



Annual Financial Statements 2021/22

Lithgow City Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Lithgow City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Lithgow City Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

180 Mort St
Lithgow NSW 2790

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: <http://www.council.lithgow.com>.

Lithgow City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Lithgow City 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:

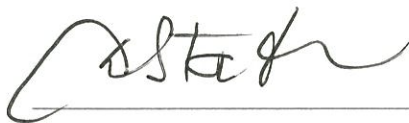
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 31 October 2022.



Maree Statham

Mayor

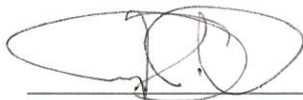
31 October 2022



Cassandra Coleman

Councillor

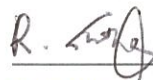
31 October 2022



Craig Butler

General Manager

31 October 2022



Ross Gurney

Responsible Accounting Officer

31 October 2022

Lithgow City Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Restated Actual 2021
Income from continuing operations				
28,812	Rates and annual charges	B2-1	28,220	27,215
8,688	User charges and fees	B2-2	7,501	7,247
757	Other revenues	B2-3	965	1,340
10,569	Grants and contributions provided for operating purposes	B2-4	18,031	11,286
12,424	Grants and contributions provided for capital purposes	B2-4	5,772	3,896
270	Interest and investment income	B2-5	286	290
881	Other income	B2-6	848	1,320
62,401	Total income from continuing operations		61,623	52,594
Expenses from continuing operations				
19,784	Employee benefits and on-costs	B3-1	18,695	18,626
15,037	Materials and services	B3-2	18,632	16,529
515	Borrowing costs	B3-3	451	504
12,731	Depreciation, amortisation and impairment of non-financial assets	B3-4	14,386	13,336
1,030	Other expenses	B3-5	1,197	944
(340)	Net loss from the disposal of assets	B4-1	2,039	1,347
48,757	Total expenses from continuing operations		55,400	51,286
13,644	Operating result from continuing operations		6,223	1,308
13,644	Net operating result for the year attributable to Council		6,223	1,308
705	Net operating result for the year before grants and contributions provided for capital purposes		451	(2,588)

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

Lithgow City Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021
Net operating result for the year – from Income Statement		6,223	1,308
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	<u>19,215</u>	<u>3,868</u>
Total other comprehensive income for the year		19,215	3,868
Total and comprehensive income for the year attributable to Council		<u>25,438</u>	<u>5,176</u>

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

Lithgow City Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021	Restated 1 July 2020
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	1,784	8,259	1,981
Investments	C1-2	33,000	21,000	24,990
Receivables	C1-4	6,698	6,467	6,475
Inventories	C1-5	816	796	737
Contract assets and contract cost assets	C1-6	4,023	–	–
Other	C1-11	843	749	288
Total current assets		47,164	37,271	34,471
Non-current assets				
Infrastructure, property, plant and equipment (IPPE)	C1-7	605,954	587,973	585,437
Investment property	C1-8	5,706	5,706	5,168
Right of use assets	C2-1	607	1,107	35
Total non-current assets		612,267	594,786	590,640
Total assets		659,431	632,057	625,111
LIABILITIES				
Current liabilities				
Payables	C3-1	7,914	6,900	5,690
Contract liabilities	C3-2	1,103	1,488	277
Lease liabilities	C2-1	389	416	21
Borrowings	C3-3	1,364	1,575	1,408
Employee benefit provisions	C3-4	3,637	3,818	3,750
Provisions	C3-5	85	85	–
Total current liabilities		14,492	14,282	11,146
Non-current liabilities				
Payables	C3-1	12	19	28
Lease liabilities	C2-1	194	614	14
Borrowings	C3-3	14,899	12,763	14,338
Employee benefit provisions	C3-4	318	354	457
Provisions	C3-5	9,017	8,964	9,243
Total non-current liabilities		24,440	22,714	24,080
Total liabilities		38,932	36,996	35,226
Net assets		620,499	595,061	589,885
EQUITY				
Accumulated surplus	C4-1	229,501	223,278	221,970
IPPE revaluation reserve	C4-1	390,998	371,783	367,915
Council equity interest		620,499	595,061	589,885
Total equity		620,499	595,061	589,885

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

Lithgow City Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000					Restated	Restated	Restated
Opening balance at 1 July		223,278	371,783	595,061	213,077	367,915	580,992
Correction of prior period errors	G4-1	–	–	–	8,893	–	8,893
Restated opening balance		223,278	371,783	595,061	221,970	367,915	589,885
Net operating result for the year		6,223	–	6,223	2,045	–	2,045
Correction of prior period errors	G4-1	–	–	–	(737)	–	(737)
Restated net operating result for the year		6,223	–	6,223	1,308	–	1,308
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	19,215	19,215	–	3,868	3,868
Other comprehensive income		–	19,215	19,215	–	3,868	3,868
Total comprehensive income		6,223	19,215	25,438	1,308	3,868	5,176
Closing balance at 30 June		229,501	390,998	620,499	223,278	371,783	595,061

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

Lithgow City 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				
<i>Receipts:</i>				
28,335	Rates and annual charges		28,870	27,312
8,666	User charges and fees		8,042	8,616
265	Interest received		376	334
17,770	Grants and contributions		18,977	15,520
–	Bonds, deposits and retentions received		34	–
1,309	Other		4,144	4,699
<i>Payments:</i>				
(17,549)	Payments to employees		(18,888)	(18,805)
(15,069)	Payments for materials and services		(18,434)	(16,146)
(522)	Borrowing costs		(647)	(602)
–	Bonds, deposits and retentions refunded		–	(262)
(2,829)	Other		(3,736)	(3,542)
20,376	Net cash flows from operating activities	G1-1	18,738	17,124
Cash flows from investing activities				
<i>Receipts:</i>				
1,680	Proceeds from sale of IPPE		701	689
<i>Payments:</i>				
4,000	Acquisition of term deposits		(12,000)	3,990
(16,898)	Payments for IPPE		(15,465)	(13,899)
(11,218)	Net cash flows from investing activities		(26,764)	(9,220)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings		3,500	–
<i>Payments:</i>				
(1,463)	Repayment of borrowings		(1,575)	(1,408)
–	Principal component of lease payments		(374)	(218)
(1,463)	Net cash flows from financing activities		1,551	(1,626)
7,695	Net change in cash and cash equivalents		(6,475)	6,278
1,981	Cash and cash equivalents at beginning of year		8,259	1,981
9,676	Cash and cash equivalents at end of year	C1-1	1,784	8,259
25,000	plus: Investments on hand at end of year	C1-2	33,000	21,000
34,676	Total cash, cash equivalents and investments		34,784	29,259

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

Lithgow City 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 31 October 2022. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-7
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

Council has not made any significant judgements about the impairment of a number of its receivables – refer Note C1-4.

COVID 19 Impact

In the 2021/22 financial year the Coronavirus (COVID-19) pandemic continued to impact both communities and business in the community where Council operates. There were lockdowns in NSW in the second half of 2021. COVID-19 has had no material financial impact for Council in the financial year ended 30 June 2022. As at the end of the current reporting period, Council has experienced no material loss of income as a result of the pandemic. No material changes have been noted in asset values or the collection of rates.

Monies and other assets received by Council

The Consolidated Fund

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

A1-1 Basis of preparation (continued)

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

- General purpose operations
- Water service
- Sewerage service

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has an average of 53 hours per week of volunteer services donated, 40 hours at Eskbank House Museum, 10 hours at the Lithgow library and 3 hours at Portland Library. Council does not recognise this in the income statement on the basis that these services would not be procured if not donated and on the low value/materiality level.

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 standards which were mandatorily effective for the first time at 30 June 2022. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021 Restated	2022	2021 Restated	2022	2021	2022	2021 Restated
Functions or activities										
Caring for our community	1,870	1,907	3,014	2,594	(1,144)	(687)	1,868	945	2,882	3,251
Strengthening our economy	346	99	1,822	1,490	(1,476)	(1,391)	283	1,572	5,522	5,588
Developing our built environment	29,394	24,000	45,637	42,579	(16,243)	(18,579)	12,174	6,956	548,747	557,396
Enhancing our natural environment	7,152	5,469	4,841	3,757	2,311	1,712	2,576	85	82,117	49,019
Governance and leadership	22,861	21,119	86	866	22,775	20,253	6,902	5,624	20,355	16,803
Other	–	–	–	–	–	–	–	–	(192)	–
Total functions and activities	61,623	52,594	55,400	51,286	6,223	1,308	23,803	15,182	659,431	632,057

B1-2 Components of functions or activities

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

Caring for our community

Includes supporting Aboriginal, cultural and linguistically diverse communities; ageing populations; children and families; community support and information; health; library programs; regulatory/compliance programs; safety; volunteering and youth.

Strengthening our economy

Includes Council's branding and marketing; art and culture; business and industry development and support; education and training; leadership and communication; heritage; and tourism.

Developing our built environment

Includes cemeteries; community commercial and industrial buildings; cycleways and pathways; environmental health; parks and gardens; recreational facilities; transport; sewage infrastructure; streetscape improvements; tradewaste; and water infrastructure.

Enhancing our natural environment

Includes air; biodiversity; climate change; environmental protection and leadership; natural heritage; stormwater and drainage water and waste and recycling.

Governance and leadership

Includes planning for our future; civic leadership; communication; corporate management; customer service; being an employer of choice; information systems management; and plant and equipment.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	8,164	7,817
Farmland	2,116	1,942
Mining	1,782	1,652
Business	2,031	1,918
Less: pensioner rebates (mandatory)	(346)	(364)
Rates levied to ratepayers	13,747	12,965
Pensioner rate subsidies received	190	200
Total ordinary rates	13,937	13,165
Special rates		
Parking	258	254
Rates levied to ratepayers	258	254
Total special rates	258	254
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	4,153	4,035
Stormwater management services	241	240
Water supply services	1,820	1,731
Sewerage services	7,356	7,372
Waste management services (non-domestic)	664	640
Gas mains	19	19
Less: pensioner rebates (mandatory)	(506)	(534)
Annual charges levied	13,747	13,503
Pensioner subsidies received:		
– Water	90	95
– Sewerage	85	89
– Domestic waste management	103	109
Total annual charges	14,025	13,796
Total rates and annual charges	28,220	27,215

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	2022	2021
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	4,482	4,846
Waste management services (non-domestic)	1,380	826
Trade waste	88	114

continued on next page ...

