

FEDERATION COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022



Federation Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Federation Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

100 Edward Street
COROWA NSW 2646

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.federationcouncil.nsw.gov.au.

Federation Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Federation Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

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



Patrick Bourke

Mayor

17 October, 2022



Shaun Whitechurch

Councillor

17 October, 2022



Adrian Butler

General Manager

17 October, 2022



Shane Norman

Responsible Accounting Officer

17 October, 2022

Federation Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
16,368	Rates and annual charges	B2-1	17,140	15,318
9,520	User charges and fees	B2-2	9,421	8,553
442	Other revenues	B2-3	457	497
11,626	Grants and contributions provided for operating purposes	B2-4	15,043	16,324
3,823	Grants and contributions provided for capital purposes	B2-4	11,794	7,097
229	Interest and investment income	B2-5	318	185
1,764	Net gain from the disposal of assets	B4-1	1,502	–
43,772	Total income from continuing operations		55,675	47,974
Expenses from continuing operations				
15,681	Employee benefits and on-costs	B3-1	13,978	14,151
14,731	Materials and services	B3-2	14,459	14,912
339	Borrowing costs	B3-3	395	367
13,690	Depreciation, amortisation and impairment of non-financial assets	B3-4	13,095	13,413
487	Other expenses	B3-5	465	630
–	Net loss from the disposal of assets	B4-1	–	8,015
44,928	Total expenses from continuing operations		42,392	51,488
(1,156)	Operating result from continuing operations		13,283	(3,514)
(1,156)	Net operating result for the year attributable to Council		13,283	(3,514)
Net operating result for the year before grants and contributions provided for capital purposes				
(4,979)			1,489	(10,611)

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

Federation 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		13,283	(3,514)
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	74,672	721
Total items which will not be reclassified subsequently to the operating result		74,672	721
Total other comprehensive income for the year		74,672	721
Total comprehensive income for the year attributable to Council		87,955	(2,793)

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

Federation Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	16,719	8,393
Investments	C1-2	26,111	20,038
Receivables	C1-4	9,144	6,979
Inventories	C1-5	2,973	2,382
Other		183	119
Total current assets		55,130	37,911
Non-current assets			
Investments	C1-2	4,529	10,008
Receivables	C1-4	60	60
Inventories	C1-5	–	44
Infrastructure, property, plant and equipment (IPPE)	C1-7	670,200	592,047
Intangible assets	C1-8	307	232
Total non-current assets		675,096	602,391
Total assets		730,226	640,302
LIABILITIES			
Current liabilities			
Payables	C2-1	5,787	3,860
Contract liabilities	C2-2	9,392	8,685
Borrowings	C2-3	534	517
Employee benefit provisions	C2-4	2,820	2,796
Provisions	C2-5	432	432
Total current liabilities		18,965	16,290
Non-current liabilities			
Borrowings	C2-3	9,988	10,593
Employee benefit provisions	C2-4	276	377
Provisions	C2-5	709	709
Total non-current liabilities		10,973	11,679
Total liabilities		29,938	27,969
Net assets		700,288	612,333
EQUITY			
Accumulated surplus		516,196	502,913
IPPE revaluation reserve	C3-1	184,092	109,420
Total equity		700,288	612,333

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

Federation 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		502,913	109,420	612,333	506,427	108,699	615,126
Net operating result for the year		13,283	–	13,283	(3,514)	–	(3,514)
Net operating result for the period		13,283	–	13,283	(3,514)	–	(3,514)
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	74,672	74,672	–	721	721
Other comprehensive income		–	74,672	74,672	–	721	721
Total comprehensive income		13,283	74,672	87,955	(3,514)	721	(2,793)
Closing balance at 30 June		516,196	184,092	700,288	502,913	109,420	612,333

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

Federation 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:				
16,352	Rates and annual charges		16,295	15,200
9,485	User charges and fees		8,993	8,797
229	Interest received		393	382
15,444	Grants and contributions		25,412	32,587
–	Bonds, deposits and retentions received		308	31
441	Other		259	1,511
Payments:				
(15,755)	Payments to employees		(13,995)	(14,392)
(10,803)	Payments for materials and services		(13,346)	(15,775)
(339)	Borrowing costs		(395)	(367)
(4,154)	Other		(529)	(617)
10,900	Net cash flows from operating activities	G1-1	23,395	27,357
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		40,218	22,595
1,764	Sale of real estate assets		3,770	875
500	Proceeds from sale of IPPE		182	597
Payments:				
–	Acquisition of term deposits		(40,812)	(38,737)
(15,529)	Payments for IPPE		(17,576)	(24,528)
–	Purchase of real estate assets		(127)	–
–	Purchase of intangible assets		(136)	(3)
(13,265)	Net cash flows used in investing activities		(14,481)	(39,201)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings		–	5,090
Payments:				
(450)	Repayment of borrowings		(588)	(440)
(450)	Net cash flows from financing activities		(588)	4,650
(2,815)	Net change in cash and cash equivalents		8,326	(7,194)
19,485	Cash and cash equivalents at beginning of year	G1-1	8,393	15,587
16,670	Cash and cash equivalents at end of year	C1-1	16,719	8,393
–	plus: Investments on hand at end of year	C1-2	30,640	30,046
16,670	Total cash, cash equivalents and investments		47,359	38,439

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

Federation 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 17 October, 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (ii) estimated tip and quarries remediation provisions – refer Note C2-5
- (iii) employee benefit provisions – refer Note C2-4.
- (iv) Impairment of receivables - Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

(c) Monies and other assets received by Council

(i) The Consolidated Fund

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

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

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

- General purpose operations
- Water service
- Sewerage service

A1-1 Basis of preparation (continued)

(ii) The Trust Fund

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

(d) 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.

(e) New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time for reporting period beginning 1 July 2021.

These newly adopted standards had no material impact on Council's reported financial position.

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										
Built Federation	27,494	27,985	28,551	38,626	(1,057)	(10,641)	12,491	13,893	663,230	528,142
Economic Federation	6,790	2,500	3,164	2,807	3,626	(307)	3,219	1,279	9,077	61,367
Natural Federation	862	974	2,884	2,745	(2,022)	(1,771)	350	437	2	7,142
Social Federation	917	429	3,709	3,214	(2,792)	(2,785)	619	435	–	–
Well-Governed Federation	19,612	16,086	4,030	3,940	15,582	12,146	10,158	7,377	57,917	43,651
Amalgamation	–	–	54	156	(54)	(156)	–	–	–	–
Total functions and activities	55,675	47,974	42,392	51,488	13,283	(3,514)	26,837	23,421	730,226	640,302

B1-2 Components of functions or activities

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

Built Federation

Council aim to maintain and improve infrastructure that meets the needs of residents and industry by providing the following services:

- Asset inspection - road, stormwater and sewer
- Road management - construction, maintenance and renewal
- Storm water - construction, maintenance and renewal
- Water and sewerage reticulation - construction, maintenance and renewal
- Development contributions planning
- Traffic and parking services
- Fleet management and maintenance
- Waste management

Economic Federation

Growing, progressive and prosperous communities that build on sustainable manufacturing, agriculture and tourism, close proximity to other centres, on both sides of the Murray River and affordability by providing the following services:

- Visitor Information Centre
- Marketing and promotion
- Economic development
- Events and events sponsorship
- Business support
- Product development and grant applications
- Training facilitation and promotion
- Saleyard management and maintenance
- Caravan park management

Natural Federation

Sustainable rural landscapes and waterways offering tranquillity and attractive recreational spaces by providing the following services:

- Animal compliance
- Local laws
- Street cleaning
- Waste collection
- Weed management
- Pest control
- Roadside vegetation management
- Community facilities management
- Tree management
- Caravan park management
- Park reserve management
- Development assessment
- Building control and planning
- Environmental health
- Building inspections
- Strategic land use planning

Social Federation

Close-knit and welcoming communities where people come together and support each other by providing the following services:

- Library services
- Community/ civic events
- Art space
- Community facilities
- Cultural services
- Community support
- Youth services
- Disability services
- Volunteer services
- Ageing well services
- Community grants
- Road safety
- Swimming pool management

B1-2 Components of functions or activities (continued)

Well-Governed Federation

Strong civic leadership and governance supporting equity across communities and effective communication with residents by providing the following services:

- Financial management
- IT support hardware software and systems
- Records management
- Geographic information system
- Lease management
- Customer service
- Policy development
- Internal and external audits
- Risk and compliance
- Workforce management
- Performance reporting
- Council and committee support
- GIPA (Access to Information)
- Asset management
- Emergency management

Amalgamation

Federation Council was proclaimed on 12 May 2016, following the amalgamation of the former Corowa Shire and Urana Shire Councils. With the merger, the new Council received significant funding to deliver community projects (\$15 million) and to establish itself as a new robust entity (\$5 million). These funds were received in 2016 and 2018. Projects have continued in this financial year with expenditure totalling \$54,353. Final projects will be completed in 2022/23.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	4,385	3,847
Farmland	3,697	3,608
Business	667	658
Less: pensioner rebates (mandatory)	(252)	(242)
Rates levied to ratepayers	8,497	7,871
Pensioner rate subsidies received	141	131
Total ordinary rates	8,638	8,002
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,191	2,039
Water supply services	1,337	825
Sewerage services	4,527	4,171
Environmental	20	20
Waste levy	526	441
Less: pensioner rebates (mandatory)	(311)	(393)
Annual charges levied	8,290	7,103
Pensioner subsidies received:		
– Water	69	65
– Sewerage	66	68
– Domestic waste management	77	80
Total annual charges	8,502	7,316
Total rates and annual charges	17,140	15,318

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
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	3,883	3,564
Sewerage services	1	658	649
Waste management services (non-domestic)	2	272	252
Other	2	57	142
Non potable water	1	9	11
Total specific user charges		4,879	4,618
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	2	171	222
Inspection services	2	4	1
Planning and building regulation	2	265	258
Private works – section 67	2	30	233
Regulatory/ statutory fees	2	27	6
Registration fees	2	20	21
Section 10.7 certificates (EP&A Act)	2	49	53
Section 603 certificates	2	50	68
Tapping fees	2	90	81
Other	2	4	2
Sewer/drainage diagrams fee	2	39	35
Water meter readings fee	2	21	2
Total fees and charges – statutory/regulatory		770	982
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	70	39
Caravan parks	1	487	342
Cemeteries	2	173	134
Child care	2	2	4
Community centres	2	33	26
Leaseback fees – Council vehicles	1	127	142
Transport for NSW (state roads not controlled by Council)	2	1,099	850
Saleyards	2	927	952
Swimming centres	1	437	38
Tourism	2	12	18
Waste disposal tipping fees	2	204	200
Rent and hire of non-investment property	2	186	190
Other	2	15	18
Total fees and charges – other		3,772	2,953
Total other user charges and fees		4,542	3,935
Total user charges and fees		9,421	8,553
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		5,601	4,746
User charges and fees recognised at a point in time (2)		3,820	3,807
Total user charges and fees		9,421	8,553

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.

