

Cabonne Council

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2023

The Cabonne Local Government Area is thriving, caring, and vibrant. Our Cabonne community recognise and acknowledge our rich culture, heritage, and history. We strive to protect and value our environment, and the rural aspects of the region. We recognise that we need to ensure all members of our community have access to the services and support required to be successful.



Cabonne Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2023

The Cabonne Local Government Area is thriving, caring, and vibrant. Our Cabonne community recognise and acknowledge our rich culture, heritage, and history. We strive to protect and value our environment, and the rural aspects of the region. We recognise that we need to ensure all members of our community have access to the services and support required to be successful.



Cabonne Council

General Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	82
On the Financial Statements (Sect 417 [3])	86

Cabonne Council

General Purpose Financial Statements for the year ended 30 June 2023

Statement by Councillors and Management

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

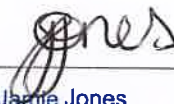
We are not aware of any matter that would render these statements false or misleading in any way.

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

Kevin Beatty
Mayor
28 November 2023



Janie Jones
Deputy Mayor
28 November 2023



Bradley Byrnes
General Manager
28 November 2023



Heather Nicholls
Responsible Accounting Officer
28 November 2023



Cabonne Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
15,639	Rates and annual charges	B2-1	15,584	15,347
7,893	User charges and fees	B2-2	9,363	9,472
969	Other revenues	B2-3	1,705	1,076
10,180	Grants and contributions provided for operating purposes	B2-4	32,011	13,913
14,195	Grants and contributions provided for capital purposes	B2-4	14,940	9,227
350	Interest and investment income	B2-5	1,203	231
300	Other income	B2-6	602	641
49,526	Total income from continuing operations		75,408	49,907
	Expenses from continuing operations			
16,623	Employee benefits and on-costs	B3-1	14,776	13,669
7,019	Materials and services	B3-2	32,700	17,623
123	Borrowing costs	B3-3	181	129
12,656	Depreciation, amortisation and impairment of non-financial assets	B3-4	14,584	12,544
5,048	Other expenses	B3-5	579	545
—	Net loss from the disposal of assets	B4-1	5,733	557
41,469	Total expenses from continuing operations		68,553	45,067
8,057	Operating result from continuing operations		6,855	4,840
8,057	Net operating result for the year attributable to Council		6,855	4,840
(6,138)	Net operating result for the year before grants and contributions provided for capital purposes		(8,085)	(4,387)

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

Cabonne Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		6,855	4,840
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	41,420	54,617
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	(32,301)	–
Other comprehensive income – joint ventures and associates	D2-2	2,477	4,754
Total items which will not be reclassified subsequently to the operating result		11,596	59,371
Total other comprehensive income for the year		11,596	59,371
Total comprehensive income for the year attributable to Council		18,451	64,211

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

Cabonne Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	13,235	10,683
Investments	C1-2	28,000	34,000
Receivables	C1-4	6,044	4,226
Inventories	C1-5	621	733
Contract assets and contract cost assets	C1-6	18,135	4,436
Other	C1-9	82	58
Total current assets		66,117	54,136
Non-current assets			
Receivables	C1-4	453	925
Inventories	C1-5	173	41
Infrastructure, property, plant and equipment (IPPE)	C1-7	642,870	633,058
Intangible assets	C1-8	82	125
Investments accounted for using the equity method	D2-2,D2-3	37,578	34,725
Other	C1-9	282	282
Total non-current assets		681,438	669,156
Total assets		747,555	723,292
LIABILITIES			
Current liabilities			
Payables	C3-1	4,977	4,242
Contract liabilities	C3-2	6,925	2,998
Borrowings	C3-3	105	1,403
Employee benefit provisions	C3-4	3,178	3,117
Provisions	C3-5	59	—
Total current liabilities		15,244	11,760
Non-current liabilities			
Payables	C3-1	161	65
Borrowings	C3-3	1,172	—
Provisions	C3-5	3,765	2,705
Total non-current liabilities		5,098	2,770
Total liabilities		20,342	14,530
Net assets		727,213	708,762
EQUITY			
Accumulated surplus	C4-1	405,118	395,786
IPPE revaluation reserve	C4-1	322,095	312,976
Council equity interest		727,213	708,762
Total equity		727,213	708,762