B2-2 User charges and fees (continued)

\$ '000	2022	2021
Septic approval	164	130
Total specific user charges	6,114	5,916
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	595	526
Private works – section 67	23	32
Regulatory/statutory fees	98	76
Section 10.7 certificates (EP&A Act)	72	70
Total fees and charges – statutory/regulatory	788	704
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	176	202
Swimming centres	356	362
Hall and park hire	26	31
Other	41	32
Total fees and charges – other	599	627
Total other user charges and fees	1,387	1,331
Total user charges and fees	7,501	7,247
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	–	–
User charges and fees recognised at a point in time (2)	7,501	7,247
Total user charges and fees	7,501	7,247

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 the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

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

B2-3 Other revenues

\$ '000	2022	2021
Fines – parking	10	8
Fines – other	81	34
Legal fees recovery – other	81	60
Commissions and agency fees	3	1
Diesel rebate	85	96
Insurance claims recoveries	262	421
Recycling income (non-domestic)	254	35
Sale of abandoned vehicles	53	37
Esbank house	2	4
Inspections	7	19
Library charges	7	6
Sales – aquatic centre	17	52
Sales – tourism	28	56
Credit card surcharge	21	26
Other	107	156
Other Council properties Hire	82	66

B2-3 Other revenues (continued)

\$ '000	2022	2021
Settlement - Water	–	730
Other - Adjustments	(135)	(467)
Total other revenue	965	1,340

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	965	1,340
Total other revenue	965	1,340

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	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance	1,999	1,736	–	–
Financial assistance – local roads component	667	631	–	–
Payment in advance - future year allocation				
Financial assistance – general component	3,021	1,862	–	–
Financial assistance – local roads component	1,078	672	–	–
Amount recognised as income during current year	6,765	4,901	–	–

Special purpose grants and non-developer contributions (tied)

Cash contributions

Water supplies	–	–	750	21
Sewerage services	–	–	256	341
Community care	46	–	–	–
Community centres	94	368	–	136
Economic development	275	252	–	–
Environmental programs	2,071	–	–	–
Floodplain management	12	25	–	–
Heritage and cultural	–	59	447	254
Library – per capita	–	114	–	–
Library – special projects	–	–	215	18
LIRS subsidy	44	55	–	–
Recreation and culture	–	35	335	608
Storm/flood damage	4,023	–	–	–
Waste services	–	–	167	–
Street lighting	73	73	–	–
Bushfire relief	416	1,966	–	–
Other specific grants	–	50	–	–
Transport (roads to recovery)	797	1,195	–	–
Transport (other roads and bridges funding)	2,074	1,117	1,532	1,642
Previously contributions:				
Employment	267	74	–	–

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Transport for NSW contributions (regional roads, block grant)	468	468	–	–
Fire contribution	232	232	–	–
Hazard reduction	124	–	–	–
Rebates	–	52	–	–
Event sponsorships	11	12	–	–
ESL contribution	225	238	–	–
Pathways and cycleways	–	–	1,027	–
Other contributions	14	–	–	–
Total special purpose grants and non-developer contributions – cash	11,266	6,385	4,729	3,020
Total special purpose grants and non-developer contributions (tied)	11,266	6,385	4,729	3,020
Total grants and non-developer contributions	18,031	11,286	4,729	3,020
Comprising:				
– Commonwealth funding	8,877	6,815	376	–
– State funding	9,125	4,453	4,356	3,000
– Other funding	29	18	(3)	20
	18,031	11,286	4,729	3,020

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5				
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	258	282
S 7.11 – contributions towards amenities/services		–	–	30	5
S 7.12 – fixed development consent levies		–	–	239	252
S 64 – water supply contributions		–	–	81	64
S 64 – sewerage service contributions		–	–	435	273
Total developer contributions – cash		–	–	1,043	876
Total developer contributions		–	–	1,043	876
Total grants and contributions		18,031	11,286	5,772	3,896
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)		18,031	11,286	5,772	3,896
Total grants and contributions		18,031	11,286	5,772	3,896

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	1,037	3,015	1,908	660
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	4,538	1,053	914	1,491
Add: Funds received and not recognised as revenue in the current year	-	-	-	-
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,286)	(3,031)	(2,142)	(243)
Less: Funds received in prior year but revenue recognised and funds spent in current year	-	-	-	-
Unspent funds at 30 June	3,289	1,037	680	1,908
Contributions				
Unspent funds at 1 July	2,143	1,985	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	441	567	-	-
Add: contributions received and not recognised as revenue in the current year	-	-	-	-
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(639)	(409)	-	-
Unspent contributions at 30 June	1,945	2,143	-	-

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

B2-4 Grants and contributions (continued)

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	Notes	2022	2021
Interest on financial assets measured at amortised cost			
– Overdue rates and annual charges (incl. special purpose rates)		80	66
– Cash and investments		206	224
Finance income on the net investment in the lease	C2-2	–	–
Total interest and investment income (losses)		286	290
Interest and investment income is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		15	43
General Council cash and investments		206	224
Restricted investments/funds – external:			
Water fund operations		44	23
Sewerage fund operations		13	–
Domestic waste management operations		8	–
Total interest and investment income		286	290

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		–	538
Total fair value increment on investment properties	C1-8	–	538
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		744	652
Total Investment properties		744	652
Other lease income			
Leaseback fees - council vehicles		104	130
Total other lease income		104	130
Total rental income	C2-2	848	782
Total other income		848	1,320

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	14,959	14,277
Employee termination costs (where material – other than vested leave paid)	245	4
Travel expenses	6	14
Employee leave entitlements (ELE)	2,059	2,157
Superannuation	1,521	1,092
Superannuation – defined benefit plans	202	513
Workers' compensation insurance	467	735
Fringe benefit tax (FBT)	42	72
Payroll tax	65	75
Training costs (other than salaries and wages)	171	154
Protective clothing	48	55
Corporate uniforms	1	14
Central west group apprentices	–	11
Other	62	68
Total employee costs	19,848	19,241
Less: capitalised costs	(1,153)	(615)
Total employee costs expensed	18,695	18,626

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		5,314	5,069
Contractor and consultancy costs		7,684	6,880
– Contractor and consultancy costs		5	6
Audit Fees	F2-1	133	108
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	139	140
Advertising		88	108
Bank charges		69	83
Computer software charges		119	53
Electricity and heating		897	964
Insurance		972	801
Office expenses (including computer expenses)		903	676
Postage		66	91
Printing and stationery		86	111
Street lighting		337	356
Subscriptions and publications		457	269

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B3-2 Materials and services (continued)

\$ '000	2022	2021
Telephone and communications	206	245
Valuation fees	94	116
Commissions	60	57
Lease fees	23	25
Council election expenses	178	–
Other expenses	116	61
Legal Fees:		
– planning and development	73	123
– debt recovery	105	63
– other	228	119
Expenses from short-term leases	280	5
Total materials and services	18,632	16,529
Total materials and services	18,632	16,529

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 leases	12	9
Interest on loans	386	590
Total interest bearing liability costs	398	599
Total interest bearing liability costs expensed	398	599
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Remediation liabilities	53	(95)
Total other borrowing costs	53	(95)
Total borrowing costs expensed	451	504

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 Restated
Depreciation and amortisation			
Plant and equipment		449	474
Plant and equipment - specialised - RFS red fleet		737	737
Office equipment		282	319
Furniture and fittings		9	9
Infrastructure:	C1-7		
– Buildings – specialised		1,094	1,069
– Other structures		707	681
– Roads		5,711	5,533
– Bridges		396	160
– Footpaths		228	222
– Stormwater drainage		397	394
– Water supply network		1,763	1,596

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

\$ '000	Notes	2022	2021 Restated
– Sewerage network		2,074	1,883
– Swimming pools		39	32
Right of use assets	C2-1	427	141
Other non-financial assets:			
– Library books		–	13
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	73	73
Total gross depreciation and amortisation costs		14,386	13,336
Total depreciation and amortisation costs		14,386	13,336
Total depreciation, amortisation and impairment for non-financial assets		14,386	13,336

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 C2-1a for right of use assets.

Impairment of non-financial assets

Other assets 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	Notes	2022	2021
Impairment of receivables			
Other		253	(13)
Total impairment of receivables	C1-4	253	(13)
Other			
Contributions/levies to other levels of government			
Donations, contributions and assistance to other organisations (Section 356)			
– Contributions emergency services		648	841
– Donations, contributions and assistance		296	116
Total other		944	957
Total other expenses		1,197	944

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		466	433
Less: carrying amount of property assets sold/written off		(223)	(332)
Gain (or loss) on disposal		243	101
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		235	256
Less: carrying amount of plant and equipment assets sold/written off		(138)	(145)
Gain (or loss) on disposal		97	111
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(2,379)	(1,559)
Gain (or loss) on disposal		(2,379)	(1,559)
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(2,039)	(1,347)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	28,812	28,220	(592)	(2)% U
User charges and fees	8,688	7,501	(1,187)	(14)% U
Income levels significantly impact by storm events and decreased water usage.				
Other revenues	757	965	208	27% F
Increased Income from Recycling.				
Operating grants and contributions	10,569	18,031	7,462	71% F
Increased pre-payment amount of Financial Assistance Grant and increased income from additional grants in response to storm events.				
Capital grants and contributions	12,424	5,772	(6,652)	(54)% U
Reduced income from delays in grant funded multi-year projects due to storm events.				
Interest and investment revenue	270	286	16	6% F
Other income	881	848	(33)	(4)% U
Expenses				
Employee benefits and on-costs	19,784	18,695	1,089	6% F
Materials and services	15,037	18,632	(3,595)	(24)% U
Increased materials in response to storm events.				
Borrowing costs	515	451	64	12% F
Rescheduled loan repayments resulting in paying loan of faster.				
Depreciation, amortisation and impairment of non-financial assets	12,731	14,386	(1,655)	(13)% U
Red Fleet Assets previously not accounted or budgeted.				
Other expenses	1,030	1,197	(167)	(16)% U
Increase in doubtful debts expenses due to childcare centre lease debtor being placed in liquidation.				
Net losses from disposal of assets	(340)	2,039	(2,379)	700% U
Renewal of water and waste water assets.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	20,376	18,738	(1,638)	(8)% U
Cash flows from investing activities	(11,218)	(26,764)	(15,546)	139% U
Higher cash outflows for acquisition of 3-6 month term deposits to improve investment returns.				
Cash flows from financing activities	(1,463)	1,551	3,014	(206)% F
\$3.5M cash inflow for short-term working capital loan facility.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	294	8,259
Cash equivalent assets		
– Deposits at call	1,490	–
Total cash and cash equivalents	1,784	8,259

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	1,784	8,259
Balance as per the Statement of Cash Flows	1,784	8,259

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Long term deposits	33,000	–	21,000	–
Total	33,000	–	21,000	–
Total financial investments	33,000	–	21,000	–
Total cash assets, cash equivalents and investments	34,784	–	29,259	–

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.

C1-2 Financial investments (continued)

Amortised cost

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. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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.

Fair value through other comprehensive income – equity instruments

Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in the Other Comprehensive Income Statement.

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.

Council's financial assets measured at fair value through profit or loss comprise investments of \$21M in the Statement of Financial Position.