B2-2 User charges and fees (continued)

Where an upfront fee is charged such as joining fees for the Swim 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
Legal fees recovery – rates and charges (extra charges)	2	20	13
Commissions and agency fees	2	177	184
Diesel rebate	2	85	92
Insurance claims recoveries	2	36	44
Workers compensation incentive rebate	2	57	44
Other	2	82	120
Total other revenue		457	497
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		457	497
Total other revenue		457	497

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)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,596	2,272	–	–
Financial assistance – local roads component	2	1,235	1,109	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	3,954	2,430	–	–
Financial assistance – local roads component	2	1,936	1,190	–	–
Amount recognised as income during current year		9,721	7,001	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Bushfire and emergency services	2	347	387	–	30
Economic development	2	–	607	3,093	671
Employment and training programs	2	–	14	–	–
Environmental programs	2	276	32	–	–
Heritage and cultural	2	–	12	–	–
Library	2	98	93	–	–
Noxious weeds	2	110	96	–	–
Recreation and culture	2	–	–	133	25
Storm/flood damage	2	–	–	57	–
Preschools	2	431	324	5	66
Community Projects	2	–	–	–	2,558
Aerodrome	2	–	–	118	–
Street lighting	2	46	46	–	–
Communities Services	2	21	–	–	–
Drought	2	220	279	–	–
Other specific grants	2	33	60	–	–
Transport (roads to recovery)	2	423	4	–	–
Transport (other roads and bridges funding)	2	1,272	5,544	3,073	3,513
Previously contributions:					
Community services	2	89	–	–	–
Dedications – subdivisions (other than by s7.11)	2	–	–	720	–
Recreation and culture	2	–	8	1,401	121
Transport for NSW contributions (regional roads, block grant)	2	1,956	1,817	–	–
Total special purpose grants and non-developer contributions – cash		5,322	9,323	8,600	6,984
Non-cash contributions					
Dedications	2	–	–	126	–
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	1,255	–
Total other contributions – non-cash		–	–	1,381	–
Total special purpose grants and non-developer contributions (tied)		5,322	9,323	9,981	6,984
Total grants and non-developer contributions		15,043	16,324	9,981	6,984
Comprising:					
– Commonwealth funding		11,457	11,712	506	1,034
– State funding		3,325	4,594	7,228	5,052
– Other funding		261	18	2,247	898
		15,043	16,324	9,981	6,984

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	–	5
S 64 – water supply contributions		2	–	–	974	48
S 64 – sewerage service contributions		2	–	–	839	60
Total developer contributions – cash			–	–	1,813	113
Total developer contributions			–	–	1,813	113
Total contributions			–	–	1,813	113
Total grants and contributions			15,043	16,324	11,794	7,097
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			15,043	16,324	11,794	7,097
Total grants and contributions			15,043	16,324	11,794	7,097

Accounting policy

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, with cash received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control. Within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets' 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.

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which are enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

B2-4 Grants and contributions (continued)

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 as there is no profit margin.

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

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*.

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. Council may apply contributions according to the priorities established in work schedules.

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	97	33
– Cash and investments	221	152
Total interest and investment income (losses)	318	185
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	33	20
General Council cash and investments	133	69
Restricted investments/funds – external:		
Water fund operations	87	52
Sewerage fund operations	65	44
Total interest and investment income	318	185

Accounting policy

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	11,328	11,536
Travel expenses	22	13
Employee leave entitlements (ELE)	1,902	2,087
Superannuation – defined contribution plans	1,163	1,176
Superannuation – defined benefit plans	152	201
Workers' compensation insurance	622	538
Fringe benefit tax (FBT)	72	60
Training costs (other than salaries and wages)	104	133
Other	70	75
Total employee costs	15,435	15,819
Less: capitalised costs	(1,457)	(1,668)
Total employee costs expensed	13,978	14,151
Number of 'full-time equivalent' employees (FTE) at year end	176	170

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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		25,495	33,327
Contractor and consultancy costs		28	—
Audit Fees	F2-1	67	67
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	127	136
Advertising		137	154
Bank charges		104	99
Computer software charges		379	405
Election expenses		141	—
Electricity and heating		881	664
Fire control expenses		150	245
Insurance		672	598
Office expenses (including computer expenses)		16	32
Postage		47	48
Printing and stationery		44	39
Street lighting		157	223
Subscriptions and publications		142	176
Telephone and communications		78	85
Tourism expenses (excluding employee costs)		170	356
Valuation fees		61	60
Other expenses		63	89
Legal expenses:			
– Legal expenses: planning and development		179	50
– Legal expenses: debt recovery		34	6
– Legal expenses: other		45	44
Other		23	23
Total materials and services		29,240	36,926
Less: capitalised costs		(14,781)	(22,014)
Total materials and services		14,459	14,912

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on loans	395	367
Total borrowing costs expensed	395	367

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		768	1,259
Office equipment		108	120
Furniture and fittings		25	20
Land improvements (depreciable)		135	107
Infrastructure:	C1-7		
– Buildings – non-specialised		601	618
– Buildings – specialised		1,836	1,789
– Other structures		23	19
– Roads		5,798	5,948
– Bridges		241	238
– Footpaths		170	170
– Stormwater drainage		662	654
– Water supply network		1,054	1,023
– Sewerage network		1,150	1,106
– Swimming pools		306	165
– Other open space/recreational assets		157	113
Intangible assets	C1-8	61	64
Total depreciation, amortisation and impairment for non-financial assets		13,095	13,413

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C1-8 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

\$ '000	2022	2021
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	420	562
Donations, contributions and assistance to other organisations (Section 356)	45	68
Total other expenses	465	630

Accounting policy

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

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		1	180
Less: carrying amount of property assets sold/written off		–	(38)
Gain (or loss) on disposal		1	142
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		181	417
Less: carrying amount of plant and equipment assets sold/written off		(175)	(434)
Gain (or loss) on disposal		6	(17)
Gain (or loss) on disposal of infrastructure			
	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(730)	(8,640)
Gain (or loss) on disposal		(730)	(8,640)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		3,770	875
Less: carrying amount of real estate assets sold/written off		(1,545)	(375)
Gain (or loss) on disposal		2,225	500
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		20,109	22,595
Less: carrying amount of term deposits sold/redeemed/matured		(20,109)	(22,595)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		1,502	(8,015)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 15 June, 2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Revenues

Rates and annual charges	16,368	17,140	772	5% F
User charges and fees	9,520	9,421	(99)	(1)% U
Other revenues	442	457	15	3% F
Operating grants and contributions	11,626	15,043	3,417	29% F

The Commonwealth Government provides an annual allocation of Financial Assistance Grants (FAG) to all councils in Australia. In most years the Government has made an advance payment of 50% of the annual FAG grant allocation in the May/June of the year prior to which it relates. In June 2022 Council received a 75% advance payment of the 2022/23 FAGs allocation. This has resulted in the annual financial statements for 2021/22 recognising 50% of the 2021/22 allocation that was paid through the 2021/22 year and 75% of the 2022/23 allocation, effectively an additional 25% allocation than would normally be expected to be received.

Capital grants and contributions	3,823	11,794	7,971	209% F
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Council budgeted and received grant income in the previous financial year but incurred the related expense in this financial year. With the Accounting Standard AASB 15 that requires the recognition of income once an entity has satisfied the associated performance obligation, relevant grant income received in 2020/21 has now been recognised as income in the 2021/22 financial year. This primarily relates to grant funding received for the Corowa Saleyards upgrade. Council also received additional developer contributions that were not budgeted for.

Interest and investment revenue	229	318	89	39% F
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With the return on investment maintained, Council has increase the average funds invested in term deposits.

Net gains from disposal of assets	1,764	1,502	(262)	(15)% U
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Council's budget included expected gains from the disposal of plant and real estate assets. The budget did not include losses from the disposal of infrastructure assets when they are renewed (such as road, water mains and sewer mains, etc.) as the measurability of this loss is significantly more challenging to calculate reliably and the value for decision making purposes is limited.

Expenses

Employee benefits and on-costs	15,681	13,978	1,703	11% F
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Employee expenses were less than budgeted due to staff turnover and extended periods of time experienced when recruiting replacement staff members.

Materials and services	14,731	14,459	272	2% F
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Borrowing costs	339	395	(56)	(17)% U
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This variance is a result of timing differences with Council accessing borrowings and the impact on their repayment plans.

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Depreciation, amortisation and impairment of non-financial assets	13,690	13,095	595	4%	F
Other expenses	487	465	22	5%	F
Net losses from disposal of assets	—	—	—	∞	F

Statement of cash flows

Cash flows from operating activities	10,900	23,395	12,495	115%	F
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This favourable result is primarily due to the significant increase in grant income recognised, and the increase in the advance payment of Financial Assistance Grants.

Cash flows from investing activities	(13,265)	(14,481)	(1,216)	9%	U
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Term deposit invested at the end of the year have increased in parallel to the increase of additional 25% Financial Assistance Grant (FAG) paid in advance was invested in term deposit, resulting in the cash outflow being greater than budgeted.

Cash flows from financing activities	(450)	(588)	(138)	31%	U
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Council reduced its loan borrowings by an amount greater than originally budgeted.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	4,010	258
Cash equivalent assets		
– Deposits at call	2,672	7,135
– Short-term deposits	10,037	1,000
Total cash and cash equivalents	16,719	8,393

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	16,719	8,393
Balance as per the Statement of Cash Flows	16,719	8,393

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
Financial assets				
Long term deposits	26,111	4,529	20,038	10,008
Total financial investments	26,111	4,529	20,038	10,008
Total cash assets, cash equivalents and investments	42,830	4,529	28,431	10,008

Accounting policy

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

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

Financial assets

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

Classification

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

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

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

C1-2 Financial investments (continued)

- 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, term deposits and cash and cash equivalents 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 profit or loss.

