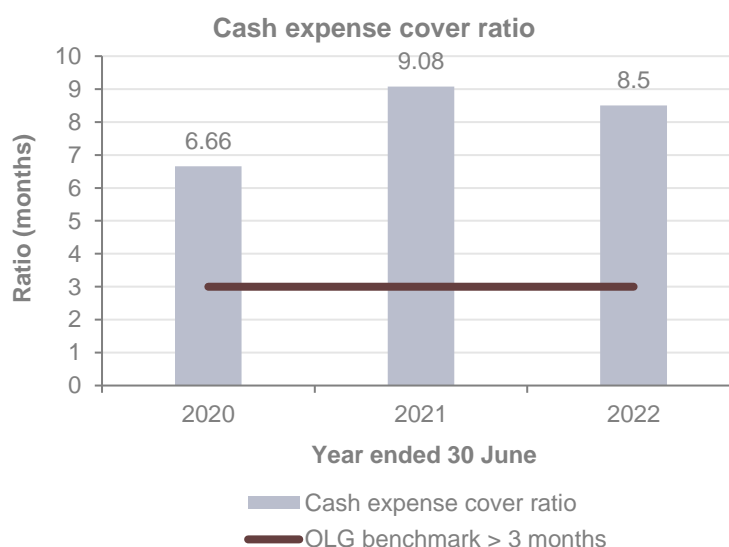


Cash expense cover ratio

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

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

The Council's cash expense cover has decreased due to the increase in payments for operating activities.



Infrastructure, property, plant and equipment renewals

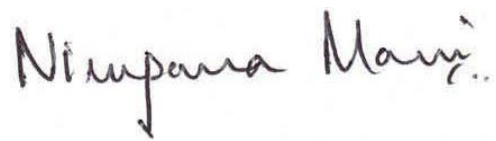
The Council renewed \$15.0 million of assets in the 2021-22 financial year, compared to \$18.7 million of assets in the 2020-21 financial year. This decline is largely due to \$5.1 million decrease in capital works in progress.

OTHER MATTERS

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

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

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



Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Steve McGrath, Interim General Manager
Mr Tony Donoghue, Chairperson, Audit, Risk and Improvement Committee

Cootamundra-Gundagai Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Cootamundra-Gundagai Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in dark ink, reading "Nirupama Mani". The signature is written in a cursive style with a small flourish at the end.

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 March 2023
SYDNEY

Cootamundra-Gundagai Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	2,061	1,956
User charges	2,591	2,563
Fees	67	34
Interest and investment income	27	31
Net gain from the disposal of assets	–	18
Other income	5	6
Total income from continuing operations	4,751	4,608
Expenses from continuing operations		
Employee benefits and on-costs	576	591
Borrowing costs	87	95
Materials and services	168	868
Depreciation, amortisation and impairment	496	517
Water purchase charges	1,576	1,585
Net loss from the disposal of assets	234	123
Other expenses	–	309
Total expenses from continuing operations	3,137	4,088
Surplus (deficit) from continuing operations before capital amounts	1,614	520
Surplus (deficit) from continuing operations after capital amounts	1,614	520
Surplus (deficit) from all operations before tax	1,614	520
Less: corporate taxation equivalent (25%) [based on result before capital]	(404)	(135)
Surplus (deficit) after tax	1,210	385
Plus accumulated surplus	21,347	20,827
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	404	135
Less:		
Closing accumulated surplus	22,961	21,347
Return on capital %	8.3%	2.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,211	385
Surplus for dividend calculation purposes	1,211	385
Potential dividend calculated from surplus	605	193

Cootamundra-Gundagai Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	2,588	2,457
User charges	479	458
Fees	45	29
Interest and investment income	13	21
Total income from continuing operations	3,125	2,965
Expenses from continuing operations		
Employee benefits and on-costs	463	531
Borrowing costs	56	36
Materials and services	–	748
Depreciation, amortisation and impairment	430	441
Net loss from the disposal of assets	3,184	–
Other expenses	–	188
Total expenses from continuing operations	4,133	1,944
Surplus (deficit) from continuing operations before capital amounts	(1,008)	1,021
Grants and contributions provided for capital purposes	1,052	8,319
Surplus (deficit) from continuing operations after capital amounts	44	9,340
Surplus (deficit) from all operations before tax	44	9,340
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(265)
Surplus (deficit) after tax	44	9,075
Plus accumulated surplus	42,303	32,963
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	265
Less:		
Closing accumulated surplus	42,347	42,303
Return on capital %	(1.9)%	2.7%
Subsidy from Council	2,790	–
Calculation of dividend payable:		
Surplus (deficit) after tax	44	9,075
Less: capital grants and contributions (excluding developer contributions)	(1,052)	(8,319)
Surplus for dividend calculation purposes	–	756
Potential dividend calculated from surplus	–	378

Cootamundra-Gundagai Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Investments	7,100	5,870
Receivables	665	609
Inventories	19	14
Total current assets	7,784	6,493
Non-current assets		
Infrastructure, property, plant and equipment	20,398	21,356
Total non-current assets	20,398	21,356
Total assets	28,182	27,849
LIABILITIES		
Current liabilities		
Payables	10	153
Income received in advance	204	173
Borrowings	376	366
Total current liabilities	590	692
Non-current liabilities		
Borrowings	2,901	3,277
Total non-current liabilities	2,901	3,277
Total liabilities	3,491	3,969
Net assets	24,691	23,880
EQUITY		
Accumulated surplus	22,961	21,347
Revaluation reserves	1,730	2,533
Total equity	24,691	23,880

Cootamundra-Gundagai Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Contract assets and contract cost assets	1,349	3,397
Investments	5,318	5,594
Receivables	308	284
Total current assets	6,975	9,275
Non-current assets		
Infrastructure, property, plant and equipment	50,212	39,345
Total non-current assets	50,212	39,345
Total assets	57,187	48,620
LIABILITIES		
Current liabilities		
Payables	6	1,240
Borrowings	382	376
Total current liabilities	388	1,616
Non-current liabilities		
Borrowings	3,056	3,437
Total non-current liabilities	3,056	3,437
Total liabilities	3,444	5,053
Net assets	53,743	43,567
EQUITY		
Accumulated surplus	42,347	42,303
Revaluation reserves	11,396	1,264
Total equity	53,743	43,567

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, Council is a non-reporting not-for-profit entity.