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	34,784	29,259
Less: Externally restricted cash, cash equivalents and investments	<u>(26,257)</u>	<u>(26,010)</u>
Cash, cash equivalents and investments not subject to external restrictions	8,527	3,249
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – water fund	–	24
Specific purpose unexpended loans – general	4,921	1,561
Specific purpose unexpended grants – general fund	3,968	5,455
Specific purpose unexpended loans – water	–	129
External restrictions – included in liabilities	8,889	7,169

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	1,945	2,143
Water fund	930	2,401
Sewer fund	8,310	7,889
Domestic waste management	6,183	6,408

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

External restrictions – other	17,368	18,841
Total external restrictions	26,257	26,010

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

\$ '000	2022	2021
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	8,527	3,249
Less: Internally restricted cash, cash equivalents and investments	(8,527)	(3,249)
Unrestricted and unallocated cash, cash equivalents and investments	–	–

Internal allocations

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

Plant and vehicle replacement	105	3
Employees leave entitlement	754	754
Carry over works	327	221
Deposits, retentions and bonds	319	296
Election	50	160
Land and building	2,220	1,218
Works in progress	653	597
Working Capital	–	–
Financial assistance grant - prepayment	4,099	–
Total internal allocations	8,527	3,249

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

C1-4 Receivables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Rates and annual charges	1,681	–	1,853	–
Interest and extra charges	146	–	275	–
User charges and fees	1,505	–	1,872	–
Accrued revenues				
– Interest on investments	73	–	34	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	2,401	–	1,926	–
Net GST receivable	659	–	230	–
Other debtors	701	–	482	–
Total	7,166	–	6,672	–
Less: provision for impairment				
Rates and annual charges	(434)	–	(181)	–
Other debtors	(34)	–	(24)	–
Total provision for impairment – receivables	(468)	–	(205)	–
Total net receivables	6,698	–	6,467	–

C1-4 Receivables (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted receivables				
Water supply				
– Other	1,671	–	2,479	–
Sewerage services				
– Other	609	–	868	–
Total external restrictions	2,280	–	3,347	–
Unrestricted receivables	4,418	–	3,120	–
Total net receivables	6,698	–	6,467	–

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	205	204
Balance at the end of the year	205	204

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

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 7 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.

C1-4 Receivables (continued)

COVID 19

Council's rate and annual charges collections have not been significantly impacted by the COVID-19 Pandemic in the 2021/22 year, therefore, no adjustment has been made to the impairment provision. There has been an increase in the rates and annual charges outstanding percentage which is attributed to a decline in economic conditions. There is no material impact of the COVID-19 pandemic on other receivables.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	816	-	796	-
Total inventories at cost	816	-	796	-
Total inventories	816	-	796	-

Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Water				
Stores and materials	248	-	246	-
Total water	248	-	246	-
Sewerage				
Stores and materials	34	-	23	-
Total sewerage	34	-	23	-
Total externally restricted assets	282	-	269	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	534	-	527	-
Total inventories	816	-	796	-

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.

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	4,023	-	-	-
Total contract assets and contract cost assets	4,023	-	-	-

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

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets				
Natural Disaster Floods	4,023	–	–	–
Total contract assets	4,023	–	–	–

Significant changes in contract assets

Council experienced numerous flooding natural disasters in the 2021/22 Financial Year. Much of the work has been completed and claiming to occur in 2022/23.

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	3,141	–	3,141	2,314	5,320	–	–	(1,580)	–	9,195	–	9,195
Plant and equipment	17,800	(13,555)	4,245	351	–	(153)	(449)	–	–	17,708	(13,713)	3,995
Plant and equipment - specialised - RFS red fleet	18,804	(10,648)	8,156	–	–	–	(737)	–	–	18,804	(11,384)	7,420
Office equipment	1,552	(1,148)	404	76	–	–	(282)	–	–	1,627	(1,429)	198
Furniture and fittings	430	(359)	71	–	–	–	(9)	–	–	431	(369)	62
Land:												
– Operational land	16,762	–	16,762	–	–	(223)	–	–	1,154	17,693	–	17,693
– Community land	24,713	–	24,713	–	–	–	–	–	1,572	26,285	–	26,285
Infrastructure:												
– Buildings – specialised	76,682	(28,932)	47,750	602	155	(160)	(1,094)	100	4,078	83,993	(32,562)	51,431
– Other structures	27,548	(9,145)	18,403	175	454	–	(707)	363	1,898	31,481	(10,895)	20,586
– Roads	345,389	(88,051)	257,338	2,386	212	(968)	(5,711)	284	3,037	351,101	(94,523)	256,578
– Bridges	27,044	(4,839)	22,205	413	–	(87)	(396)	–	239	27,615	(5,241)	22,374
– Footpaths	17,754	(4,231)	13,523	204	751	(61)	(228)	–	173	18,853	(4,491)	14,362
– Bulk earthworks (non-depreciable)	27,410	–	27,410	–	–	–	–	–	466	27,876	–	27,876
– Stormwater drainage	41,464	(15,205)	26,259	–	–	–	(397)	–	167	41,731	(15,703)	26,028
– Water supply network	100,593	(63,169)	37,424	927	–	(226)	(1,763)	–	2,045	106,711	(68,304)	38,407
– Sewerage network	124,755	(47,831)	76,924	1,172	50	(879)	(2,074)	752	4,259	132,288	(52,085)	80,203
– Swimming pools	2,445	(102)	2,343	–	–	–	(39)	–	127	2,580	(148)	2,432
Other assets:												
– Library books	994	(994)	–	–	–	–	–	–	–	994	(994)	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	8,210	(7,308)	902	–	–	–	(73)	–	–	8,210	(7,381)	829
Total infrastructure, property, plant and equipment	883,490	(295,517)	587,973	8,620	6,942	(2,757)	(13,959)	(81)	19,215	925,176	(319,222)	605,954

(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 Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated
\$ '000												
Capital work in progress	1,491	–	1,491	942	1,082	–	–	(374)	–	3,141	–	3,141
Plant and equipment	17,512	(13,571)	3,941	923	–	(145)	(474)	–	–	17,800	(13,555)	4,245
Plant and equipment - specialised - RFS red fleet	18,804	(9,911)	8,893	–	–	–	(737)	–	–	18,804	(10,648)	8,156
Office equipment	1,473	(830)	643	79	–	1	(319)	–	–	1,552	(1,148)	404
Furniture and fittings	422	(350)	72	–	8	–	(9)	–	–	430	(359)	71
Land:												
– Operational land	17,086	–	17,086	8	–	(332)	–	–	–	16,762	–	16,762
– Community land	23,529	–	23,529	–	1,184	–	–	–	–	24,713	–	24,713
Infrastructure:												
– Buildings – specialised	76,012	(28,180)	47,832	625	530	(408)	(1,069)	240	–	76,682	(28,932)	47,750
– Other structures	26,762	(8,472)	18,290	404	429	(39)	(681)	–	–	27,548	(9,145)	18,403
– Roads	341,782	(82,920)	258,862	2,820	1,715	(660)	(5,533)	134	–	345,389	(88,051)	257,338
– Bridges	21,896	(2,856)	19,040	274	221	(25)	(160)	–	2,855	27,044	(4,839)	22,205
– Footpaths	17,536	(4,050)	13,486	271	96	(108)	(222)	–	–	17,754	(4,231)	13,523
– Bulk earthworks (non-depreciable)	27,411	–	27,411	–	–	(1)	–	–	–	27,410	–	27,410
– Stormwater drainage	41,269	(14,811)	26,458	195	–	–	(394)	–	–	41,464	(15,205)	26,259
– Water supply network	98,998	(61,033)	37,965	680	157	(75)	(1,596)	–	293	100,593	(63,169)	37,424
– Sewerage network	122,392	(45,519)	76,873	565	689	(2)	(1,883)	–	682	124,755	(47,831)	76,924
– Swimming pools	2,810	(233)	2,577	–	–	(240)	(32)	–	38	2,445	(102)	2,343
Other assets:												
– Library books	994	(981)	13	–	–	–	(13)	–	–	994	(994)	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	8,210	(7,235)	975	–	–	–	(73)	–	–	8,210	(7,308)	902
Total infrastructure, property, plant and equipment	866,389	(280,952)	585,437	7,786	6,111	(2,034)	(13,195)	–	3,868	883,490	(295,517)	587,973

(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 valuations are performed at least every five years, however the carrying amount of assets is assessed 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 Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset 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.

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	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	3		
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
RFS red fleet	15 to 25		
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	12 to 20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	5 to 50
Bridge: other	50	Other infrastructure	5 to 50
Road pavements	70		
Kerb, gutter and footpaths	32 to 80		

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

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

Land under roads

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

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

Crown reserves

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

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

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

Rural Fire Service assets

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

- Council recognises the RFS buildings on Council controlled land.
- Council has recognised RFS Red Fleet assets at 30 June 2022. Council continues to participate in ongoing industry discussions through engagement with the NSW Auditor General and the Office of Local Government to resolve the issue of control of RFS Red Fleet Assets in an appropriate manner.

The initial recognition of RFS Red Fleet assets has been made via a prior period error entry through equity. The assets have been recognised as a separate asset class (specialised plant & equipment - RFS Red Fleet). Depreciation has been recognised through the Income Statement for the year ended 30 June 2021 and 30 June 2022. Any new assets in subsequent years will be recognised through income.

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/22			as at 30/06/21		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
\$ '000						
Water supply						
Plant and equipment	117	99	18	117	98	19
Office equipment	141	120	21	141	85	56
Land						
Infrastructure	124,501	71,386	53,115	100,593	63,169	37,424
Work in progress	839	–	839	–	–	–
Total water supply	125,598	71,605	53,993	100,851	63,352	37,499
Sewerage services						
Plant and equipment	337	196	141	325	218	107
Land						
Infrastructure	148,185	66,641	81,544	124,765	47,831	76,934
Work in progress	1,863	–	1,863	–	–	–
Total sewerage services	150,385	66,837	83,548	126,464	48,049	78,415
Domestic waste management						
Land						
– Operational land	959	–	959	959	–	959
– Community land	605	–	605	605	–	605
Work in progress	–	–	–	–	–	–
Total domestic waste management	1,564	–	1,564	1,564	–	1,564
Total restricted infrastructure, property, plant and equipment	277,547	138,442	139,105	228,879	111,401	117,478

C1-8 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	5,706	5,706
Total owned investment property	5,706	5,706
Owned investment property		
At fair value		
Opening balance at 1 July	5,706	5,168
Net gain/(loss) from fair value adjustments	–	538
Closing balance at 30 June	5,706	5,706

Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Vehicles

Council leases machinery with lease terms varying from 3 to 5 years; the lease payments are fixed during the lease term.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Plant & Equipment	Ready to use	Total
2022			
Opening balance at 1 July	1,107	–	1,107
Additions to right-of-use assets	(73)	–	(73)
Depreciation charge	(427)	–	(427)
Balance at 30 June	607	–	607
2021			
Opening balance at 1 July	35	–	35
Additions to right-of-use assets	1,213	–	1,213
Depreciation charge	(141)	–	(141)
Balance at 30 June	1,107	–	1,107

(b) Lease liabilities

C2-1 Council as a lessee (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	389	194	416	614
Total lease liabilities	389	194	416	614

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	389	194	–	583	583
2021					
Cash flows	416	614	–	1,030	1,030

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	12	9
Depreciation of right of use assets	427	141
Expenses relating to short-term leases	681	5
	1,120	155

Accounting policy

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

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

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

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

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

C2-1 Council as a lessee (continued)

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-7) in the Statement of Financial Position.