Financial assets through profit or loss

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

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

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	47,359	38,439
Less: Externally restricted cash, cash equivalents and investments	(28,556)	(27,962)
Cash, cash equivalents and investments not subject to external restrictions	18,803	10,477
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general	9,392	8,636
External restrictions – included in liabilities	9,392	8,636
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	98	519
Developer contributions – water fund	1,321	347
Developer contributions – sewer fund	1,324	485
Water fund	9,661	9,832
Sewer fund	6,758	8,099
Domestic waste management	2	44
External restrictions – other	19,164	19,326
Total external restrictions	28,556	27,962

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

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

\$ '000	2022	2021
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(b) Internal allocations**Cash, cash equivalents and investments not subject to external restrictions**

18,803	10,477
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Less: Internally restricted cash, cash equivalents and investments	(16,004)	(10,466)
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Unrestricted and unallocated cash, cash equivalents and investments	2,799	11
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Internal allocations

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

Employees leave entitlement	2,129	2,037
Carry over works	4,500	3,450
Gravel pits restoration	1,157	910
Urana aquatic centre – upgrade	137	137
Cemetery	35	35
Medical services upgrade Urana	–	28
Industrial land development reserve	1,741	–
Emergency Service Levy (ESL) Advance Payment	157	–
Preschool building asbestos removal	30	30
Billabidgee aged care units	89	89
Victoria park – balance budget	8	8
Combined town and recreation s355	103	94
Weir repairs reserve	28	28
Financial Assistance Grant (FAGs) advance payment	5,890	3,620
Total internal allocations	16,004	10,466

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	2,799	11
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C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	1,150	–	921	–
Interest and extra charges	44	–	119	–
User charges and fees	824	–	395	–
Private works	67	–	78	–
Contributions to works	40	–	40	–
Accrued revenues				
– Rates and annual charges	3,333	–	2,699	–
Amounts due from other councils	65	–	68	–
Deferred debtors	13	–	13	–
Government grants and subsidies	2,386	–	1,625	–
Loans to non-profit organisations	–	60	–	60
Net GST receivable	458	–	376	–
Sundry works	409	–	564	–
Saleyard fees	101	–	–	–
Certificates	–	–	11	–
Other debtors	319	–	135	–
Total	9,209	60	7,044	60
Less: provision for impairment				
Rates and annual charges	(61)	–	(61)	–
User charges and fees	(4)	–	(4)	–
Total provision for impairment – receivables	(65)	–	(65)	–
Total net receivables	9,144	60	6,979	60

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	65	65
Balance at the end of the period (in accordance with AASB 9)	65	65

Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

C1-4 Receivables (continued)

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

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

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

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

The Council writes off a trade 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, or when the receivables are over 5 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	1,929	–	1,766	44
Stores and materials	1,044	–	616	–
Total inventories at cost	2,973	–	2,382	44
Total inventories	2,973	–	2,382	44

(i) Other disclosures

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development					
Industrial/commercial		1,929	–	1,766	44
Total real estate for resale		1,929	–	1,766	44

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	163	–	–	44
Development costs	1,766	–	1,766	–
Total costs	1,929	–	1,766	44
Total real estate for resale	1,929	–	1,766	44

Movements:

Real estate assets at beginning of the year	1,766	44	2,141	44
– Purchases and other costs	127	–	–	–
– Transfers in from (out to) Note C1-7	1,581	(44)	–	–
– WDV of sales (expense)	(1,545)	–	(375)	–
Total real estate for resale	1,929	–	1,766	44

B4-1

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 Non-current assets classified as held for sale

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

C1-6 Non-current assets classified as held for sale (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

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	Tfrs from/(to) real estate assets (C1-5)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	9,719	–	9,719	7,456	2,927	–	–	(4,528)	(287)	(1,581)	–	13,706	–	13,706
Plant and equipment	16,191	(7,758)	8,433	1,206	–	(175)	(768)	–	–	–	–	16,959	(8,263)	8,696
Office equipment	950	(436)	514	204	–	–	(108)	1	–	–	–	1,000	(389)	611
Furniture and fittings	456	(332)	124	–	–	–	(25)	–	–	–	–	456	(357)	99
Land:														
– Operational land	15,694	–	15,694	–	–	–	–	–	–	44	3,116	18,854	–	18,854
– Community land	21,095	–	21,095	–	–	–	–	–	–	–	7,847	28,942	–	28,942
– Land under roads (post 30/6/08)	208	–	208	–	156	–	–	–	–	–	112	476	–	476
Land improvements – depreciable	4,860	(814)	4,046	163	100	–	(135)	140	–	–	668	6,065	(1,083)	4,982
Infrastructure:														
– Buildings – non-specialised	22,922	(6,254)	16,668	–	24	–	(601)	–	–	–	3,260	27,429	(8,078)	19,351
– Buildings – specialised	76,539	(35,736)	40,803	129	–	–	(1,836)	25	–	–	7,983	91,663	(44,559)	47,104
– Other structures	1,558	(975)	583	–	–	–	(23)	250	–	–	98	2,070	(1,162)	908
– Roads	299,025	(110,713)	188,312	1,131	672	(160)	(5,798)	25	–	–	20,339	332,869	(128,348)	204,521
– Bridges	23,778	(9,257)	14,521	165	189	(182)	(241)	1,456	–	–	1,550	27,763	(10,305)	17,458
– Footpaths	7,291	(2,030)	5,261	–	543	–	(170)	–	–	–	1,083	9,333	(2,616)	6,717
– Bulk earthworks (non-depreciable)	118,318	–	118,318	–	200	–	–	–	–	–	13,794	132,312	–	132,312
– Stormwater drainage	58,598	(15,205)	43,393	81	417	(104)	(662)	1,357	–	–	7,238	70,133	(18,413)	51,720
– Water supply network	69,455	(31,001)	38,454	454	1,462	(184)	(1,054)	414	–	–	2,193	75,255	(33,516)	41,739
– Sewerage network	79,880	(28,895)	50,985	570	914	(100)	(1,150)	860	–	–	2,915	86,400	(31,406)	54,994
– Swimming pools	14,269	(2,395)	11,874	33	–	–	(306)	–	–	–	1,985	16,689	(3,103)	13,586
– Other open space/recreational assets	3,481	(544)	2,937	–	48	–	(157)	–	–	–	491	4,111	(792)	3,319
Reinstatement, rehabilitation and restoration assets (refer Note C2-5):														
– Quarry assets	343	(238)	105	–	–	–	–	–	–	–	–	343	(238)	105
Total infrastructure, property, plant and equipment	844,630	(252,583)	592,047	11,592	7,652	(905)	(13,034)	–	(287)	(1,537)	74,672	962,828	(292,628)	670,200

(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)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	15,392	—	15,392	3,112	1,984	—	—	(10,769)	—	9,719	—	9,719
Plant and equipment	15,912	(6,993)	8,919	1,013	61	(434)	(1,259)	133	—	16,191	(7,758)	8,433
Office equipment	863	(316)	547	87	—	—	(120)	—	—	950	(436)	514
Furniture and fittings	456	(312)	144	—	—	—	(20)	—	—	456	(332)	124
Land:												
– Operational land	15,731	—	15,731	—	—	(37)	—	—	—	15,694	—	15,694
– Community land	21,095	—	21,095	—	—	—	—	—	—	21,095	—	21,095
– Land under roads (post 30/6/08)	208	—	208	—	—	—	—	—	—	208	—	208
Land improvements – depreciable	3,521	(707)	2,814	—	1,317	—	(107)	22	—	4,860	(814)	4,046
Infrastructure:												
– Buildings – non-specialised	22,468	(5,636)	16,832	—	307	—	(618)	147	—	22,922	(6,254)	16,668
– Buildings – specialised	71,729	(34,036)	37,693	697	1,378	(32)	(1,789)	2,856	—	76,539	(35,736)	40,803
– Other structures	1,558	(956)	602	—	—	—	(19)	—	—	1,558	(975)	583
– Roads	302,273	(109,446)	192,827	6,603	—	(8,465)	(5,948)	3,295	—	299,025	(110,713)	188,312
– Bridges	23,654	(9,019)	14,635	—	—	—	(238)	124	—	23,778	(9,257)	14,521
– Footpaths	7,316	(1,868)	5,448	—	2	(19)	(170)	—	—	7,291	(2,030)	5,261
– Bulk earthworks (non-depreciable)	118,164	—	118,164	124	—	—	—	30	—	118,318	—	118,318
– Stormwater drainage	58,125	(14,582)	43,543	508	—	(4)	(654)	—	—	58,598	(15,205)	43,393
– Water supply network	68,720	(29,727)	38,993	254	—	(91)	(1,023)	67	254	69,455	(31,001)	38,454
– Sewerage network	79,059	(27,530)	51,529	50	—	(29)	(1,106)	74	467	79,880	(28,895)	50,985
– Swimming pools	4,623	(2,231)	2,392	3,757	2,837	—	(165)	3,053	—	14,269	(2,395)	11,874
– Other open space/recreational assets	2,077	(431)	1,646	92	344	—	(113)	968	—	3,481	(544)	2,937
Reinstatement, rehabilitation and restoration assets (refer Note C2-5):												
– Quarry assets	343	(238)	105	—	—	—	—	—	—	343	(238)	105
Total infrastructure, property, plant and equipment	833,287	(244,028)	589,259	16,297	8,230	(9,111)	(13,349)	—	721	844,630	(252,583)	592,047

(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

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.

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Other open space/recreational assets	20
Bridge: concrete	100	Other infrastructure	20
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 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 the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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".

These Rural Fire Service plant and equipment assets are not recognised as assets of the Council in these financial statements.

Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
Software		
Opening values at 1 July		
Gross book value	556	553
Accumulated amortisation	(324)	(260)
Net book value – opening balance	232	293
Movements for the year		
Purchases	136	3
Amortisation charges	(61)	(64)
Closing values at 30 June		
Gross book value	675	556
Accumulated amortisation	(368)	(324)
Total software – net book value	307	232

C2 Liabilities of Council

C2-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	3,691	–	2,150	–
Accrued expenses:				
– Salaries and wages	219	–	159	–
Security bonds, deposits and retentions	1,126	–	818	–
Prepaid rates	751	–	733	–
Total payables	5,787	–	3,860	–

Accounting policy

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

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

Payables

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

C2-2 Contract Liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:				
Unexpended capital grants (to construct Council controlled assets) ⁱ	5,405	–	6,071	–
Unexpended operating grants (received prior to performance obligation being satisfied) ⁱⁱ	3,948	–	2,565	–
Total grants received in advance	9,353	–	8,636	–
User fees and charges received in advance:				
Upfront fees ⁱⁱⁱ	39	–	49	–
Total user fees and charges received in advance	39	–	49	–
Total contract liabilities	9,392	–	8,685	–

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

(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.

(iii) Upfront fees for the aquatic centre and caravan park that do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when or as it satisfies a performance obligation over the expected membership life or by transferring control of a product or service to a customer.

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

Significant changes in contract assets and liabilities The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously, revenue was recognised on receipt of the funds.

C2-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	534	9,988	517	10,593
Total borrowings	534	9,988	517	10,593

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

Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	380	380
Credit cards/purchase cards	60	60
Total financing arrangements	440	440
Drawn facilities		
– Credit cards/purchase cards	16	12
Total drawn financing arrangements	16	12
Undrawn facilities		
– Bank overdraft facilities	380	380
– Credit cards/purchase cards	44	48
Total undrawn financing arrangements	424	428

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

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

C2-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	1,077	–	1,146	–
Long service leave	1,444	255	1,410	351
Superannuation	138	9	140	13
Workers Compensation	121	12	98	13
Other leave	40	–	2	–
Total employee benefit provisions	2,820	276	2,796	377

Description of and movements in provisions

ELE provisions						
\$ '000	Annual leave	Long service leave	Superannuation	Workers Compensation	Other employee benefits	Total
2022						
At beginning of year	1,146	1,761	153	111	2	3,173
Additional provisions	796	38	–	22	38	894
Amounts used (payments)	(865)	(100)	(6)	–	–	(971)
Total ELE provisions at end of year	1,077	1,699	147	133	40	3,096
2021						
At beginning of year	1,115	1,616	142	83	2	2,958
Additional provisions	933	463	11	28	–	1,435
Amounts used (payments)	(902)	(318)	–	–	–	(1,220)
Total ELE provisions at end of year	1,146	1,761	153	111	2	3,173

Accounting policy

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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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

On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

C2-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	432	709	432	709
Total provisions	432	709	432	709

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 interest expense.