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

Cabonne Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		395,786	312,976	708,762	386,192	258,359	644,551
Net operating result for the year		6,855	–	6,855	4,840	–	4,840
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	41,420	41,420	–	54,617	54,617
– Impairment (loss) reversal relating to IPP&E	C1-7	–	(32,301)	(32,301)	–	–	–
Joint ventures and associates	D2-2	2,477	–	2,477	4,754	–	4,754
Other comprehensive income		2,477	9,119	11,596	4,754	54,617	59,371
Total comprehensive income		9,332	9,119	18,451	9,594	54,617	64,211
Closing balance at 30 June		405,118	322,095	727,213	395,786	312,976	708,762

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

Cabonne Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
Receipts:				
15,639	Rates and annual charges		15,200	15,417
7,893	User charges and fees		9,462	10,261
350	Interest received		910	174
24,375	Grants and contributions		36,579	19,178
–	Bonds, deposits and retentions received		71	4
969	Other		6,735	6,687
Payments:				
(16,623)	Payments to employees		(14,691)	(16,775)
(7,009)	Payments for materials and services		(32,231)	(20,033)
(123)	Borrowing costs		(75)	(257)
(5,048)	Other		(4,426)	(955)
20,423	Net cash flows from operating activities	G1-1	17,534	13,701
Cash flows from investing activities				
Receipts:				
–	Sale of investments		43,250	49,750
–	Redemption of term deposits		6,000	–
300	Sale of real estate assets		–	299
–	Proceeds from sale of IPPE		888	439
–	Sale of intangible assets		(10)	–
–	Deferred debtors receipts		112	111
Payments:				
–	Purchase of investments		(43,250)	(49,750)
–	Acquisition of term deposits		–	(3,000)
(25,996)	Payments for IPPE		(21,844)	(15,161)
–	Purchase of real estate assets		(1)	–
–	Purchase of intangible assets		(1)	–
(25,696)	Net cash flows from investing activities		(14,856)	(17,312)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings		1,327	–
Payments:				
–	Repayment of borrowings		(1,453)	(146)
–	Net cash flows from financing activities		(126)	(146)
(5,273)	Net change in cash and cash equivalents		2,552	(3,757)
10,683	Cash and cash equivalents at beginning of year		10,683	14,440
5,410	Cash and cash equivalents at end of year	C1-1	13,235	10,683
28,000	plus: Investments on hand at end of year ¹	C1-2	28,000	34,000
33,410	Total cash, cash equivalents and investments		41,235	44,683

(1) Refer to Note G4-2 for details regarding restatement of prior year.

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

Cabonne Council

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

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	13
B1 Functions or activities	13
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	14
B2 Sources of income	15
B2-1 Rates and annual charges	15
B2-2 User charges and fees	16
B2-3 Other revenues	17
B2-4 Grants and contributions	18
B2-5 Interest and investment income	21
B2-6 Other income	21
B3 Costs of providing services	22
B3-1 Employee benefits and on-costs	22
B3-2 Materials and services	23
B3-3 Borrowing costs	24
B3-4 Depreciation, amortisation and impairment of non-financial assets	25
B3-5 Other expenses	27
B4 Gains or losses	28
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
B5 Performance against budget	29
B5-1 Material budget variations	29
C Financial position	31
C1 Assets we manage	31
C1-1 Cash and cash equivalents	31
C1-2 Financial investments	32
C1-3 Restricted and allocated cash, cash equivalents and investments	34
C1-4 Receivables	36
C1-5 Inventories	38
C1-6 Contract assets	40
C1-7 Infrastructure, property, plant and equipment	41
C1-8 Intangible assets	45
C1-9 Other	45
C2 Leasing activities	46
C2-1 Council as a lessor	46
C3 Liabilities of Council	47
C3-1 Payables	47
C3-2 Contract Liabilities	48
C3-3 Borrowings	49
C3-4 Employee benefit provisions	51
C3-5 Provisions	52