Council provides operating leases on Council buildings for the purpose of Commercial, Charitable & the Community, the table below relates to operating leases on assets disclosed in C1-6.

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

\$ '000	2022	2021
(i) Assets held as investment property		
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below		
Lease income (excluding variable lease payments not dependent on an index or rate)	744	652
Total income relating to operating leases for investment property assets	744	652
Operating lease expenses		
Direct operating expenses that generated rental income	107	105
Total expenses relating to operating leases	107	105
Repairs and maintenance: investment property		
(ii) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	104	130
Total income relating to operating leases for Council assets	104	130
Reconciliation of IPPE assets leased out as operating leases		
Opening balance as at 1 July	5,705	5,167
Impairment loss/revaluation decrements (recognised in P/L)	-	538
Closing balance as at 30 June	5,705	5,705

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

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

< 1 year	526	513
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C2-2 Council as a lessor (continued)

\$ '000	2022	2021
1–2 years	531	528
2–3 years	138	162
3–4 years	105	143
4–5 years	108	108
> 5 years	227	345
Total undiscounted lease payments to be received	1,635	1,799

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	4,546	–	953	–
Accrued expenses:				
– Borrowings	30	–	40	–
– Salaries and wages	312	–	209	–
– Other expenditure accruals	170	12	3,611	19
Security bonds, deposits and retentions	328	–	294	–
Other	646	–	87	–
Prepaid rates	1,882	–	1,706	–
Total payables	7,914	12	6,900	19

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022		2021	
		Current	Non-current	Current	Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,103	–	1,488	–
Total grants received in advance		1,103	–	1,488	–
Total contract liabilities		1,103	–	1,488	–

Notes

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

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	112	137
Total revenue recognised that was included in the contract liability balance at the beginning of the period	112	137

Accounting policy

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

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	1,364	14,899	1,575	12,763
Total borrowings	1,364	14,899	1,575	12,763

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

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

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	14,338	1,925	–	–	–	–	16,263
Lease liability (Note C2-1b)	1,030	(447)	–	–	–	–	583
Loan discount	–	–	–	–	–	–	–
Total liabilities from financing activities	15,368	1,478	–	–	–	–	16,846

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	15,746	(1,408)	–	–	–	–	14,338
Lease liability (Note C2-1b)	35	995	–	–	–	–	1,030
Total liabilities from financing activities	15,781	(413)	–	–	–	–	15,368

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	105	105
Total financing arrangements	605	605

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

Drawn facilities

– Credit cards/purchase cards	25	18
Total drawn financing arrangements	25	18

Undrawn facilities

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	80	87
Total undrawn financing arrangements	580	587

Additional financing arrangements information

C3-3 Borrowings (continued)

Breaches and defaults

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

Security over loans

Loans are secured over the general rating income of Council.

Bank overdrafts

The bank overdraft is secured over the general rating income of Council.

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	1,441	–	1,415	–
Long service leave	2,196	318	2,403	354
Total employee benefit provisions	3,637	318	3,818	354
Total employee benefit provisions relating to unrestricted assets	3,637	318	3,818	354
Total employee benefit provisions	3,637	318	3,818	354

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,977	2,397
	1,977	2,397

Description of and movements in provisions

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
2022			
At beginning of year	1,415	2,757	4,172
Other	26	(243)	(217)
Total ELE provisions at end of year	1,441	2,514	3,955
2021			
At beginning of year	1,451	2,756	4,207
Other	(36)	1	(35)
Total ELE provisions at end of year	1,415	2,757	4,172

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

C3-4 Employee benefit provisions (continued)

On-costs

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

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

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Other provisions				
Provision for inventory	85	-	85	-
Sub-total – other provisions	85	-	85	-
Asset remediation/restoration:				
Asset remediation/restoration (future works)	-	9,017	-	8,964
Sub-total – asset remediation/restoration	-	9,017	-	8,964
Total provisions	85	9,017	85	8,964
Provisions relating to restricted assets				
Total provisions relating to unrestricted assets	85	9,017	85	8,964
Total provisions	85	9,017	85	8,964

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

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

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	8,964	8,964
Changes to provision:		
– Revised discount rate	(237)	(237)
– Revised life	239	239
Unwinding of discount	51	51
Total other provisions at end of year	9,017	9,017
2021		
At beginning of year	9,243	9,243
Unwinding of discount	(96)	(96)
Amounts used (payments)	(183)	(183)
Total other provisions at end of year	8,964	8,964

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Council tip and quarry.

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	19,362	1,656	7,202
User charges and fees	2,804	4,547	150
Interest and investment revenue	229	44	13
Other revenues	963	2	–
Grants and contributions provided for operating purposes	17,970	124	(63)
Grants and contributions provided for capital purposes	4,250	831	691
Other income	848	–	–
Total income from continuing operations	46,426	7,204	7,993
Expenses from continuing operations			
Employee benefits and on-costs	14,965	1,718	2,012
Materials and services	13,743	1,940	2,949
Borrowing costs	227	9	215
Depreciation, amortisation and impairment of non-financial assets	10,504	1,799	2,083
Other expenses	(573)	1,770	–
Net losses from the disposal of assets	945	228	866
Total expenses from continuing operations	39,811	7,464	8,125
Operating result from continuing operations	6,615	(260)	(132)
Net operating result for the year	6,615	(260)	(132)
Net operating result attributable to each council fund	6,615	(260)	(132)
Net operating result for the year before grants and contributions provided for capital purposes	2,365	(1,091)	(823)

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	1,310	48	426
Investments	24,234	882	7,884
Receivables	4,418	1,671	609
Inventories	534	248	34
Contract assets and contract cost assets	4,023	–	–
Other	843	–	–
Total current assets	35,362	2,849	8,953

Non-current assets

Infrastructure, property, plant and equipment	484,461	39,286	82,207
Investment property	5,706	–	–
Right of use assets	607	–	–
Total non-current assets	490,774	39,286	82,207
Total assets	526,136	42,135	91,160

D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2022	Water 2022	Sewer 2022
LIABILITIES			
Current liabilities			
Payables	7,854	30	30
Income received in advance	(336)	336	–
Contract liabilities	1,103	–	–
Lease liabilities	389	–	–
Borrowings	631	58	675
Employee benefit provision	3,637	–	–
Provisions	85	–	–
Total current liabilities	13,363	424	705
Non-current liabilities			
Payables	12	–	–
Lease liabilities	194	–	–
Borrowings	4,917	477	9,505
Employee benefit provision	318	–	–
Provisions	9,017	–	–
Total non-current liabilities	14,458	477	9,505
Total liabilities	27,821	901	10,210
Net assets	498,315	41,234	80,950
EQUITY			
Accumulated surplus	175,019	15,210	39,272
Revaluation reserves	323,296	26,024	41,678
Council equity interest	498,315	41,234	80,950
Total equity	498,315	41,234	80,950

D2 Interests in other entities

Interests in associates

Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership			
			2022	2021	2022	2021
Upper Macquarie County Council	Bathurst	Associate	25%	25%	296	292
Total carrying amounts – material associates					296	292

D2-1 Interests in associates (continued)

Details

	Principal activity	Measurement method
Upper Macquarie County Council	Weed Control	Equity

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2022	2021	2022	2021
Upper Macquarie County Council	25%	25%	25%	25%

Summarised financial information for associates

\$ '000	Upper Macquarie County Council	
	2022	2021
Statement of financial position		
Current assets		
Cash and cash equivalents	1,450	1,327
Other current assets	171	123
Non-current assets		
	44	75
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	44	44
Other current liabilities	423	289
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	14	26
Net assets	1,184	1,166
Statement of comprehensive income		
Income	1,653	1,712
Interest income	3	24
Depreciation and amortisation	(38)	(42)
Other expenses	(1,600)	(1,556)
Profit/(loss) from continuing operations	18	138
Profit/(loss) for period	18	138
Total comprehensive income	18	138
Share of income – Council (%)	25%	25%
Profit/(loss) – Council (\$)	5	35
Total comprehensive income – Council (\$)	5	35
Summarised Statement of cash flows		
Cash flows from operating activities	133	246
Cash flows from investing activities	(10)	(26)
Net increase (decrease) in cash and cash equivalents	123	220
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,166	1,029
Profit/(loss) for the period	18	137
Closing net assets	1,184	1,166

continued on next page ...

D2-1 Interests in associates (continued)

\$ '000	Upper Macquarie County Council	
	2022	2021
Council's share of net assets (%)	25%	25%
Council's share of net assets (\$)	296	292

County Councils

Council is a member of the Upper Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control weeds. Council is one of four constituent councils and does not have significant influence over the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

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	1,784	8,259	1,784	8,259
Receivables	6,698	6,467	6,951	6,467
Investments				
– Financial Assets at amortised cost	33,000	21,000	33,000	21,000
Total financial assets	41,482	35,726	41,735	35,726
Financial liabilities				
Lease Liability	613	1,030	613	1,030
Loans/advances	16,263	14,338	16,263	14,338
Payables	7,926	6,919	7,899	6,919
Total financial liabilities	24,802	22,287	24,775	22,287

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 held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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 there 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.

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	185	149
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	149	1,510	22	1,681
2021				
Gross carrying amount	45	1,678	130	1,853

Receivables - non-rates and annual charges and contract assets

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

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

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

\$ '000	Not yet overdue	0 - 30 days	Overdue debts			Total
			31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	3,395	4,818	139	76	1,080	9,508
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	8.80%	1.00%
ECL provision	-	-	-	-	95	95
2021						
Gross carrying amount	2,858	790	36	204	931	4,819
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	8.80%	1.70%
ECL provision	-	-	-	-	82	82

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	328	7,559	12	-	7,899	7,926
Borrowings	0.00%	-	1,364	11,225	3,674	16,263	16,263
Total financial liabilities		328	8,923	11,237	3,674	24,162	24,189
2021							
Payables	0.00%	294	4,928	-	-	5,222	6,919
Borrowings	0.00%	-	1,542	5,920	7,462	14,924	14,338
Total financial liabilities		294	6,470	5,920	7,462	20,146	21,257

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
- Investment property
- Financial assets and liabilities

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).