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

C3 Reserves

C3-1 Nature and purpose of reserves (continued)

C3-1 Nature and purpose of reserves

IPPE Revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

D Council structure

D1 Results by fund

General fund refers to all Council activities other than domestic waste, 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 domestic waste, water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	Waste 2022	General 2022	Water 2022	Sewer 2022
Income from continuing operations				
Rates and annual charges	2,049	9,404	1,209	4,478
User charges and fees	–	4,467	4,353	601
Interest and investment revenue	8	158	87	65
Other revenues	–	203	62	192
Grants and contributions provided for operating purposes	77	13,732	789	445
Grants and contributions provided for capital purposes	–	9,981	974	839
Net gains from disposal of assets	–	1,218	–	–
Total income from continuing operations	2,134	39,163	7,474	6,620
Expenses from continuing operations				
Employee benefits and on-costs	232	9,162	2,373	2,211
Materials and services	1,919	10,274	1,146	1,120
Borrowing costs	–	222	–	173
Depreciation, amortisation and impairment of non-financial assets	–	10,764	1,140	1,191
Other expenses	–	216	249	–
Net losses from the disposal of assets	–	–	184	100
Total expenses from continuing operations	2,151	30,638	5,092	4,795
Operating result from continuing operations	(17)	8,525	2,382	1,825
Net operating result for the year	(17)	8,525	2,382	1,825
Net operating result attributable to each council fund	(17)	8,525	2,382	1,825
Net operating result for the year before grants and contributions provided for capital purposes	(17)	(1,456)	1,408	986

D1-2 Statement of Financial Position by fund

\$ '000	Waste 2022	General 2022	Water 2022	Sewer 2022
ASSETS				
Current assets				
Cash and cash equivalents	2	10,261	4,196	2,260
Investments	–	15,406	5,744	4,961
Receivables	164	4,448	2,173	2,359
Inventories	–	2,973	–	–
Other	–	183	–	–
Total current assets	166	33,271	12,113	9,580
Non-current assets				
Investments	–	2,626	1,042	861
Receivables	–	60	–	–
Infrastructure, property, plant and equipment	–	565,484	46,159	58,557
Intangible assets	–	307	–	–
Total non-current assets	–	568,477	47,201	59,418
Total assets	166	601,748	59,314	68,998
LIABILITIES				
Current liabilities				
Payables	–	5,494	288	5
Contract liabilities	–	9,392	–	–
Borrowings	–	451	–	83
Employee benefit provision	–	2,820	–	–
Provisions	–	432	–	–
Total current liabilities	–	18,589	288	88
Non-current liabilities				
Borrowings	–	7,785	–	2,203
Employee benefit provision	–	276	–	–
Provisions	–	709	–	–
Total non-current liabilities	–	8,770	–	2,203
Total liabilities	–	27,359	288	2,291
Net assets	166	574,389	59,026	66,707
EQUITY				
Accumulated surplus	166	412,688	53,818	49,524
Revaluation reserves	–	161,701	5,208	17,183
Council equity interest	166	574,389	59,026	66,707
Total equity	166	574,389	59,026	66,707

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

Council 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 Council's finance section under policies approved by the Council.

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	16,719	8,393	16,719	8,393
Receivables	9,204	7,039	9,204	7,039
Investments	30,640	30,046	30,640	30,046
Total financial assets	56,563	45,478	56,563	45,478
Financial liabilities				
Payables	5,787	3,860	5,787	3,860
Loans/advances	10,522	11,110	10,522	11,110
Total financial liabilities	16,309	14,970	16,309	14,970

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council manages these risks (amongst other measures) 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 funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	406	284

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

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) 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, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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 secure a charge over the land relating to the debts – 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 the payment of debt.

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	810	295	45	1,150
2021				
Gross carrying amount	613	263	45	921

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2022 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	–	4,636	322	297	2,864	8,119
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	4	4
2021						
Gross carrying amount	1	4,039	65	19	2,059	6,183
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	4	4

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

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – 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 maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. 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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total contractu al cashflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	1,126	3,910	–	–	5,036	5,787
Borrowings	3.66%	–	985	3,939	9,066	13,990	10,522
Total financial liabilities		1,126	4,895	3,939	9,066	19,026	16,309
2021							
Payables	0.00%	818	2,309	–	–	3,127	3,860
Borrowings	3.62%	–	985	3,939	10,050	14,974	11,110
Total financial liabilities		818	3,294	3,939	10,050	18,101	14,970

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment.

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		30/06/18	30/06/18	8,696	8,433	—	—	8,696	8,433
Office equipment		30/06/18	30/06/18	—	—	611	514	611	514
Furniture and fittings		30/06/18	30/06/18	—	—	99	124	99	124
Land – operational land		30/06/20	30/06/20	18,854	15,694	—	—	18,854	15,694
Land – community land		30/06/20	30/06/20	—	—	28,942	21,095	28,942	21,095
Land – land under roads (post 30/6/08)		30/06/13	30/06/13	—	—	476	208	476	208
Land improvements – depreciable		30/06/18	30/06/18	—	—	4,982	4,046	4,982	4,046
Buildings – non-specialised		30/06/17	30/06/17	19,351	16,668	—	—	19,351	16,668
Buildings – specialised		30/06/17	30/06/17	—	—	47,104	40,803	47,104	40,803
Other structures		30/06/18	30/06/18	—	—	908	583	908	583
Roads		30/06/20	30/06/20	—	—	204,521	188,312	204,521	188,312
Bridges		30/06/20	30/06/20	—	—	17,458	14,521	17,458	14,521
Footpaths		30/06/17	30/06/17	—	—	6,717	5,261	6,717	5,261
Bulk earthworks (non-depreciable)		30/06/20	30/06/20	—	—	132,312	118,318	132,312	118,318
Stormwater drainage		30/06/18	30/06/18	—	—	51,720	43,393	51,720	43,393
Water supply network		30/06/18	30/06/18	—	—	41,739	38,454	41,739	38,454
Sewerage network		30/06/18	30/06/18	—	—	54,994	50,985	54,994	50,985
Swimming pools		30/06/18	30/06/18	—	—	13,586	11,874	13,586	11,874
Other open space/recreational assets		30/06/18	30/06/18	—	—	3,319	2,937	3,319	2,937
Quarry assets		12/05/11	12/05/11	—	—	105	105	105	105
Total infrastructure, property, plant and equipment				46,901	40,795	609,593	541,533	656,494	582,328

Non-recurring fair value measurements

E2-1 Fair value measurement (continued)

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)

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to their nature.

Examples of assets within these classes are as follows:

- Plant and Equipment
- Office Equipment
- Furniture and Fittings
- Other Assets

There has been no change to the valuation process during the reporting period, other than normal useful life and rate considerations.

Land and Buildings

Operational & Community Land

Operational & Community Land values are based on the Land Values provided by the Valuer-General for 30/6/2020. Where rates were not available for Community land, adjacent land rates were adopted, based on 2019 land values. Land Value was based on the valuer's opinion of estimated market value of arm's length transaction between buyer and seller, both willing and knowledgeable parties.

Buildings - Non-Specialised & Specialised

Buildings were externally valued by Scott Fullarton Valuations Pty Ltd for 30/6/2017. Specialised and Non-specialised buildings were both valued by the external valuer.

Buildings were valued at fair value. Fair value is the best estimate of the price reasonably obtained in the market at the date of valuation. No market based evidence (Level 2) could be used as reference. As such, these assets were all classified as having been valued using Level 3 inputs.

There has been no changes to the valuation process during the reporting period.

Other Structures

Balldale water system is classified as Other Structures. The water system is a non potable water supply and the depreciated cost approach has been adopted. The replacement cost was estimated for the asset because no market based evidence (Level 2) could be use as reference, except for the bore that was replaced.

There has been no change to the valuation process during the reporting period.

Roads, Bridges and Footpaths

Age-based depreciated replacement cost method has been applied for asset valuations. Condition-based assessment was undertaken where initial installation dates were unknown. Valuations of roads, bridges and footpaths were undertaken in-house based on actual cost and estimates from Council's Engineering Department.

Bridge and major culverts were extensively revised and unit rates for other assets were reconsidered. Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacts significantly on the final determination of fair value. As such, this asset class was classified as having been valued using Level 3 inputs.

There has been no other changes to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

Stormwater Drainage

Age-based depreciated replacement cost method has been applied for asset valuation.

Unit rates adopted were benchmarked against adjacent Council rates and NSW Reference manual rates.

The carrying value was determined using a linear, age-based valuation method to more closely determine the asset's value. Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

Water Supply Network

This asset class comprises of water mains, treatment plants and equipment such as reticulations mains, bores and dam/reservoirs.

Age based depreciated replacement cost method applied for asset valuation.

The assets are valued using age-based methodology and indexed using the NSW Reference manual rates.

Replacement cost is determined based on using current equivalent materials and methods.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

There has been no other changes to the valuation process during the reporting period.

Sewerage Network

This asset class comprises pump stations, sewerage mains and treatment plants.

Age based depreciated replacement cost method applied for asset valuation. Replacement cost is determined from the NSW Reference Rates Manual.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class was classified as having been valued using Level 3 inputs.

There has been no changes to the valuation process during the reporting period.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Council's fair value is done based on the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Council's valuation will be recorded at the depreciated replacement cost (i.e written-down value) using the fair value approach to arrive at the fair value.

The "Replacement Cost" method will typically be used as this is the most common method for non-commercial Council infrastructure assets where a market value is not available to determine the value of the asset.

Determination of the replacement cost at times will require componentisation to allow for different useful lives, unit rates and consumption to be considered, so that a reasonable value can be determined for the total and fair value of the asset.

An assets can be determined based on the assets condition, expected remaining life and unit costs to arrive at the current fair value of the asset. Asset services undertake the valuation exercise in consultation with the Engineering department. There are instances that external in the valuation process.

Asset revaluations cycles will occur at a maximum of every 5 years. During the annual valuation cycle the unit rates will be adjusted, where required, to limit materiality issues. Where a material financial difference in the asset classes value is likely to be greater than 10%, then a review and adjustment of the unit rates will be required.

Indications of changes in value will be first considered with relevant Building Price Index changes (BPI) changes.