Cabonne Council

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

C4 Reserves	54
C4-1 Nature and purpose of reserves	54
D Council structure	55
D1 Results by fund	55
D1-1 Income Statement by fund	55
D1-2 Statement of Financial Position by fund	56
D2 Interests in other entities	57
D2-1 Interests in associates	57
D2-2 Unconsolidated structured entities	59
D2-3 Subsidiaries, joint arrangements and associates not recognised	59
E Risks and accounting uncertainties	60
E1-1 Risks relating to financial instruments held	60
E2-1 Fair value measurement	63
E3-1 Contingencies	67
F People and relationships	70
F1 Related party disclosures	70
F1-1 Key management personnel (KMP)	70
F1-2 Councillor and Mayoral fees and associated expenses	72
F1-3 Other related parties	73
F2 Other relationships	74
F2-1 Audit fees	74
G Other matters	75
G1-1 Statement of Cash Flows information	75
G2-1 Commitments	76
G3-1 Events occurring after the reporting date	76
G4 Statement of developer contributions as at 30 June 2023	77
G4-1 Summary of developer contributions	77
G4-2 Developer contributions by plan	77
G5 Statement of performance measures	78
G5-1 Statement of performance measures – consolidated results	78
G5-2 Statement of performance measures by fund	79
H Additional Council disclosures (unaudited)	81
H1-1 Council information and contact details	81

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 November 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note E2-1
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

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.

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

- General purpose operations
- Water service
- Sewerage services
- Age of Fishes Museum and Information Centre

A1-1 Basis of preparation (continued)

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 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 considered the various forms of volunteer services received and cannot measure the value of the volunteer services reliably. Therefore, volunteer services are not recognised in Other Income and corresponding Other Expenses.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

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.

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Connect Cabonne to each other and the World	42,315	19,764	40,361	21,428	1,954	(1,664)	30,709	13,008	450,000	420,000
Build Business and Generate employment	137	188	879	1,131	(742)	(943)	–	15	816	822
Provide and develop Community facilities	5,231	3,643	9,907	6,117	(4,676)	(2,474)	3,806	2,819	95,000	79,000
Grow Cabonne Culture and Community	21,738	17,996	10,877	7,208	10,861	10,788	8,207	5,740	80,000	74,000
Manage our Natural Resources	5,987	8,316	6,529	9,183	(542)	(867)	210	1,558	155,000	125,000
Other	–	–	–	–	–	–	4,019	–	(33,261)	24,470
Total functions and activities	75,408	49,907	68,553	45,067	6,855	4,840	46,951	23,140	747,555	723,292

B1-2 Components of functions or activities

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

Connect Cabonne to each other and the World

To provide a safe, efficient, quality and well maintained Urban and Rural transport system. To ensure that Cabonne's infrastructure meets agricultural needs to get goods to and from market. To ensure everywhere in Cabonne has access to contemporary information and communication technology. To provide a range of transport options in to, out of and around Cabonne. To ensure access to major metropolitan markets to enable growth of tourism.

Build Business and Generate employment

To provide a strong and vibrant local business sector and to increase viable, sustainable and value adding business in Cabonne. To have a co-ordinated tourism product and a thriving visitor industry in Cabonne. To provide jobs for Cabonne people in Cabonne.

Provide and develop Community facilities

To provide preschool, play group, child care and youth facilities within Cabonne. To provide health and aged care facilities that meet the local communities needs. To provide sporting, recreational, council and community facilities and services that are maintained and developed in Cabonne.