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy									
		Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021 Restated	2022	2021 Restated
Recurring fair value measurements											
Financial assets											
Financial investments	C1-2										
– ‘Held to maturity’		30/06/22	30/06/21	33,000	21,000	–	–	–	–	33,000	21,000
Total financial assets				33,000	21,000	–	–	–	–	33,000	21,000

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy									
		Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021 Restated	2022	2021 Restated
Financial liabilities											
Bonds and security deposits		30/06/22	30/06/21	-	-	319	237	-	-	319	237
Accrued interest		30/06/22	30/06/21	73	34	-	-	-	-	73	34
Total financial liabilities				73	34	319	237	-	-	392	271
Investment property											
Investment properties	C1-8	30/06/21	30/06/21	-	-	-	-	5,706	5,706	5,706	5,706
Total investment property				-	-	-	-	5,706	5,706	5,706	5,706
Infrastructure, property, plant and equipment											
Operational land	C1-7	30/06/20	30/06/20	-	-	-	-	17,693	16,762	17,693	16,762
Community land		30/06/20	30/06/20	-	-	-	-	26,285	24,713	26,285	24,713
Plant and equipment		30/06/20	30/06/20	351	-	-	-	3,644	4,245	3,995	4,245
Plant and equipment -specialised - RFS red fleet		30/06/22	30/06/21	-	-	-	-	7,420	8,156	7,420	8,156
Office equipment		30/06/20	30/06/20	76	-	-	-	122	404	198	404
Furniture and fittings		30/06/20	30/06/20	-	-	-	-	62	71	62	71
Buildings		30/06/20	30/06/20	757	-	-	-	50,677	47,750	51,434	47,750
Other structures		30/06/20	30/06/20	629	-	-	-	19,954	18,403	20,583	18,403
Roads		30/06/20	30/06/20	2,598	-	-	-	253,980	257,338	256,578	257,338
Bridges		30/06/21	30/06/21	413	-	-	-	21,961	22,205	22,374	22,205
Footpaths		30/06/20	30/06/20	955	-	-	-	13,407	13,523	14,362	13,523
Bulk earthworks		30/06/20	30/06/20	-	-	-	-	27,876	27,410	27,876	27,410
Stormwater drainage		30/06/20	30/06/20	-	-	-	-	26,028	26,259	26,028	26,259
Water supply		30/06/22	30/06/20	927	-	-	-	37,480	37,424	38,407	37,424
Sewerage network		30/06/22	30/06/20	1,223	-	-	-	78,980	76,924	80,203	76,924
Swimming pools		30/06/21	30/06/21	-	-	-	-	2,432	2,343	2,432	2,343
Library books		30/06/18	30/06/18	-	-	-	-	-	-	-	-
Tip asset rehabilitation		30/06/18	30/06/18	-	-	-	-	829	902	829	902
Work in Progress		N/A	N/A	7,634	-	-	-	1,561	3,141	9,195	3,141
Total infrastructure, property, plant and equipment				15,563	-	-	-	590,391	587,973	605,954	587,973

Non-recurring fair value measurements

continued on next page ...

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Water and Sewer assets are subject to a full revaluation process by a registered valuer each 5 years.

During the interim years water and sewer assets are incrementally revalued via an index published by the NSW Office of Water.

General infrastructure assets have been revalued at 30 June 2022 via an index based on construction costs from APV.

Land assets have been revalued at 30 June 2022 via an index based on market movements within the Council area from APV.

Tip Assets shown in the balance sheet represent the taking up of, and restatement of the provision for tip remediation. In this regard the Tip Asset represents the net present value of the future expenditure on tip remediation and then depreciated over the life of the tip.

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

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

\$ '000	Fair value (30/6/22) 2022	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Specialised buildings	51,434	Depreciated historical cost	Cost per sq metre, consumption rate, condition, useful life
Road infrastructure	256,578	Depreciated historical cost	Cost per sq metres dimensions and specification, pattern of consumption components useful life residual value asset condition
Bulk earthworks	27,876	Current replacement cost	Cost per Sq metre
Footpaths	14,362	Depreciated historical cost	Cost per sq metre pattern of consumption components useful lives asset conditions
Bridges	22,374	Depreciated historical cost	Cost per Sq metre, dimensions and specifications, pattern of consumption components, useful lives, asset conditions
Stormwater drainage	26,028	Depreciated historical cost	Cost per unit/ per metre
Water supply network	38,407	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Sewerage network	80,203	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Other structures	20,583	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Tip assets	829	Depreciated historical cost	Unit Costs

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	Fair value (30/6/22) 2022	Valuation technique/s	Unobservable inputs
Swimming pools	2,432	Depreciated historical cost	Cost per unit
Plant and equipment - specialised - RFS red fleet	7,420	Depreciated historical cost	Estimated useful life and residual value

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

\$ '000	Property, plant and equipment	
	2022	2021
Opening balance	587,973	581,819
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	19,215	3,718
Other movements		
Purchases (GBV)	15,562	13,897
Disposals (WDV)	(2,757)	(2,034)
Depreciation and impairment	(13,958)	(12,458)
FV losses - other comprehensive income	–	3,031
Other movement - transfer from WIP to P&L	(81)	–
Other movement - transfer to other comprehensive income	–	–
Closing balance	605,954	587,973

E2-1 Fair value measurement (continued)

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$203,075.47. The last valuation of the Scheme was performed by Richard Boyfield FIAA on 30 June 2021, and covers the period ended 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$155,315.40.

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

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

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

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Other long-term benefits	217	–
Post-employment benefits	112	156
Short-term benefits	1,297	1,333
Termination benefits	153	–
Total	1,779	1,489

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	22	24
Councillors' fees	98	100
Other Councillors' expenses (including Mayor)	19	16
Total	139	140

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	53	57
Remuneration for audit and other assurance services	53	57
Total Auditor-General remuneration	53	57
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services – internal audit services	80	51
Remuneration for audit and other assurance services	80	51
Total remuneration of non NSW Auditor-General audit firms	80	51
Total audit fees	133	108

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021 Restated
Net operating result from Income Statement	6,223	1,308
Add / (less) non-cash items:		
Depreciation and amortisation	14,386	13,336
(Gain) / loss on disposal of assets	2,039	1,347
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	–	(538)
Unwinding of discount rates on reinstatement provisions	(186)	(96)
Movements in operating assets and liabilities and other cash items:		

G1-1 Statement of Cash Flows information (continued)

\$ '000	2022	2021 Restated
(Increase) / decrease of receivables	(494)	31
Increase / (decrease) in provision for impairment of receivables	263	(23)
(Increase) / decrease of inventories	(20)	(59)
(Increase) / decrease of other current assets	(94)	(461)
(Increase) / decrease of contract asset	(4,023)	–
Increase / (decrease) in payables	3,593	442
Increase / (decrease) in accrued interest payable	(10)	(2)
Increase / (decrease) in other accrued expenses payable	(3,345)	800
Increase / (decrease) in other liabilities	769	(39)
Increase / (decrease) in contract liabilities	(385)	1,211
Increase / (decrease) in employee benefit provision	(217)	(35)
Increase / (decrease) in other provisions	239	(98)
Net cash flows from operating activities	18,738	17,124

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	1,230	1,038
Plant and equipment	285	–
Water supply	1,001	159
Sewerage network	5,420	604
Road infrastructure	1,245	–
Bridge assets	3,709	–
Waste assets	611	2,466
Other structures	270	199
Land	14	–
Office equipment	43	–
Total commitments	13,828	4,466

G2-1 Commitments (continued)

Details of capital commitments

Council's capital commitments relate to the Coco Creek, Airlie Creek and Crown Creek bridge upgrades. Council's building capital commitments relate to Council's store building reconstruction and the sewer assets capital commitments relates to Cullen Bullen sewerage network. Council's water asset capital commitment relates to the Portland Foundation trunk upgrade and the Clarence to Wallerawang Pipeline works.

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Correction of errors

First time recognition of Rural Fire Service Red Fleet assets which is included as 'plant and equipment - specialised' within Infrastructure, property, plant & equipment (Note C1-7).

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2020) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction of errors, displayed in the tables below.

There were no reported changes to the Red Fleet assets for the 2021 Financial year and therefore the only reported change is depreciation.

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Infrastructure, property, plant and equipment	576,544	8,893	585,437
Total non-current assets	581,747	8,893	590,640
Total assets	616,218	8,893	625,111
Net assets	580,992	8,893	589,885
Accumulated surplus	213,077	8,893	221,970
Total equity	580,992	8,893	589,885

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Infrastructure, property, plant and equipment	579,817	8,156	587,973
Total non-current assets	586,630	8,156	594,786
Total assets	623,901	8,156	632,057
Net assets	586,905	8,156	595,061

continued on next page ...

G4-1 Correction of errors (continued)

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Accumulated surplus	215,122	8,156	223,278
Total equity	586,905	8,156	595,061

Income Statement

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Depreciation, amortisation and impairment for non-financial assets	12,599	737	13,336
Total expenses from continuing operations	50,549	737	51,286
Net operating result for the year	2,045	(737)	1,308

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Net operating result for the year	2,045	(737)	1,308
Total comprehensive income for the year	5,913	(737)	5,176

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	1,099	-	-	-	-	-	1,099	-
Bushfire	139	-	-	-	-	-	139	-
S7.11 contributions – under a plan	1,238	-	-	-	-	-	1,238	-
S7.12 levies – under a plan	636	269	-	6	(464)	-	447	-
Total S7.11 and S7.12 revenue under plans	1,874	269	-	6	(464)	-	1,685	-
S7.4 planning agreements	269	163	-	3	(175)	-	260	-
Total contributions	2,143	432	-	9	(639)	-	1,945	-

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

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN								
Roads	1,099	-	-	-	-	-	1,099	-
Bushfire	139	-	-	-	-	-	139	-
Total	1,238	-	-	-	-	-	1,238	-

S7.12 Levies – under a plan

CONTRIBUTION PLAN								
Other S 7.12 Plan 12/13	231	269	-	6	(464)	-	42	-
Other (previous yrs)	405	-	-	-	-	-	405	-
Total	636	269	-	6	(464)	-	447	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	Indicators			Benchmark
	2022	2022	Restated 2021	2020	2019	
\$ '000						
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,743	4.91%	(3.72)%	(5.01)%	(3.08)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	55,851					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	37,820	61.37%	70.84%	76.01%	77.28%	> 60.00%
Total continuing operating revenue	61,623					
3. Unrestricted current ratio						
Current assets less all external restrictions	18,345	2.47x	2.23x	3.60x	1.93x	> 1.50x
Current liabilities less specific purpose liabilities	7,418					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	17,580	7.33x	5.66x	3.21x	3.71x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,400					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	1,393	4.61%	6.70%	6.12%	4.66%	< 10.00%
Rates and annual charges collectable	30,247					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	34,784	9.56 months	8.57 months	7.81 months	0.16 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	3,638					

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

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

G6-2 Statement of performance measures by fund

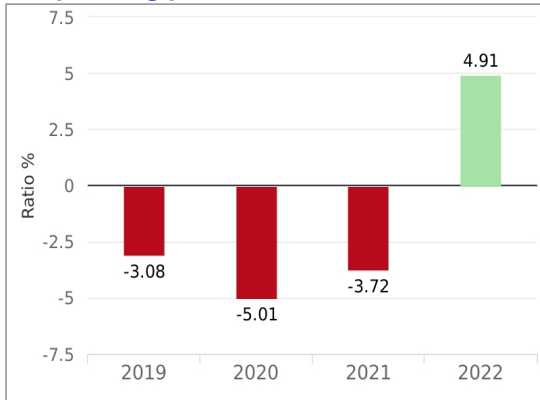
\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	Restated 2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	11.04%	(5.68)%	(17.12)%	(3.52)%	(11.27)%	4.86%	> 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	52.14%	60.63%	86.74%	99.82%	92.14%	91.28%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.47x	2.23x	6.72x	2.74x	12.70x	8.30x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7.07x	4.57x	79.67x	31.17x	6.86x	7.88x	> 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	6.51%	9.59%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.02 months	5.51 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G6-1 above.