E2-1 Fair value measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Office Equipment	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Furniture & Fittings	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Land - excluding operational land	Market approach. Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Buildings - specialised	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value
Other Structures	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Roads	Cost approach	Asset condition, remaining lives using componentisation
Bridges	Cost approach	Asset condition, remaining lives using componentisation
Footpaths	Cost approach	Asset condition, remaining lives using componentisation
Bulk Earthworks (non-depreciable)	Cost approach	Asset condition, remaining lives
Stormwater Drainage	Cost approach	Asset condition, remaining lives
Water Supply Network	Cost approach	Asset condition, remaining lives using componentisation
Sewerage Network	Cost approach	Asset condition, remaining lives using componentisation
Swimming Pools	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value
Other Open Space/Recreational Assets	Cost approach	Asset condition and remaining lives using componentisation
Quarry Assets	Cost approach	Environmental legislation, timing of expected cash outflows, asset condition

E2-1 Fair value measurement (continued)

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

\$ '000	Office equipment		Furniture and fittings		Land excluding operational land		Building specialised	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	514	547	124	144	25,349	24,117	40,803	37,693
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	1	–	–	–	112	–	25	–
Purchases (Gross Book Value)	204	87	–	–	447	1,339	129	4,931
Disposals (Written-Down Value)	–	–	–	–	–	–	–	(32)
Depreciation and impairment	(108)	(120)	(25)	(20)	(135)	(107)	(1,836)	(1,789)
Revaluation increments to equity	–	–	–	–	8,627	–	7,983	–
Closing balance	611	514	99	124	34,400	25,349	47,104	40,803

\$ '000	Other structures		Roads		Bridges		Footpaths	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	583	602	188,312	192,827	14,521	14,635	5,261	5,448
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	250	–	25	–	1,456	–	–	–
Purchases (Gross Book Value)	–	–	1,803	9,898	354	124	543	2
Disposals (Written-Down Value)	–	–	(160)	(8,465)	(182)	–	–	(19)
Depreciation and impairment	(23)	(19)	(5,798)	(5,948)	(241)	(238)	(170)	(170)
Revaluation increments to equity	98	–	20,339	–	1,550	–	1,083	–
Closing balance	908	583	204,521	188,312	17,458	14,521	6,717	5,261

E2-1 Fair value measurement (continued)

\$ '000	Bulk earthworks		Stormwater drainage		Water supply network		Sewerage network	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	118,318	118,164	43,393	43,543	38,454	38,993	50,985	51,529
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	–	1,357	–	414	–	860	–
Purchases (Gross Book Value)	200	154	498	508	1,916	321	1,484	124
Disposals (Written-Down Value)	–	–	(104)	(4)	(184)	(91)	(100)	(29)
Depreciation and impairment	–	–	(662)	(654)	(1,054)	(1,023)	(1,150)	(1,106)
Revaluation increments to equity	13,794	–	7,238	–	2,193	254	2,915	467
Closing balance	132,312	118,318	51,720	43,393	41,739	38,454	54,994	50,985

\$ '000	Swimming pools		Other open space		Quarry assets		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	11,874	2,392	2,937	1,646	105	105	541,533	532,385
Transfers from/(to) another asset class	–	–	–	–	–	–	4,500	–
Purchases (Gross Book Value)	33	9,647	48	1,404	–	–	7,659	28,539
Disposals (Written-Down Value)	–	–	–	–	–	–	(730)	(8,640)
Depreciation and impairment	(306)	(165)	(157)	(113)	–	–	(11,665)	(11,472)
Revaluation increments to equity	1,985	–	491	–	–	–	68,296	721
Closing balance	13,586	11,874	3,319	2,937	105	105	609,593	541,533

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Pooled employers are required to pay standard employer contributions and additional lump sum 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 employee contributions for non-180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$138,281. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$97,152.

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	94.4%

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

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 will be completed by December 2022.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Others

(i) Third party claims

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

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

(ii) Landfill Rehabilitation

Council is responsible for four landfills that will require rehabilitation in the future.

To date, no provision has been made in relation to the future landfill rehabilitation as the cost of any potential obligations cannot be reliably estimated.

Council remains in the process of developing a Waste Strategy to guide the future of waste management and the landfills in the Council area. This strategy will plan for future closures of landfills and rehabilitation needs.

Provision for future landfill rehabilitation costs will be made, when the Waste Strategy has been finalised.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June, 2008.

(ii) Infringement notices/fines

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

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

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

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

(iii) Rural Fire Service

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".

These Rural Fire Service plant and equipment assets are not recognised as assets of the Council in these financial statements.

E3-1 Contingencies (continued)

(iv) Riverina Regional Library

\$'000		Net Profit 2021	Net Assets 2021
Riverina Regional Library	Provision of Services to Member Councils	\$177	\$4,865
Council's Share		\$16	\$432

Federation Council is a member of Riverina Regional Library. This joint arrangement has been established to provide library services to the member councils of Bland, Coolamon, Cootamundra-Gundagai, Federation, Greater Hume, Junee, Lockhart, Temora, Snowy Valleys and Wagga Wagga.

As at 30 June 2021 Council's ownership interest in the Riverina Regional Library was 8.88%.

As at 30 June 2022 Wagga Wagga City Council is no longer part of the Riverina Regional Library.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,044	1,015
Post-employment benefits	93	89
Other long-term benefits	147	52
Total	1,284	1,156

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
\$ '000			
2022			
Sale of industrial land proceeds	191	–	
Civil works expense	476	10	14 to 30 days creditor
Community support and events expense	5	–	7 days creditor
2021			
Civil works expense	2,061	28	14 to 30 days creditor
Community support and events expense	2	–	7 days creditor

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	27
Councillors' fees	102	109
Total	127	136

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	65	67
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal Audit	2	–
Total audit fees	67	67

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	13,283	(3,514)
Add / (less) non-cash items:		
Depreciation and amortisation	13,095	13,413
(Gain) / loss on disposal of assets	(1,502)	8,015
Non-cash capital grants and contributions	(1,381)	–
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(2,165)	1,784
(Increase) / decrease of inventories	(428)	533
(Increase) / decrease of other current assets	(64)	13
Increase / (decrease) in payables	1,541	(1,396)
Increase / (decrease) in other accrued expenses payable	60	(456)
Increase / (decrease) in other liabilities	326	65
Increase / (decrease) in contract liabilities	707	8,685
Increase / (decrease) in employee benefit provision	(77)	215
Net cash flows from operating activities	23,395	27,357

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
---------	------	------

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

Property, plant and equipment

Buildings	2	325
Saleyards	4,561	–
Plant and equipment	1,281	1,315
Roads	1,073	535
Recreation	837	243
Industrial Land	–	24
Total commitments	7,754	2,442

These expenditures are payable as follows:

Within the next year	7,754	2,442
Total payable	7,754	2,442

Sources for funding of capital commitments:

Unrestricted general funds	1,496	909
Future grants and contributions	1,704	1,027
Externally restricted reserves	4,554	506
Total sources of funding	7,754	2,442

Details of capital commitments

Commitments are for expenditure associated with projects funded through the Stronger Communities Fund and Stronger Country Communities Fund, as well as plant purchases.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year - Cash	Amounts expended	Held as restricted asset at 30 June 2022
Drainage	70	–	(52)	18
Roads	210	–	(210)	–
Open space	80	–	–	80
Community facilities	159	–	(159)	–
S7.11 contributions – under a plan	519	–	(421)	98
Total S7.11 and S7.12 revenue under plans	519	–	(421)	98
S64 contributions	832	1,813	–	2,645
Total contributions	1,351	1,813	(421)	2,743

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

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year - Cash	Amounts expended	Held as restricted asset at 30 June 2022
CONTRIBUTION PLAN (former Corowa)				
Drainage	70	–	(52)	18
Roads	210	–	(210)	–
Open space	80	–	–	80
Community facilities	159	–	(159)	–
Total	519	–	(421)	98

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(13)	(0.03)%	(6.35)%	(10.35)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	42,379				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	27,336	50.46%	51.18%	48.95%	> 60.00%
Total continuing operating revenue ¹	54,173				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	26,571	2.88x	2.80x	2.35x	> 1.50x
Current liabilities less specific purpose liabilities ^{4,5}	9,236				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13,477	13.71x	13.86x	18.87x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	983				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,133	6.21%	5.98%	6.27%	< 10.00%
Rates and annual charges collectable	18,236				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	47,359	19.70 months	14.60 months	10.55 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	2,404				

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates.

(3) Refer Notes B4-1 to C1-4 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(4) Refer Notes C2-1 and C2-5.

(5) Refer Notes C2-3 and C2-5 - excludes all payables and provisions not expected to be paid in the next 12 months, including employee leave entitlements.

G5-2 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}	(8.00)%	(10.95)%	21.66%	9.47%	17.06%	6.86%	> 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	40.64%	39.09%	76.41%	97.80%	80.60%	97.32%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.88x	2.80x	42.06x	20.83x	108.86x	8.67x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	11.84x	12.90x	∞	∞	9.22x	8.78x	> 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	5.58%	5.07%	3.58%	4.43%	8.48%	8.64%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	17.01 months	12.41 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer Note 28a.

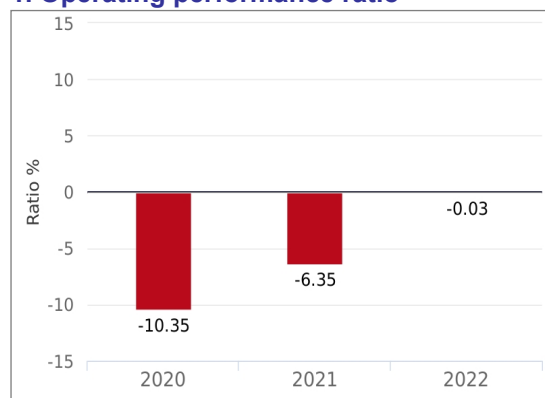
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio (0.03)%

Council reports an improvement in its operating performance ratio as a result of the significant advance payment of 2022/23 Financial Assistance Grants received in April 2022, implementation of a reassessment of fees and charges, particularly relating to water and sewer services, and an active program of minimising operating costs whilst maintaining existing service levels.

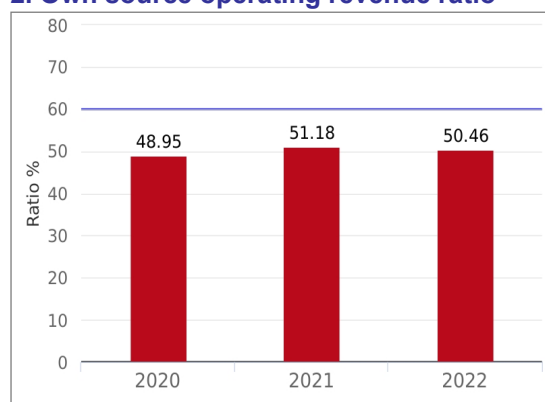
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 50.46%

Council relies heavily on operating and capital grants from Commonwealth and State Government as source of revenue to fund services to its community. Like many regional and rural councils, Council has not reached this benchmark for numerous years.

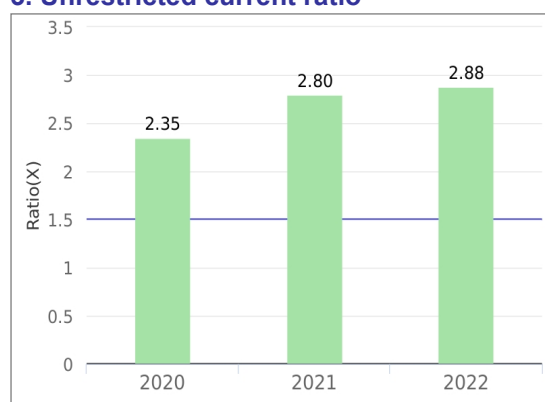
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 2.88x

Council's cash position improved with the increase in Financial Assistance Grants (FAGs) received in advance (increased by \$2 million compared to the previous year). In addition, receivables from rates and annual charges have also increased by \$863,000 with the Special Rate Variation that came into effect on 1 July 2021.