Grow Cabonne Culture and Community

To have a successful balance of village and rural living in the Cabonne Shire. To provide a network of viable, relevant and cultural facilities that exist in Cabonne. To provide the community with beautiful towns and villages with historic assets. The community events build visitation, generate investment and strengthen community well being. To ensure that Cabonne is effective and efficient Council which make transparent and accountable decisions.

Manage our Natural Resources

To ensure that all town and villages have a secure and quality water supply. That Cabonne has flood mitigation processes in place to manage stormwater and pollution. That Cabonne has a sustainable solid and liquid waste management practices in place across the Shire. To provide our primary producers with information regarding best practice in regards to noxious weed controls. To ensure that all the natural resources are managed sustainable and in a planned way.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	3,388	3,315
Farmland	5,549	5,406
Mining	1,926	1,889
Business	300	296
Less: pensioner rebates (mandatory)	(142)	(141)
Rates levied to ratepayers	11,021	10,765
Pensioner rate subsidies received	88	91
Total ordinary rates	11,109	10,856
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	1,401	1,336
Water supply services	566	567
Sewerage services	2,092	2,199
Waste management services (non-domestic)	417	406
Less: pensioner rebates (mandatory)	(169)	(174)
Stormwater levy	75	74
Annual charges levied	4,382	4,408
Pensioner annual charges subsidies received:		
– Water	11	12
– Sewerage	28	29
– Domestic waste management	54	42
Total annual charges	4,475	4,491
Total rates and annual charges	15,584	15,347

Council has used 2022 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)			
Water supply services	2	605	664
Sewerage services	2	76	66
Total specific user charges		681	730
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Inspection services		8	8
Planning and building regulation	2	492	524
Private works – section 67	2	56	66
Section 603 certificates	2	25	33
Discretionary fees – other	2	121	114
Waste management	2	118	152
Total fees and charges – statutory/regulatory		820	897
(ii) Fees and charges – other (incl. general user charges (per s608))			
Caravan park	2	131	168
Cemeteries	2	102	61
Child care	2	1,075	968
Transport for NSW works (state roads not controlled by Council)	2	6,385	6,632
Swimming centres		160	15
Trade waste	2	9	1
Total fees and charges – other		7,862	7,845
Total other user charges and fees		8,682	8,742
Total user charges and fees		9,363	9,472
Timing of revenue recognition for user charges and fees			
User charges and fees recognised at a point in time (2)		9,363	9,472
Total user charges and fees		9,363	9,472

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 "over time",
- (2) indicates income recognised under AASB 15 or AASB 1058 "at a point in time".

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	Timing	2023	2022
Legal fees recovery – rates and charges (extra charges)	2	20	26
Commissions and agency fees	2	25	20
Diesel rebate	2	123	100
Insurance claims recoveries	2	817	33
Recycling income (non-domestic)	2	169	266
Sales of inventories	2	94	86
Rebates received	2	216	224
Other	2	241	321
Total other revenue		1,705	1,076
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		1,705	1,076
Total other revenue		1,705	1,076

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 “over time”,
 (2) indicates income recognised under AASB 15 or AASB 1058 “at a point in time”.