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

End of the audited financial statements

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio 4.91%

Council met this ratio in the 2021/22 year, however, the result was mainly due to extraordinary operating grant income which was not offset by operational expenses in the 2021/22 year. Excluding these impacts, the operating result (excluding capital grants) would have (\$3.4M) deficit.

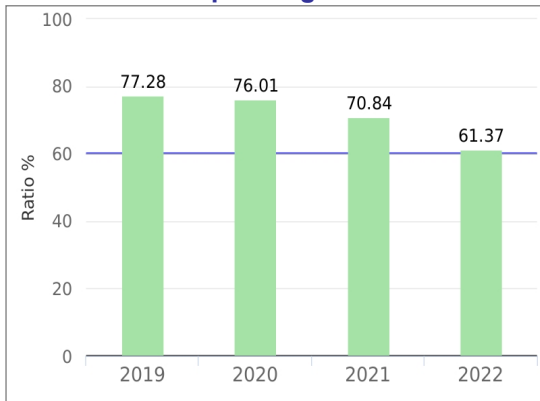
Benchmark: — > 0.00%

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 61.37%

Whilst Council has met this KPI, the result is lower than the previous year due to the increase in grants.

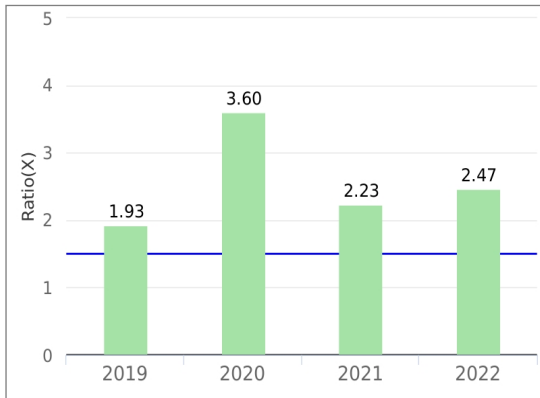
Benchmark: — > 60.00%

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 2.47x

Council's unrestricted current ratio has exceeded the industry benchmark over recent years. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

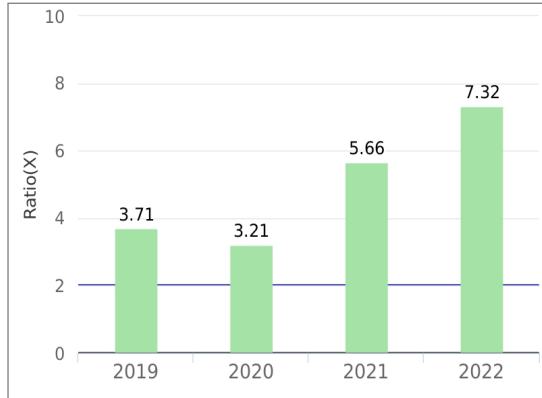
Ratio achieves benchmark

Ratio is outside benchmark

H Additional Council disclosures (unaudited)

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 7.33x

Council continues to perform above the benchmark, due to greater amounts of cash placed in on call accounts to obtain better interest returns.

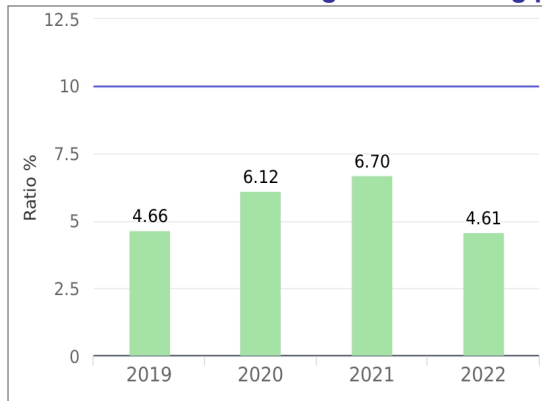
Benchmark: — > 2.00x

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 4.61%

Council's result has returned to the pre-pandemic level, assisted by conducting an unpaid rates sale in February 2022. Council actively manages accounts receivable to consistently achieve a ratio well within the benchmark.

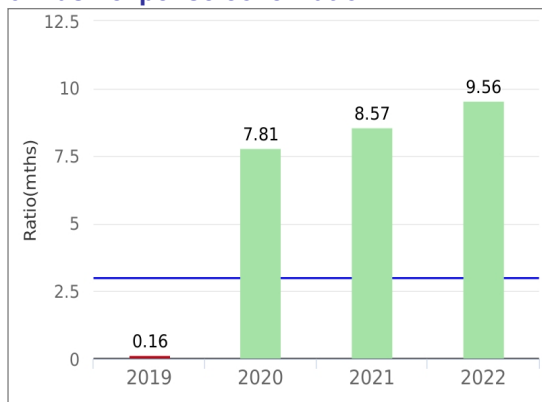
Benchmark: — < 10.00%

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 9.56 months

Council has met this benchmark as the investment strategy has been adjusted to the current financial environment and investment opportunities, with around 5% of cash held in on call deposits and the remainder held in six month term deposits to maximise investment returns.

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:

180 Mort St
Lithgow NSW 2790

Contact details

Mailing Address:

PO Box 19
Lithgow NSW 2790

Telephone: 02 6354 9999

Facsimile: 02 6351 4259

Opening hours:

Monday to Friday
8:15am to 4:30pm

Internet: <http://www.council.lithgow.com>

Email: council@lithgow.nsw.gov.au

Officers

General Manager

Craig Butler

Responsible Accounting Officer

Ross Gurney

Public Officer

Ross Gurney

Auditors

NSW Audit office
Level 19
Tower 2 Darling Park
201 Sussex Street
SYDNEY NSW 2000

Elected members

Mayor

Maree Statham

Councillors

Cassandra Coleman
Almudena Bryce
Deanna Goodsell
Darryl Goodwin
Stephen Lesslie
Stuart McGhie
Eric Mahony
Col O'Connor

Other information

ABN: 59 986 092 492



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Lithgow City Council

To the Councillors of Lithgow City Council

Opinion

I have audited the accompanying financial statements of Lithgow City 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:

- 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 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 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.

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.



Karen Taylor

Director, Financial Audit
Delegate of the Auditor-General for New South Wales

13 December 2022
SYDNEY



Cr Maree Statham
 Mayor
 Lithgow City Council
 PO Box 19
 LITHGOW NSW 2780

Contact: Karen Taylor
 Phone no: 02 9275 7311
 Our ref: D2226466/1755

13 December 2022

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2022
 Lithgow City Council**

I have audited the general purpose financial statements (GPFS) of the Lithgow City 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 an unmodified 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.

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	28.2	27.2	↑ 3.7
Grants and contributions revenue	23.8	15.1	↑ 56.8
Operating result from continuing operations	6.2	1.3	↑ 376
Net operating result before capital grants and contributions	0.5	-2.6	↓ 117

Rates and annual charges revenue was \$28.2 million (\$27.2 million for 2020–21). The increase of \$1.0 million (3.7 per cent) is consistent with the increase in rate peg of 2 per cent and an increase in the number of rateable properties.

Grants and contributions revenue was \$23.8 million (\$15.1 million). The increase of \$8.6million is mainly due to funding received for the natural disaster floods.

Council's operating result from continuing operations was \$6.2 million (\$1.3 million). The increase of is mainly due to the increases above offset by increases in material and services expenses of \$2.1 million, depreciation, amortisation and impairment of non-financial assets of \$1 million and net loss from disposal of assets by \$0.7 million.

The net operating result before capital grants and contributions was \$0.5 million (a deficit of \$2.6 million).

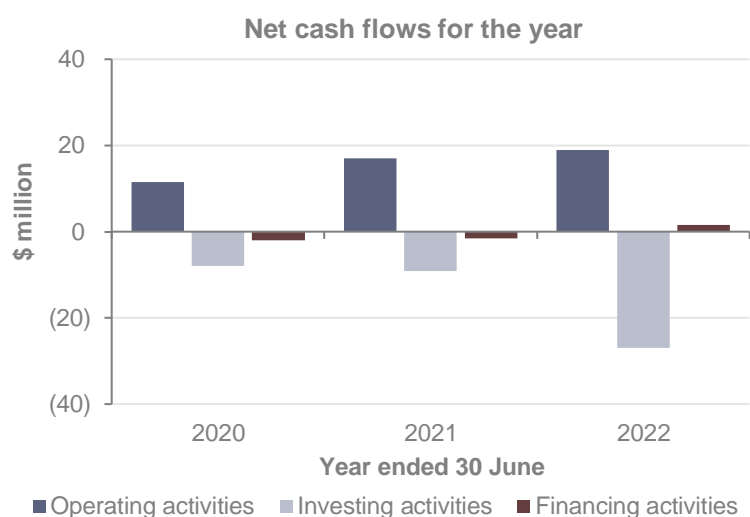
STATEMENT OF CASH FLOWS

Council's cash and cash equivalents was \$1.8 million at 30 June 2022 (\$8.2 million for the year ended 30 June 2021), a net decrease of \$6.5 million.

Cash flows from operating activities has increased by \$1.6 million, mainly due to rates and annual charges and grants and contribution. This was offset by increased materials and services and other expenses.

Council's cash outflows used in investing activities was \$26.8 million. This is due to payments for infrastructure, property, plant and equipment and additional investment in term deposits and investment securities.

Net cash from financing activities was positive due to \$3.5 million proceeds from borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	34.8	29.3	Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$0.3 million is primarily due to \$1.7 million increase in specific purpose unexpended grants which was offset by \$1.5 reduction in developer contribution, water and sewer fund.
Restricted and allocated cash, cash equivalents and investments:			
External restrictions	26.3	26	Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of work and any forward plans identified by Council.
Internal restrictions	8.5	3.2	

Debt

At 30 June 2022, Council recognised \$16.3 million of external borrowings (2021: \$14.3 million) which is secured over the revenue of Council. The loan had increased primarily due to additional \$3.5 million loan taken during the year to cover natural disaster work.