Benchmark: — > 1.50x

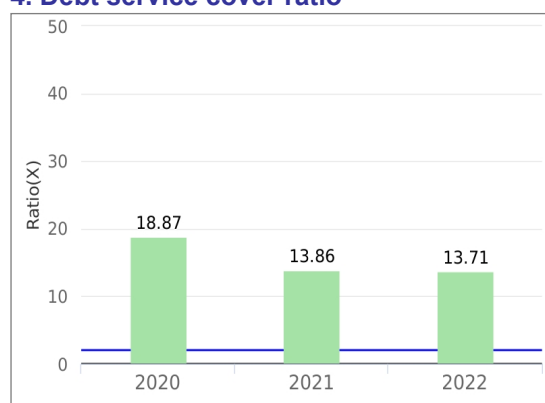
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 13.71x

This ratio is similar to the previous year. Council did not undertake new borrowings during the financial year.

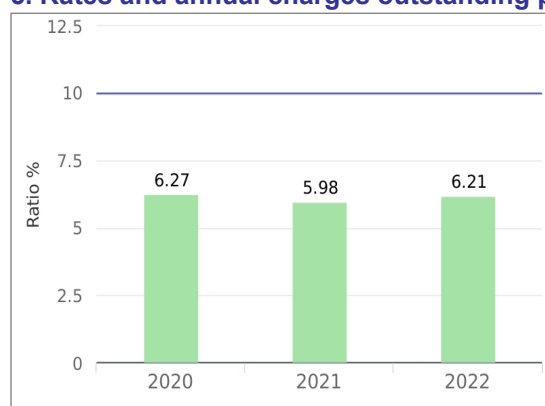
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 6.21%

This ratio continues to perform well below the nominated maximum benchmark.

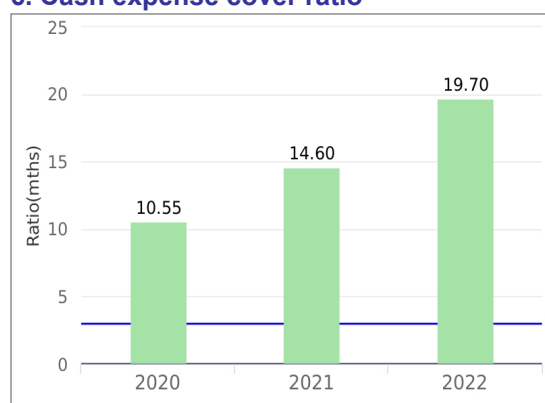
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 19.70 months

This ratio continues to perform above the benchmark. An increase in unexpended operating and capital grants received during the year has improved the ratio as compared to the previous year.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

100 Edward Street
COROWA NSW 2648

CONTACT DETAILS

Mailing Address:

PO Box 77
COROWA NSW 2646

Telephone: (02) 6033 8999

Facsimile: (02) 6033 3317

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: www.federationcouncil.nsw.gov.au

Email: council@federationcouncil.nsw.gov.au

Officers

GENERAL MANAGER

Adrian Butler

RESPONSIBLE ACCOUNTING OFFICER

Shane Norman

PUBLIC OFFICER

Joanne Shannon

AUDITORS

Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Elected members

MAYOR

Patrick Bourke

COUNCILLORS

Shaun Whitechurch
Gail Law
Andrew Kennedy
David Longley
Rowena Black
David Fahey
Sally Hughes
Aaron Nicholls

Other information

ABN: 30 762 048 084

Federation Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Federation Council

To the Councillors of Federation Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Notes C1-7 and E3-1 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 18 April 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 that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

31 October 2022
SYDNEY

Federation Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports: (continued)

On the Financial Statements (Sect 417 [3])



Cr Patrick Bourke
Mayor
Federation Council
PO Box 77
COROWA NSW 2646

Contact: Hong Wee Soh
Phone no: (02) 9275 7397
Our ref: D2222798/1724

31 October 2022

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events 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 18 April 2007

- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

Consequently, we were unable to determine the carrying values of rural firefighting equipment 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	17.1	15.3	↑ 11.8
Grants and contributions revenue	26.8	23.4	↑ 14.5
Operating result from continuing operations	13.3	(3.5)	↑ >100
Net operating result before capital grants and contributions	1.5	(10.6)	↑ >100

Rates and annual charges revenue of \$17.1 million increased by \$1.8 million (11.8 per cent) in 2021–22 due to increase in:

- access charges for Water (\$500,000), Sewerage (\$400,000) and Domestic Waste (\$160,000)
- the number of rateable properties from 7,674 in 2020–21 to 8,069 in 2021–22.

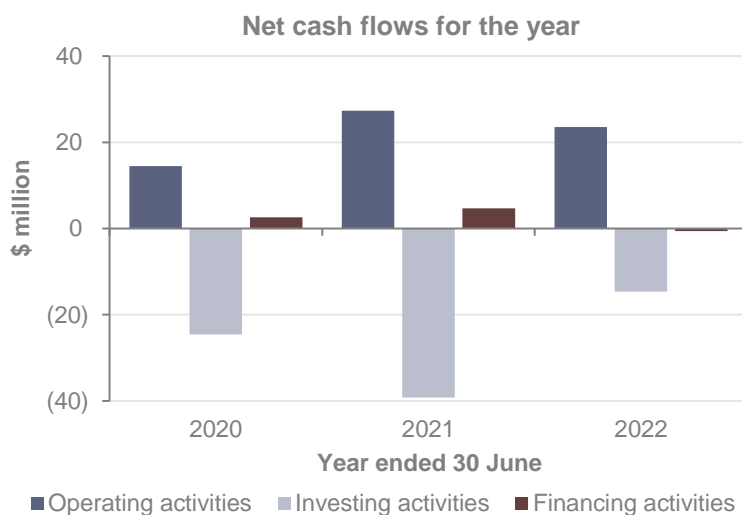
Grants and contributions revenue (\$26.8 million) increased by \$3.4 million (14.5 per cent) in 2021–22 is mainly due to increase of \$2.7 million of financial assistance grants recognised during the year

The Council's operating result from continuing operations (\$13.3 million including depreciation and amortisation expense of \$13.1 million) was \$16.8 million higher than the 2020–21 result. This is due to a net loss from disposal of assets of \$8.0 million in the 2020–21 year and an increase of \$2.7 million of financial assistance grants recognised during the year.

The net operating result before capital grants and contributions was \$12.1 million higher than the 2020–21 result. This is mainly due to the \$8.0 million net loss from the disposal of assets in the 2020–21 year.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$16.7 million (\$8.4 million for the year ended 30 June 2021). There was a net increase in cash and cash equivalents of \$8.3 million during the 2021-22 financial year.
- Net cash provided by operating activities has decreased by \$4.0 million. This is due to the decrease in receipts of grants and contributions of \$7.2 million.
- Net cash used in investing activities has decreased by \$24.7 million due to a net decrease in purchase of infrastructure, property plant and equipment of \$7.0 million and movements in term deposits held.
- Net cash flows from financing activities decreased by \$5.2 million as a result of Council taking out a loan in 2021 for \$5.1 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	47.4	38.4	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. This has remained stable from 2020-21 to 2021-22 financial years.
Restricted and allocated cash, cash equivalents and investments:			<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council.
• External restrictions	28.6	28.0	Internal restrictions have increased by \$5.5 million from \$10.5 million at 30 June 2021 to \$16.0 million 30 June 2022.
• Internal allocations	16.0	10.5	
• Unrestricted	2.8	0.01	
			<ul style="list-style-type: none"> Unrestricted cash and investments are \$2.8 million, which is available to provide liquidity for day-to-day operations of the Council.

Debt

The Council has total borrowings of \$10.5 million at 30 June 2022. No additional loans were taken by Council during the year.

PERFORMANCE

Performance measures

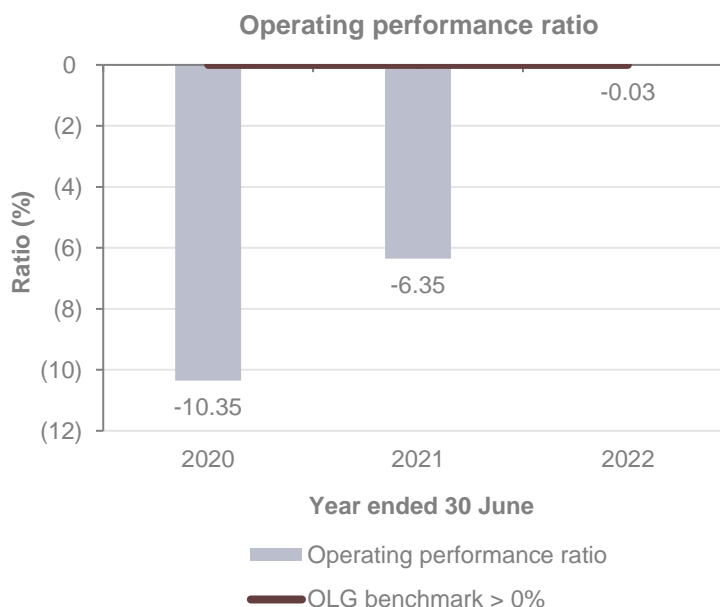
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

The Council has almost met 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 increased to -0.03% due to prepayment of \$2.7 million of the 2022-23 financial assistance grants and the sale of a number of industrial lots in the current year.



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 was consistent from 30 June 2021. Council relies heavily on operating and capital grants from Commonwealth and State Government as source of revenue to fund services to its community.

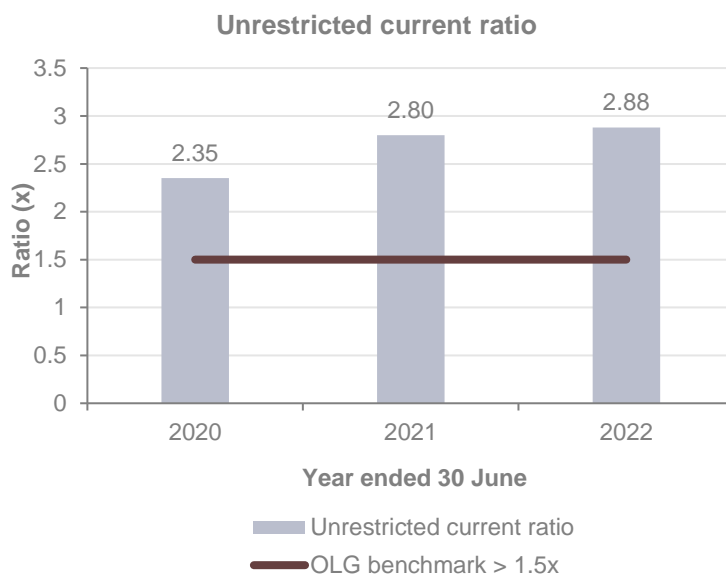


Unrestricted current ratio

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.