Accounting Policy

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	946	1,650	–	–
Financial assistance – local roads component	2	656	1,135	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	3,720	2,533	–	–
Financial assistance – local roads component	2	2,577	1,751	–	–
Amount recognised as income during current year		7,899	7,069	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Specific Grants and Contributions:					
Administration	2	3	2	–	–
Bushfire services	2	151	79	127	12
Community centres	1	–	–	2,993	2,007
Community services	2	933	926	–	–
Development	2	507	–	–	–
Environment	1	–	15	(344)	67
Health	2	29	32	–	–
Heritage and cultural	2	33	17	–	–
Library	2	96	93	–	–
Noxious weeds	2	130	130	–	–
Other councils – joint works/services	2	–	8	–	–
Other specific grants	1	80	56	–	109
Recreation and culture	1	3	13	2,936	1,138
Sewerage (excl. section 64 contributions)	2	–	–	24	105
Storm/flood damage	1	19,221	988	870	–
Street lighting	2	38	38	–	–
Tourism, Events, Communications and Marketing	2	7	195	–	–
Transport and communication	1	785	2,503	8,305	4,576
Transport for NSW contributions (regional roads, block grant)	2	1,673	1,643	–	–
Water supplies	2	280	–	29	1,213
Total special purpose grants and non-developer contributions – cash		23,969	6,738	14,940	9,227
Total special purpose grants and non-developer contributions (tied)		23,969	6,738	14,940	9,227
Total grants and non-developer contributions		31,868	13,807	14,940	9,227
Comprising:					
– Commonwealth funding		8,286	9,936	2,472	1,885
– State funding		23,287	3,422	12,468	7,342
– Other funding		295	449	–	–
		31,868	13,807	14,940	9,227
Timing of Revenue recognition for Grants and Contributions					
Grants and Contributions recognised over time (1)		20,089	3,575	14,760	7,897
Grants and Contributions recognised at a point in time (2)		11,779	10,232	180	1,330
Total Grants and Contributions		31,868	13,807	14,940	9,227

continued on next page ...

B2-4 Grants and contributions (continued)

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 "over time",
 (2) indicates income recognised under AASB 15 or AASB 1058 "at a point in time".

Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		35	106	–	–
S 7.12 – fixed development consent levies		108	–	–	–
Total developer contributions – cash		143	106	–	–
Total developer contributions		143	106	–	–
Total contributions		143	106	–	–
Total grants and contributions		32,011	13,913	14,940	9,227

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent Grants and Non-Developer Contributions				
Unspent funds at 1 July	5,688	3,022	50	57
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	11,352	5,339	8,886	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(5,207)	(2,673)	(2,070)	(7)
Unspent funds at 30 June	11,833	5,688	6,866	50
Unspent Developer Contributions				
Unspent funds at 1 July	1,091	999	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	143	107	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(16)	(15)	–	–
Unspent contributions at 30 June	1,218	1,091	–	–

B2-4 Grants and contributions (continued)

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	92	78
– Cash and investments	1,111	153
Total interest and investment income	1,203	231

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2023	2022
Rental income			
Other lease income			
Leaseback fees - council vehicles		167	133
Total other lease income		167	133
Total rental income	C2-1	167	133
Net share of interests in joint ventures and associates using the equity method			
Associates		376	423
Total net share of interests in joint ventures and associates using the equity method	D2-2,D2-3	376	423
Other			
Gravel Pit and Quarry Restoration		34	85
Recovery from Lehmann Bros CDO		25	–
Total other		59	85
Total other income		602	641

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	10,418	10,126
Travel expenses	526	495
Employee leave entitlements (ELE)	1,769	1,161
Superannuation	1,307	1,206
Workers' compensation insurance	599	772
Fringe benefit tax (FBT)	133	95
Pre employment medicals	26	34
Protective clothing	97	87
Training costs (other than salaries and wages)	169	117
Other	81	58
Total employee costs	15,125	14,151
Less: capitalised costs	(349)	(482)
Total employee costs expensed	14,776	13,669

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	2023	2022
Consultancy costs		160	–
Raw materials and consumables		8,106	3,881
– Caretaker fees		76	249
– Cleaning		26	26
– Consultancy costs		70	122
– Licence agreements		613	525
– Service contracts		19,620	8,746
– Valuation fees		62	58
Audit Fees	F2-1	62	60
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	234	229
Advertising		74	72
Bank charges		38	40
Election expenses		–	147
Electricity and heating		432	424
Insurance		685	731
Office expenses (including computer expenses)		29	–
Postage		42	39
Printing and stationery		79	75
Street lighting		117	58
Subscriptions and publications		24	22
Telephone and communications		126	125
Cost of sales		27	–
Commissions paid		15	16
Donations, contributions and assistance to community groups		470	434
External hire		402	487
Training costs (other than salaries and wages)		9	–
Other expenses		104	69
Memberships		232	229
Rates expense		462	473
Registrations		197	166
Rent expense		20	20
Service subsidy expense		22	20
Volunteer expenses		17	17
Water / sewer sampling		26	28
Legal expenses:			
– Legal expenses: planning and development		4	–
– Legal expenses: debt recovery		2	–
– Legal expenses: other		16	35
Total materials and services		32,700	17,623