PERFORMANCE

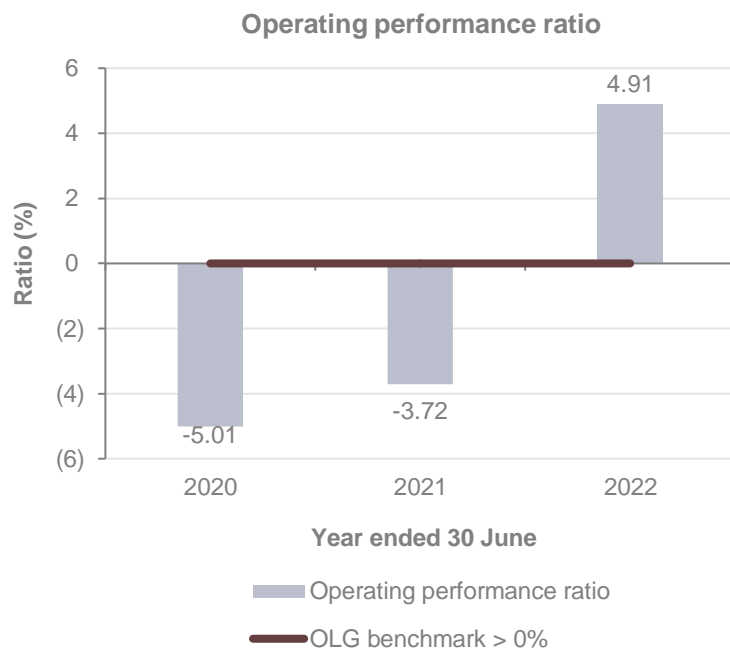
Performance measures

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

Council exceeded the benchmark for the current reporting period due to the increase in income from rates and annual charges and grants and contributions for operating purposes.

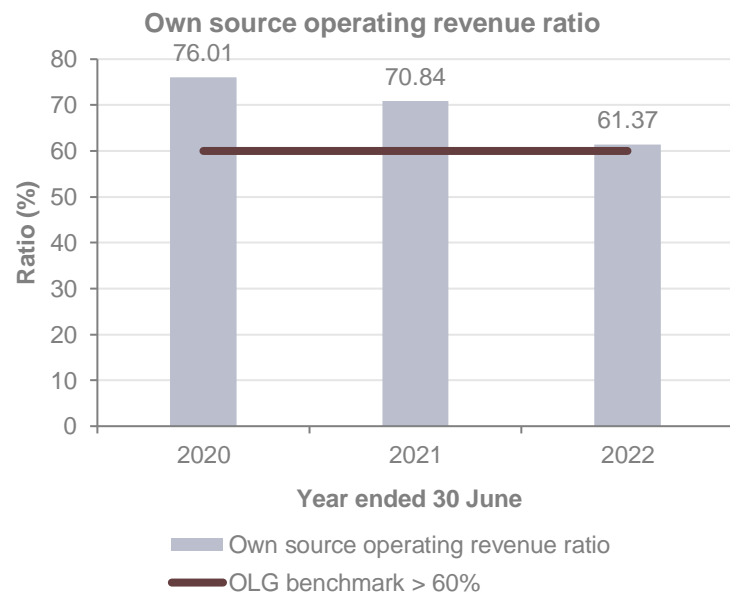
The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council continued to exceed the benchmark for the current reporting period. The own source operating revenue ratio is lower than the previous year due to the increase in grants.

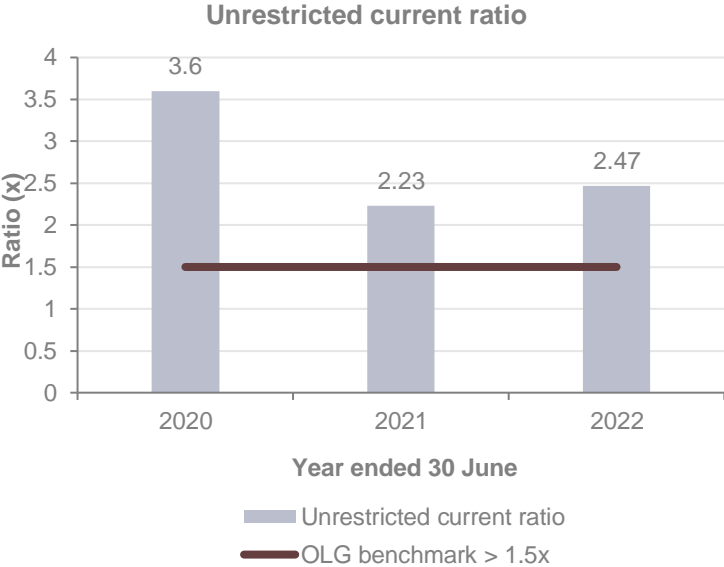
The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continued to exceed the benchmark for the current reporting period.

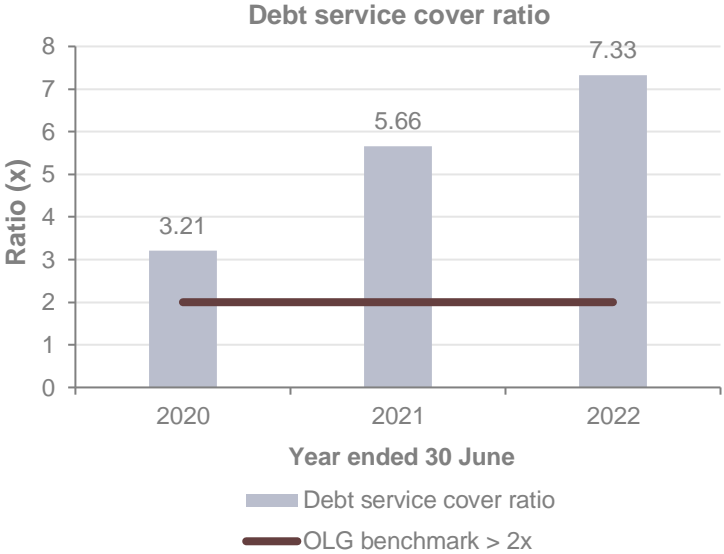
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continued to exceed the benchmark for the current reporting period.

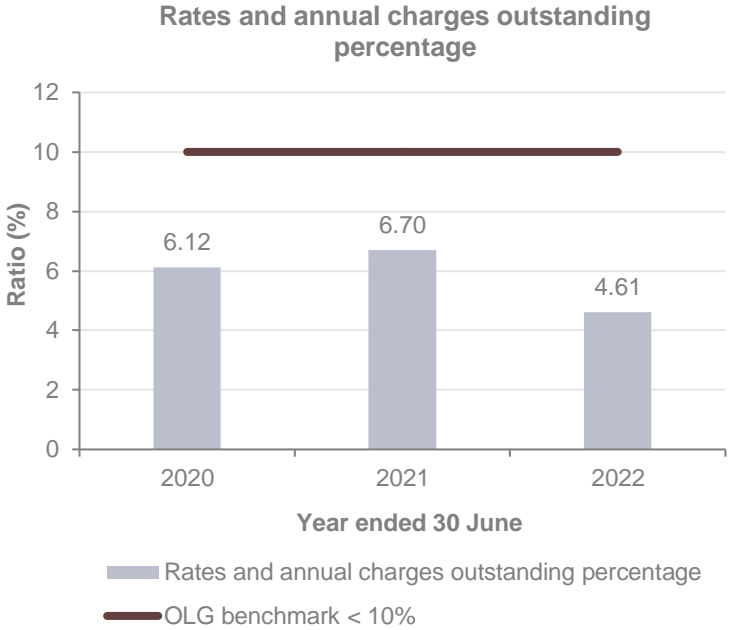
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council continued to exceed the benchmark for the current reporting period.

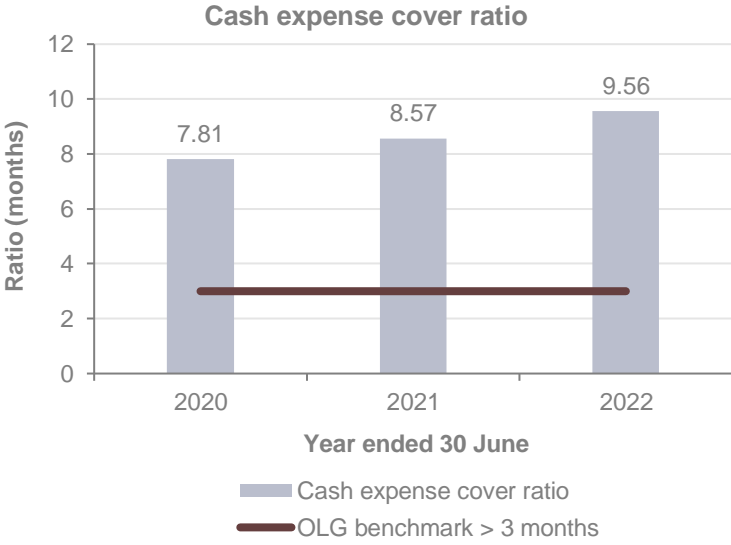
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional Councils.



Cash expense cover ratio

Council continued to exceed the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

During the 30 June 2022 financial year, Council recognised \$15.6 million in additions and renewals (30 June 2021: \$13.9 million).

OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. 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.

A handwritten signature in blue ink that reads "Karen Taylor". The signature is written in a cursive style.

Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Lithgow City 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).

Lithgow City 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.

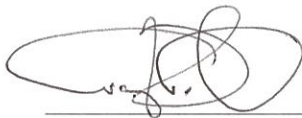
Signed in accordance with a resolution of Council made on 31 October 2022.