The Council's unrestricted current ratio has increased due to an increase in the unrestricted cash, cash equivalents and investments. In addition, receivables from rates and annual charges have also increased by \$863,000 with the Special Rate Variation that came into effect on 1 July 2021.



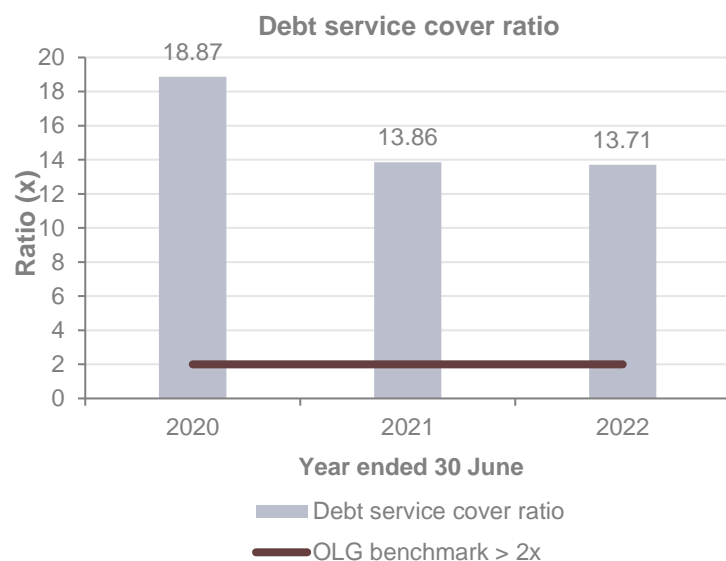
Debt service cover ratio

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.

The debt service cover ratio was consistent from 30 June 2021.

No additional loans were taken by Council during the year.

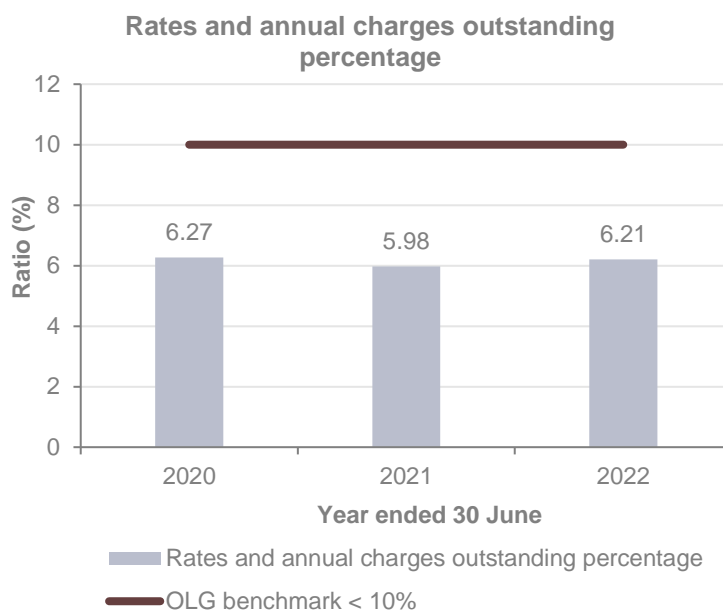


Rates and annual charges outstanding percentage

The Council met 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.

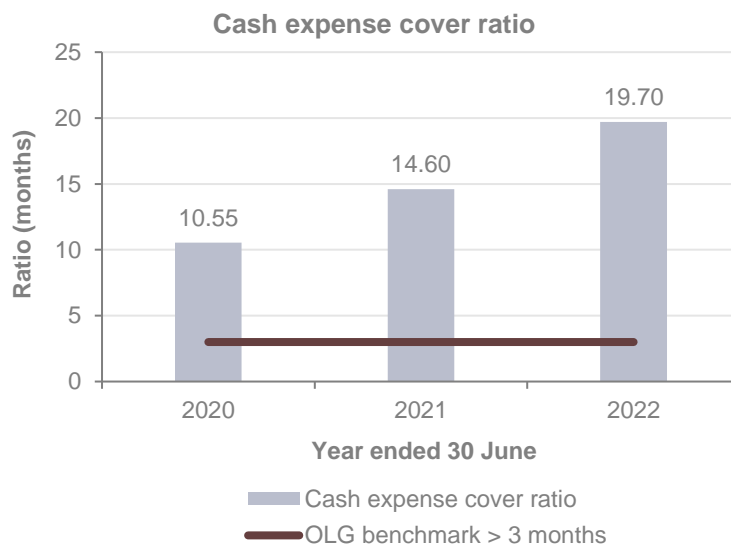


Cash expense cover ratio

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 increased due to the increase in cash balance.



Infrastructure, property, plant and equipment renewals

The Council renewed \$11.6 million of assets in the 2021-22 financial year, compared to \$16.3 million of assets in the 2020-21 financial year. This decline of \$4.7 million is largely due to a decrease in roads renewals in the current year and other major works being completed from grant funding in previous years.

OTHER MATTERS

Legislative compliance

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

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

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



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

cc: Mr Adrian Butler, General Manager
Ms Jo Shannon, Director Corporate and Community Services
Ms Linda MacRae, Chair of Audit, Risk and Improvement Committee
Mr Michael Cassel, Secretary of the Department of Planning, Industry and Environment

Federation Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Federation 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).

Federation Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

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



Pat Bourke
Mayor
17 October, 2022



Shaun Whitechurch
Councillor
17 October, 2022



Adrian Butler
General Manager
17 October, 2022



Shane Norman
Responsible Accounting Officer
17 October, 2022

Federation Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	1,209	694
User charges	4,263	4,142
Fees	90	81
Interest and investment income	87	52
Grants and contributions provided for operating purposes	789	65
Other income	62	55
Total income from continuing operations	6,500	5,089
Expenses from continuing operations		
Employee benefits and on-costs	2,373	2,245
Materials and services	1,146	905
Depreciation, amortisation and impairment	1,140	1,112
Net loss from the disposal of assets	184	91
Calculated taxation equivalents	57	62
Other expenses	249	345
Total expenses from continuing operations	5,149	4,760
Surplus (deficit) from continuing operations before capital amounts	1,351	329
Grants and contributions provided for capital purposes	974	48
Surplus (deficit) from continuing operations after capital amounts	2,325	377
Surplus (deficit) from all operations before tax	2,325	377
Less: corporate taxation equivalent (2022:25%; 2021:26%) [based on result before capital]	(338)	(86)
Surplus (deficit) after tax	1,987	291
Opening accumulated surplus	51,436	50,997
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	57	62
– Corporate taxation equivalent	338	86
Closing accumulated surplus	53,818	51,436
Return on capital %	2.9%	0.8%
Subsidy from Council	338	303
Calculation of dividend payable:		
Surplus (deficit) after tax	1,987	291
Less: capital grants and contributions (excluding developer contributions)	(974)	(48)
Surplus for dividend calculation purposes	1,013	243
Potential dividend calculated from surplus	507	122

Federation Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	4,478	4,047
User charges	559	435
Liquid trade waste charges	42	92
Interest and investment income	65	44
Grants and contributions provided for operating purposes	445	68
Other income	192	35
Total income from continuing operations	5,781	4,721
Expenses from continuing operations		
Employee benefits and on-costs	2,211	2,014
Borrowing costs	173	184
Materials and services	1,120	879
Depreciation, amortisation and impairment	1,191	1,151
Net loss from the disposal of assets	100	29
Calculated taxation equivalents	46	44
Other expenses	–	169
Total expenses from continuing operations	4,841	4,470
Surplus (deficit) from continuing operations before capital amounts	940	251
Grants and contributions provided for capital purposes	839	60
Surplus (deficit) from continuing operations after capital amounts	1,779	311
Surplus (deficit) from all operations before tax	1,779	311
Less: corporate taxation equivalent (2022:25%; 2021:26%) [based on result before capital]	(235)	(65)
Surplus (deficit) after tax	1,544	246
Opening accumulated surplus	47,699	47,344
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	46	44
– Corporate taxation equivalent	235	65
Closing accumulated surplus	49,524	47,699
Return on capital %	1.9%	0.8%
Subsidy from Council	1,030	378
Calculation of dividend payable:		
Surplus (deficit) after tax	1,544	246
Less: capital grants and contributions (excluding developer contributions)	(839)	(60)
Surplus for dividend calculation purposes	705	186
Potential dividend calculated from surplus	353	93

Federation Council

Income Statement of Domestic Waste

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
Annual charges	2,049	1,890
Interest and investment income	8	5
Grants and contributions provided for operating purposes	77	80
Total income from continuing operations	2,134	1,975
Expenses from continuing operations		
Employee benefits and on-costs	232	213
Materials and services	1,919	1,753
Total expenses from continuing operations	2,151	1,966
Surplus (deficit) from continuing operations before capital amounts	(17)	9
Surplus (deficit) from continuing operations after capital amounts	(17)	9
Surplus (deficit) from all operations before tax	(17)	9
Less: corporate taxation equivalent (2022:25%; 2021:26%) [based on result before capital]	–	(2)
Surplus (deficit) after tax	(17)	7
Opening accumulated surplus	192	183
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	2
Closing accumulated surplus	175	192
Subsidy from Council	17	–

Federation Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	4,196	3,179
Investments	5,744	7,000
Receivables	2,173	1,529
Total current assets	12,113	11,708
Non-current assets		
Investments	1,042	—
Infrastructure, property, plant and equipment	46,159	42,409
Total non-current assets	47,201	42,409
Total assets	59,314	54,117
LIABILITIES		
Current liabilities		
Payables	288	287
Income received in advance	—	275
Total current liabilities	288	562
Total liabilities	288	562
Net assets	59,026	53,555
EQUITY		
Accumulated surplus	53,818	51,187
Revaluation reserves	5,208	2,368
Total equity	59,026	53,555

Federation Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	2,260	2,584
Investments	4,961	6,000
Receivables	2,359	1,946
Total current assets	9,580	10,530
Non-current assets		
Investments	861	—
Infrastructure, property, plant and equipment	58,557	54,585
Total non-current assets	59,418	54,585
Total assets	68,998	65,115
LIABILITIES		
Current liabilities		
Payables	5	5
Income received in advance	—	1,132
Borrowings	83	77
Total current liabilities	88	1,214
Non-current liabilities		
Borrowings	2,203	2,286
Total non-current liabilities	2,203	2,286
Total liabilities	2,291	3,500
Net assets	66,707	61,615
EQUITY		
Accumulated surplus	49,524	47,852
Revaluation reserves	17,183	13,763
Total equity	66,707	61,615

Federation Council

Statement of Financial Position of Domestic Waste

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	2	45
Receivables	164	147
Total current assets	166	192
Total assets	166	192
Net assets	166	192
EQUITY		
Accumulated surplus	166	192
Total equity	166	192

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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, return 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. Former Corowa Shire Council Water Supplies

Supply of Water to the towns of Corowa, Howlong and Mulwala

b. Former Corowa and Urana Shire Council Sewerage Services

Service of Sewerage reticulation and treatment system to the towns of Corowa, Howlong, Mulwala, Oaklands & Urana.