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2023	2022
(i) Interest bearing liability costs			
Interest on loans		75	86
Total interest bearing liability costs		75	86
Total interest bearing liability costs expensed		75	86
(ii) Other borrowing costs			
Remediation liabilities	C3-5	106	43
Total other borrowing costs		106	43
Total borrowing costs expensed		181	129

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		2,097	1,992
Office equipment		112	151
Furniture and fittings		40	48
Land improvements (depreciable)		260	292
Infrastructure:	C1-7		
– Buildings – non-specialised		167	138
– Buildings – specialised		1,736	1,431
– Other structures		411	399
– Roads		6,559	4,893
– Bridges		527	478
– Footpaths		118	113
– Stormwater drainage		502	501
– Water supply network		775	657
– Sewerage network		779	773
– Swimming pools		160	141
– Other open space/recreational assets		208	178
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	84	268
– Quarry assets	C3-5,C1-7	5	–
Intangible assets	C1-8	44	42
Total depreciation and amortisation costs		14,584	12,495
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Roads		32,237	–
– Stormwater drainage		54	–
– Other open space/recreational assets		10	–
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	–	49
Total gross IPPE impairment / revaluation decrement costs		32,301	49
Amounts taken through revaluation reserve	C1-7	(32,301)	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	49
Total depreciation, amortisation and impairment for non-financial assets		14,584	12,544

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

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

B3-5 Other expenses

\$ '000	2023	2022
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	36	15
– NSW fire brigade levy	49	43
– NSW rural fire service levy	473	461
Donations, contributions and assistance to other organisations (Section 356)	21	26
Total other expenses	579	545

Accounting policy

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

B4 Gains or losses

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(854)	(537)
Gain (or loss) on disposal		(854)	(537)
Gain (or loss) on disposal of Infrastructure, Plant and equipment			
	C1-7		
Proceeds from disposal – infrastructure, plant and equipment		888	439
Less: carrying amount of infrastructure, plant and equipment assets sold/written off		(5,757)	(483)
Gain (or loss) on disposal		(4,869)	(44)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		–	299
Less: carrying amount of real estate assets sold/written off		–	(275)
Gain (or loss) on disposal		–	24
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		43,250	49,750
Less: carrying amount of investments sold/redeemed/matured		(43,250)	(49,750)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of intangible assets			
	C1-8		
Proceeds from disposal – intangible assets		(10)	–
Gain (or loss) on disposal		(10)	–
Net gain (or loss) from disposal of assets		(5,733)	(557)

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

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
User charges and fees	7,893	9,363	1,470	19% F
Transport for NSW works on state roads not controlled by Council was significantly higher than budget due to the flooding that occurred during the year.				
Other revenues	969	1,705	736	76% F
Insurance claims of \$817k were not budgeted for. These claims were made following the flooding that occurred during the year.				
Operating grants and contributions	10,180	32,011	21,831	214% F
Operating grants and contributions exceeded budget due to funding received following the recent floods, as repairs were conducted to the road network.				
Interest and investment revenue	350	1,203	853	244% F
Interest revenue has significantly exceeded budget due to higher interest rates being offered for term deposits over the past year.				
Other income	300	602	302	101% F
Other revenue was greater than budgeted due to a higher anticipated result in the Central Tablelands Water joint venture and a partial recovery of the former Lehmann Bros CDO.				
Expenses				
Employee benefits and on-costs	16,623	14,776	1,847	11% F
Employee benefits and on-costs was lower budget due to the budget projections of higher levels of staffing not occurring during the year.				
Materials and services	7,019	32,700	(25,681)	(366)% U
Materials and services significantly exceed budget which was primarily driven by the costs to repair infrastructure following the flood event.				
Borrowing costs	123	181	(58)	(47)% U
Borrowing costs were higher than budget due to higher than anticipated borrowing costs for remediation of tips and quarries.				
Depreciation, amortisation and impairment of non-financial assets	12,656	14,584	(1,928)	(15)% U