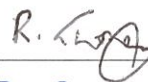
Maree Statham
Mayor
31 October 2022



Cassandra Coleman
Councillor
31 October 2022



Craig Butler
General Manager
31 October 2022



Ross Gurney
Responsible Accounting Officer
31 October 2022

Lithgow City Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	1,656	1,558
User charges	4,482	4,848
Fees	65	780
Interest and investment income	44	23
Grants and contributions provided for operating purposes	124	(51)
Other income	2	1
Total income from continuing operations	6,373	7,159
Expenses from continuing operations		
Employee benefits and on-costs	1,718	1,917
Borrowing costs	9	46
Materials and services	1,940	2,176
Depreciation, amortisation and impairment	1,799	1,640
Water purchase charges	1,770	1,328
Net loss from the disposal of assets	228	47
Other expenses	-	257
Total expenses from continuing operations	7,464	7,411
Surplus (deficit) from continuing operations before capital amounts	(1,091)	(252)
Grants and contributions provided for capital purposes	831	64
Surplus (deficit) from continuing operations after capital amounts	(260)	(188)
Surplus (deficit) from all operations before tax	(260)	(188)
Surplus (deficit) after tax	(260)	(188)
Plus accumulated surplus	15,233	15,421
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	14,973	15,233
Return on capital %	(2.8)%	(0.5)%
Subsidy from Council	2,520	765
Calculation of dividend payable:		
Surplus (deficit) after tax	(260)	(188)
Less: capital grants and contributions (excluding developer contributions)	(831)	(64)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Lithgow City Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	7,202	7,210
Liquid trade waste charges	88	114
Fees	62	67
Interest and investment income	13	–
Grants and contributions provided for operating purposes	(63)	92
Total income from continuing operations	7,302	7,483
Expenses from continuing operations		
Employee benefits and on-costs	2,012	1,824
Borrowing costs	215	328
Materials and services	2,949	2,680
Depreciation, amortisation and impairment	2,083	1,891
Net loss from the disposal of assets	866	(13)
Other expenses	–	409
Total expenses from continuing operations	8,125	7,119
Surplus (deficit) from continuing operations before capital amounts	(823)	364
Grants and contributions provided for capital purposes	691	614
Surplus (deficit) from continuing operations after capital amounts	(132)	978
Surplus (deficit) from all operations before tax	(132)	978
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(95)
Surplus (deficit) after tax	(132)	883
Plus accumulated surplus	37,295	36,317
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	95
Closing accumulated surplus	37,163	37,295
Return on capital %	(0.7)%	0.9%
Subsidy from Council	3,617	476
Calculation of dividend payable:		
Surplus (deficit) after tax	(132)	883
Less: capital grants and contributions (excluding developer contributions)	(691)	(614)
Surplus for dividend calculation purposes	–	269
Potential dividend calculated from surplus	–	135

Lithgow City 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	930	2,554
Receivables	1,671	2,479
Inventories	248	246
Total current assets	2,849	5,279
Non-current assets		
Infrastructure, property, plant and equipment	39,286	37,499
Total non-current assets	39,286	37,499
Total assets	42,135	42,778
LIABILITIES		
Current liabilities		
Payables	30	1,383
Income received in advance	336	377
Borrowings	58	164
Total current liabilities	424	1,924
Non-current liabilities		
Borrowings	477	1,408
Total non-current liabilities	477	1,408
Total liabilities	901	3,332
Net assets	41,234	39,446
EQUITY		
Accumulated surplus	15,210	15,467
Revaluation reserves	26,024	23,979
Total equity	41,234	39,446

Lithgow City Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	8,310	7,889
Receivables	609	868
Inventories	34	23
Total current assets	8,953	8,780
Non-current assets		
Infrastructure, property, plant and equipment	82,207	78,405
Total non-current assets	82,207	78,405
Total assets	91,160	87,185
LIABILITIES		
Current liabilities		
Payables	30	387
Borrowings	675	671
Total current liabilities	705	1,058
Non-current liabilities		
Borrowings	9,505	9,308
Total non-current liabilities	9,505	9,308
Total liabilities	10,210	10,366
Net assets	80,950	76,819
EQUITY		
Accumulated surplus	39,272	39,400
Revaluation reserves	41,678	37,419
Total equity	80,950	76,819

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the Lithgow area.

b. Sewerage (Waste Water) Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the Lithgow area.

Category 2

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

Council does not operate any Category 2 businesses.

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 – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

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 27.5%.

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 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(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 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Lithgow City Council

To the Councillors of Lithgow City Council

Opinion

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

The Declared Business Activities of the Council are:

- water supply
- sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Karen Taylor

Director, Financial Audit
Delegate of the Auditor-General for New South Wales

13 December 2022
SYDNEY

Lithgow City Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Lithgow City Council

Special Schedules

for the year ended 30 June 2022

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Lithgow City 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	14,265	14,564
Plus or minus adjustments ²	b	25	(25)
Notional general income	c = a + b	14,290	14,539
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	286	363
Special variation percentage			
Sub-total	k = (c + g + h + i + j)	14,576	14,902
Plus (or minus) last year's carry forward total	l	(12)	124
Less valuation objections claimed in the previous year	m	–	(124)
Sub-total	n = (l + m)	(12)	–
Total permissible income	o = k + n	14,564	14,902
Less notional general income yield	p	14,564	14,914
Catch-up or (excess) result	q = o – p	–	(12)
Plus income lost due to valuation objections claimed ⁴	r	124	21
Carry forward to next year ⁶	t = q + r + s	124	9

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)*.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Lithgow City Council

To the Councillors of Lithgow City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Lithgow City 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.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 December 2022
SYDNEY

Lithgow City Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost		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					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	1,558	1,558	597	602	51,431	83,992	11.8%	30.4%	47.0%	10.6%	0.2%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,558	1,558	597	602	51,431	83,992	11.8%	30.4%	47.0%	10.6%	0.2%	
Other structures	Other structures	248	248	2,618	1,779	20,586	31,483	34.1%	19.0%	44.0%	2.2%	0.7%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	248	248	2,618	1,779	20,586	31,483	34.1%	19.0%	44.0%	2.2%	0.7%	
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sealed roads	1,549	1,549	1,152	726	236,928	325,319	7.5%	4.0%	86.5%	1.8%	0.2%	
	Unsealed roads	142	142	2,642	981	19,649	27,212	17.9%	5.7%	74.3%	1.8%	0.3%	
	Bridges	58	58	2	–	22,375	27,615	20.9%	46.6%	31.3%	1.2%	0.0%	
	Footpaths	25	25	264	190	14,362	18,853	10.5%	17.7%	71.0%	0.7%	0.1%	
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Bulk earthworks	–	–	–	–	27,876	27,876	0.0%	0.0%	100.0%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	1,774	1,774	4,060	1,897	321,190	426,875	8.6%	7.2%	82.3%	1.6%	0.2%	
Water supply network	Water supply network	3,391	3,391	1,393	1,365	38,407	106,711	18.1%	7.4%	58.4%	15.2%	0.9%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	3,391	3,391	1,393	1,365	38,407	106,711	18.1%	7.4%	58.4%	15.2%	0.9%	
Sewerage network	Sewerage network	2,034	2,034	1,143	920	80,203	132,288	42.9%	16.5%	34.0%	5.5%	1.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	2,034	2,034	1,143	920	80,203	132,288	42.9%	16.5%	34.0%	5.5%	1.0%	
Stormwater drainage	Stormwater drainage	–	–	117	69	26,028	41,732	0.8%	0.0%	99.2%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	–	–	117	69	26,028	41,732	0.8%	0.0%	99.2%	0.0%	0.0%	

Lithgow City Council

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

Asset Class	Asset Category	Estimated cost		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				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	–	–	32	72	2,432	–	84.3%	0.0%	15.8%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	32	72	2,432	–	0.0%	0.0%	0.0%	0.0%	0.0%
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
Total – all assets		9,005	9,005	9,960	6,704	540,277	823,081	16.3%	11.2%	67.3%	4.8%	0.4%

(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

Lithgow City Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Restated 2021	Indicators		Benchmark
	2022	2022		2020	2019	
\$ '000	2022	2022				
Buildings and infrastructure renewals ratio						
Asset renewals ¹	8,188					
Depreciation, amortisation and impairment	12,409	65.98%	51.75%	110.16%	71.09%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	9,005					
Net carrying amount of infrastructure assets	549,472	1.64%	1.78%	1.76%	5.82%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	6,704					
Required asset maintenance	9,960	67.31%	121.66%	88.64%	87.03%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	9,005	1.09%	1.20%	1.21%	4.04%	
Gross replacement cost	823,081					

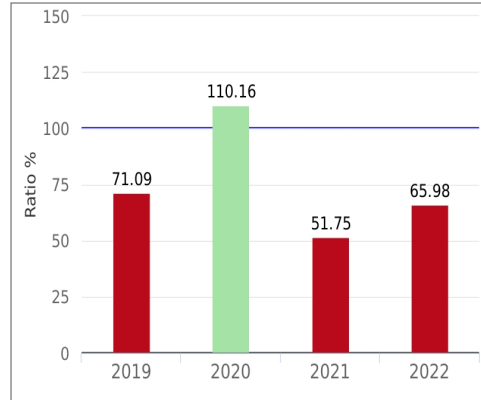
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Lithgow City 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 65.98%

Council's performance has decreased due to the focus on natural disaster works during the financial year. Resources have been diverted from the annual asset renewal program to natural disaster repairs. Council has not consistently met this benchmark due to inadequate funding being available for renewal of infrastructure.

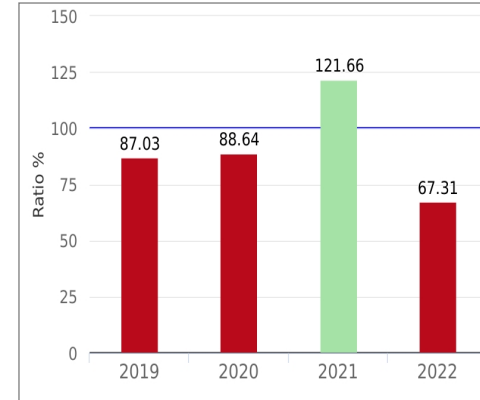
Benchmark: — $\geq 100.00\%$

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 67.31%

Council's performance has decreased due to the focus on natural disaster works during the financial year. Resources have been diverted from the annual asset maintenance program to natural disaster repairs. Council has not consistently met this benchmark due to inadequate funding being available for asset maintenance.

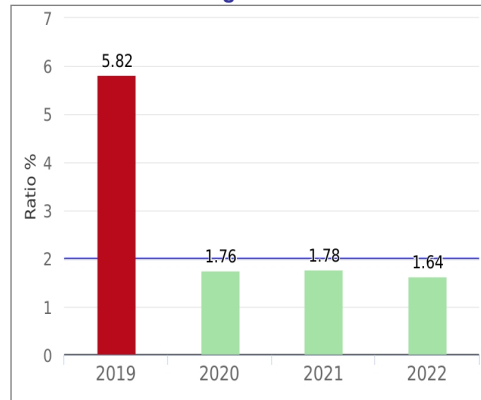
Benchmark: — $> 100.00\%$

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 1.64%

Council's result is attributable to Council's renewals policy targeting condition score five and updated conditions scores as Council implements the Technology One Asset Management module and asset management plans.

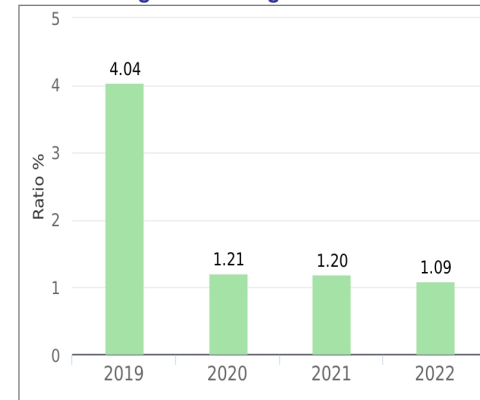
Benchmark: — $< 2.00\%$

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 1.09%

Council has met this KPI due to the implementation of the Asset Management module on Technology One and implementing Asset Management Plans.

Lithgow City 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	63.14%	58.61%	52.98%	42.61%	88.81%	30.06%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.83%	0.94%	8.83%	8.88%	2.54%	2.85%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	59.52%	123.19%	97.99%	106.70%	80.49%	142.50%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.61%	0.70%	3.18%	3.31%	1.54%	1.76%	

(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.