Category 2

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

a. Former Corowa Shire Council Domestic Waste Services

Collection of Domestic Waste from the towns of Corowa, Howlong, Mulwala, Balldale, Oaklands & Urana.

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.

Note – Significant Accounting Policies (continued)

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

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

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,025,000 a premium marginal rate of **2.0%** applies.

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

In accordance with the Department of 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 DoI – Water 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% (20/21 26%).

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 payable on all category 1 businesses has been applied to all land 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 when 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.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

Note – Significant Accounting Policies (continued)

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(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'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(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.

Federation Council

Special Purpose Financial Statements for the year ended 30 June 2022



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Federation Council

To the Councillors of Federation Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Federation 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
- Domestic waste

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.



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

31 October 2022
SYDNEY

Federation Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Federation Council

Special Schedules

for the year ended 30 June 2022

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Federation 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	8,254	8,952
Plus or minus adjustments ²	b	36	68
Notional general income	$c = a + b$	8,290	9,020
Permissible income calculation			
Or rate peg percentage	e	8.00%	2.50%
Or plus rate peg amount	$i = e \times (c + g)$	663	226
Sub-total	$k = (c + g + h + i + j)$	8,953	9,246
Plus (or minus) last year's carry forward total	l	8	9
Sub-total	$n = (l + m)$	8	9
Total permissible income	$o = k + n$	8,961	9,255
Less notional general income yield	p	8,952	9,251
Catch-up or (excess) result	$q = o - p$	9	4
Carry forward to next year ⁶	$t = q + r + s$	9	4

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Federation Council

To the Councillors of Federation Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



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

31 October 2022
SYDNEY

Federation 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			1	2	3	4	5
Buildings	Buildings – non-specialised	2,773	1,200	70	150	18,614	26,273	50.9%	35.3%	3.3%	8.0%	2.5%
	Buildings – specialised	11,896	1,500	200	250	30,576	51,691	37.1%	19.5%	20.3%	23.0%	0.1%
	Garbage depots	104	25	20	14	571	903	19.1%	61.5%	7.9%	10.5%	1.0%
	Councils works depot	1,074	200	20	30	1,810	3,845	24.7%	14.6%	32.7%	22.4%	5.6%
	Council community halls	13,663	50	100	22	6,186	19,537	17.8%	8.3%	4.0%	44.3%	25.6%
	Health centres	282	–	10	10	1,889	2,893	35.2%	27.9%	27.0%	9.8%	0.1%
	Museum	1,257	50	10	4	1,346	3,184	14.7%	22.3%	23.5%	29.6%	9.9%
	Pre schools	893	120	10	9	1,680	3,685	18.0%	2.5%	55.3%	14.3%	9.9%
	Rural fire service building	87	–	5	5	1,729	2,463	38.4%	52.3%	5.7%	1.7%	1.9%
	Saleyards	177	–	10	6	2,054	3,773	17.4%	4.1%	73.8%	4.2%	0.5%
	Sub-total	32,206	3,145	455	500	66,455	118,247	34.6%	21.3%	16.9%	21.6%	5.7%
Other structures	Balldale water supply	400	200	20	23	908	2,082	43.0%	0.4%	24.7%	4.1%	27.8%
	Sub-total	400	200	20	23	908	2,082	43.0%	0.4%	24.7%	4.1%	27.8%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	37,515	20,000	2,000	847	179,432	283,173	39.3%	25.6%	21.8%	6.1%	7.2%
	Unsealed roads	8,553	2,000	1,800	1,378	22,492	51,783	15.4%	21.0%	47.1%	0.9%	15.6%
	Bridges	4,470	500	50	1	17,479	29,139	36.3%	22.4%	26.0%	15.3%	0.0%
	Footpaths	289	150	200	43	5,546	6,914	37.9%	38.6%	19.3%	0.9%	3.3%
	Bulk earthworks	–	–	–	–	132,258	134,706	99.1%	0.0%	0.0%	0.9%	0.0%
	Bikepath	62	–	25	13	1,198	4,807	87.2%	7.5%	4.0%	0.0%	1.3%
	Kerb and gutter	–	–	–	–	14,074	20,167	0.0%	0.0%	0.0%	0.0%	100.0%
	Car parks	957	200	–	5	2,603	3,461	48.8%	14.4%	9.0%	1.1%	26.7%
	Sub-total	51,846	22,850	4,075	2,287	361,008	513,983	52.9%	18.2%	18.6%	4.6%	5.8%
Water supply network	Mains	15,042	3,000	400	3,710	25,148	44,891	27.7%	21.3%	17.5%	26.1%	7.4%
	Reservoirs	1,290	100	10	26	4,596	7,875	5.3%	62.0%	16.3%	15.5%	0.9%
	Pumping stations	2,588	750	50	5	2,197	4,510	38.8%	1.6%	2.3%	29.4%	27.9%
	Treatment plants	6,998	700	150	142	9,798	18,184	14.1%	34.6%	12.8%	27.6%	10.9%
	Sub-total	25,918	4,550	610	3,883	41,739	75,460	22.7%	27.6%	15.3%	25.6%	8.8%
	Mains	4,407	500	200	431	32,927	48,375	22.0%	53.6%	15.2%	7.1%	2.1%
	Pumping stations	1,241	480	150	138	2,551	4,543	31.6%	16.5%	24.6%	9.2%	18.1%

Federation Council

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

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			1	2	3	4	5
Sewerage network	Treatment	2,502	680	40	99	15,696	25,732	20.1%	32.1%	38.1%	2.7%	7.0%
	Manholes	2,450	510	10	—	3,820	7,841	3.9%	16.4%	38.4%	19.4%	21.9%
	Sub-total	10,600	2,170	400	668	54,994	86,491	20.3%	41.9%	24.6%	7.0%	6.2%
Stormwater drainage	Stormwater drainage	2,270	600	200	319	37,646	51,574	52.1%	32.9%	10.6%	3.9%	0.5%
	Kerb and gutter	1,004	1,000	200	18	14,074	20,167	52.9%	33.3%	8.8%	4.6%	0.4%
	Sub-total	3,274	1,600	400	337	51,720	71,741	52.3%	33.0%	10.1%	4.1%	0.5%
Open space / recreational assets	Swimming pools	987	490	350	169	13,599	17,520	76.6%	3.2%	14.5%	5.6%	0.1%
	Boat ramps	11	10	5	5	576	723	68.8%	7.8%	7.8%	6.9%	8.7%
	Playground equipment	342	50	40	23	2,730	2,964	73.0%	9.6%	5.8%	9.6%	2.0%
	Sub-total	1,340	550	395	197	16,905	21,207	75.8%	4.3%	13.1%	6.2%	0.7%
	Total – all assets	125,584	35,065	6,355	7,895	593,729	889,211	45.2%	22.5%	17.9%	8.9%	5.6%

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

Infrastructure asset condition assessment 'key'

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

Federation 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	10,182	84.86%	128.28%	88.43%	>= 100.00%
Depreciation, amortisation and impairment	11,998				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	125,584	20.67%	8.34%	7.79%	< 2.00%
Net carrying amount of infrastructure assets	607,435				
Asset maintenance ratio					
Actual asset maintenance	7,895	124.23%	76.92%	89.92%	> 100.00%
Required asset maintenance	6,355				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	35,065	3.94%	2.58%	2.23%	
Gross replacement cost	889,211				

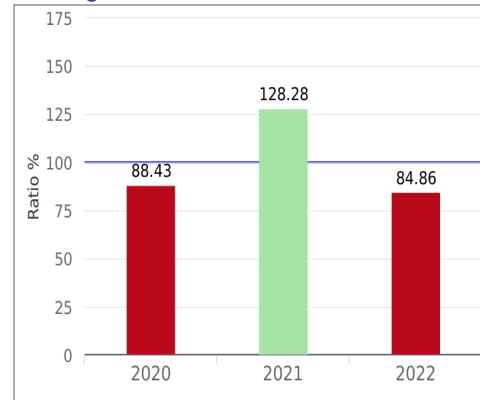
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Federation Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

21/22 ratio 84.86%

Council is working hard on infrastructure renewals, this graph goes up and down depending on how much grant funding Council receives for renewals projects.

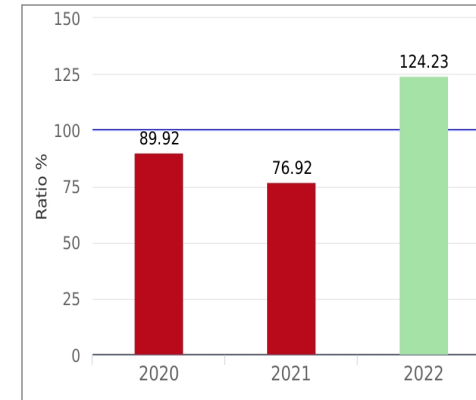
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

21/22 ratio 124.23%

Council are in the final stages on conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what maintenance is required for Council's assets.

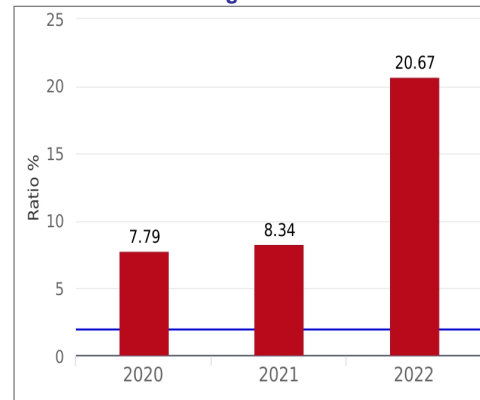
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

21/22 ratio 20.67%

Over the past year, Council roads have deteriorated due to the wet weather and heavy vehicle usage due to record grain harvest. Because of these factors council is requesting for a special rate variation for 2023-24. This years ratio has been calculated by measuring the cost of moving all of condition rated 4 and 5 assets to a condition 3 rating.

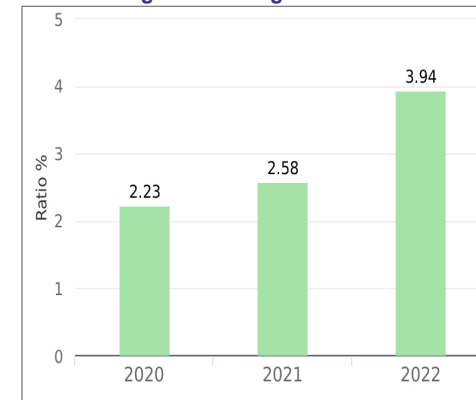
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

21/22 ratio 3.94%

Council are in the final stages on conducting a review of their Long Term Financial Plan along with their Asset Management Plan. This new information will give Council a better understanding of what maintenance is required for Council's assets. Also over the past year, Council roads have deteriorated due to the wet weather and heavy vehicle usage due to record grain harvest. Because of these factors council is requesting for a special rate variation for 2023-24.

Federation 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	86.67%	156.39%	76.28%	0.00%	77.39%	0.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	17.44%	6.75%	62.10%	28.25%	19.27%	7.38%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	62.56%	74.15%	636.56%	90.63%	167.00%	89.42%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	3.90%	2.36%	6.03%	4.89%	2.51%	2.23%	

(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.