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

The supply of potable water to the residents of Cootamundra and Gundagai townships.

b. Sewerage Treatment

The provision of sewerage facilities and services to the residents of the Cootamundra and Gundagai townships.

Category 2

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

Council has no category 2 business activities.

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):

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – **25.0% (20/21 26%)**

Land tax – the first \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25%.

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

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

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

Note – Significant Accounting Policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

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

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

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

Cootamundra-Gundagai Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

Cootamundra-Gundagai Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Cootamundra-Gundagai Regional Council

Special Schedules

for the year ended 30 June 2022

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Cootamundra-Gundagai Regional Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	7,654	9,215
Plus or minus adjustments ²	b	26	9
Notional general income	$c = a + b$	7,680	9,224
Permissible income calculation			
Special variation percentage ³	d	20.00%	16.00%
Plus special variation amount	$h = d \times (c + g)$	1,536	1,476
Sub-total	$k = (c + g + h + i + j)$	9,216	10,700
Plus (or minus) last year's carry forward total	l	(2)	(1)
Sub-total	$n = (l + m)$	(2)	(1)
Total permissible income	$o = k + n$	9,214	10,699
Less notional general income yield	p	9,215	10,697
Catch-up or (excess) result	$q = o - p$	(1)	2
Carry forward to next year ⁶	$t = q + r + s$	(1)	2

Notes

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

Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cootamundra-Gundagai Regional Council (the Council) for the year ending 30 June 2023.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in dark ink, reading "Nirupama Mani". The signature is written in a cursive style with a small flourish at the end.

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 March 2023
SYDNEY

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings - non-specialised	621	621	—	145	1,274	2,895	15.0%	27.0%	24.0%	31.0%	3.0%
	Buildings - specialised	461	461	—	678	21,118	49,019	20.0%	10.0%	29.0%	33.0%	8.0%
	Other structures	19	19	—	129	6,863	11,933	30.0%	18.0%	41.0%	9.0%	2.0%
	Sub-total	1,101	1,101	—	952	29,255	63,847	21.6%	12.3%	31.0%	28.4%	6.7%
	Sub-total	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	109	109	—	1,590	171,132	268,671	67.0%	19.0%	14.0%	0.0%	0.0%
	Unsealed roads	632	632	—	908	30,434	37,584	88.0%	6.0%	4.0%	2.0%	0.0%
	Bridges	1,851	1,851	—	33	41,131	77,426	34.0%	42.0%	19.0%	3.0%	2.0%
	Footpaths	44	44	—	224	5,126	8,031	42.0%	43.0%	13.0%	1.0%	1.0%
	Kerb & gutter	808	808	—	75	19,398	38,161	27.0%	37.0%	26.0%	10.0%	0.0%
	Bulk earthworks	—	—	—	845	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	—	—	—	—	227,503	227,503	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	3,444	3,444	—	3,675	494,724	657,376	73.1%	15.7%	9.9%	1.1%	0.2%
Water supply network	Water supply network	9,688	9,688	—	286	19,892	40,418	19.0%	10.0%	25.0%	27.0%	19.0%
	Sub-total	9,688	9,688	—	286	19,892	40,418	19.0%	10.0%	25.0%	27.0%	19.0%
Sewerage network	Sewerage network	7,519	7,519	—	525	48,107	73,483	37.0%	4.0%	41.0%	12.0%	6.0%
	Sub-total	7,519	7,519	—	525	48,107	73,483	37.0%	4.0%	41.0%	12.0%	6.0%
Stormwater drainage	Stormwater drainage	—	—	—	211	17,734	27,730	29.0%	19.0%	52.0%	0.0%	0.0%
	Sub-total	—	—	—	211	17,734	27,730	29.0%	19.0%	52.0%	0.0%	0.0%
Open space / recreational assets	Other	13	13	—	976	7,690	14,524	14.0%	19.0%	47.0%	19.0%	1.0%
	Swimming Pools	—	—	—	39	6,514	12,048	31.0%	30.0%	18.0%	21.0%	0.0%
	Sub-total	13	13	—	1,015	14,204	26,572	21.7%	24.0%	33.9%	19.9%	0.5%
Total – all assets		21,765	21,765	—	6,664	623,916	889,426	61.1%	14.6%	16.7%	5.6%	2.0%

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

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2022 (continued)

Infrastructure asset condition assessment 'key'

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

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	29,404	340.36%	154.34%	162.48%	>= 100.00%
Depreciation, amortisation and impairment	8,639				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	21,765	3.49%	4.26%	4.03%	< 2.00%
Net carrying amount of infrastructure assets	623,916				
Asset maintenance ratio					
Actual asset maintenance	6,664	∞	∞	∞	> 100.00%
Required asset maintenance	—				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	21,765	2.45%	3.08%	2.89%	
Gross replacement cost	889,426				

(*) 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.

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	∞	∞	∞	∞	∞	∞	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	0.81%	0.89%	48.70%	45.99%	15.63%	40.42%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	∞	∞	∞	∞	∞	∞	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.59%	0.67%	23.97%	25.96%	10.23%	18.49%	
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.