A large value project, along with a number of smaller projects that were in WIP were finalised and taken up as assets. Once Assets was taken up, depreciation on these was commenced increasing the Depreciation cost to council.

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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Other expenses **5,048** **579** **4,469** **89%** **F**

Other expenses were significantly lower than budget due to the reallocation of expenses that were not reflected in the budget line item.

Net losses from disposal of assets **–** **5,733** **(5,733)** **∞** **U**

Net loss from disposal of assets was significantly higher than budget due to the flood event which resulted in assets being destroyed and written off from the Council's asset register.

Statement of cash flows

Cash flows from operating activities **20,423** **17,534** **(2,889)** **(14)%** **U**

Council had a major flood event in November 2022, therefore there was a massive increase in the purchase of and cost of Materials and Services needed for the Flood Recovery effort, along with an increase of Grant and Contribution income to counteract some of the cost.

Cash flows from investing activities **(25,696)** **(14,856)** **10,840** **(42)%** **F**

Council had a major flood event in November 2022, Term Deposits were redeemed during the year that were not budgeted for, this was for cash flow purposes to cover expenditure for the Flood Recovery effort until claims were approved and funding received.

Cash flows from financing activities **–** **(126)** **(126)** **∞** **U**

A new loan was taken up to pay out and finalise the Balloon payment on an existing loan and the remaining balance is the difference between the loan payments made for the old loan being the Balloon amount along with additional loan payments made during the year and the amount needed in the new loan for the Balloon payout only

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	9,029	2,847
Cash equivalent assets		
– Deposits at call	3,706	2,836
– Short-term deposits	500	5,000
Total cash and cash equivalents	13,235	10,683

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	13,235	10,683
Balance as per the Statement of Cash Flows	13,235	10,683

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Financial assets at amortised cost				
Term deposits	28,000	–	34,000	–
Total	28,000	–	34,000	–
Total financial investments	28,000	–	34,000	–
Total cash assets, cash equivalents and investments	41,235	–	44,683	–

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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.

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

C1-2 Financial investments (continued)

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	41,235	44,683
Cash, cash equivalents and investments not subject to external restrictions	7,033	24,592
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	6,866	2,998
External restrictions – included in liabilities	6,866	2,998
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	1,218	1,091
Specific purpose unexpended grants (recognised as revenue) – general fund	11,833	2,740
Water fund	4,115	3,955
Sewer fund	4,146	3,292
Stormwater management	510	435
Domestic waste management	3,562	3,879
Canowindra Town Improvement	1,952	1,701
External restrictions – other	27,336	17,093
Total external restrictions	34,202	20,091

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	2023	2022
(b) Internal allocations		
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	151	4,565
Infrastructure replacement	185	1,325
Employees leave entitlement	1,334	1,599
Carry over works	1,254	791
Budget equilization	52	52
Future Innovation	63	371
Capital works	–	2,534
Community services	1,384	1,135
Environment	–	126
Environmental sustainability	1	122
Gravel pits	1	529
Housing	–	137
Insurance	248	203
Limestone quarry	93	1,415
Office equipment	169	199
Recreation and culture	–	2
Canowindra retirement Village	86	1,186
Roadworks	95	5,588
Sewerage	17	17

continued on next page ...

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

\$ '000	2023	2022
Village enhancement	–	515
Canowindra Sports Trust	44	19
Transport for NSW Contributions	–	662
Total internal allocations	5,177	23,092

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	1,020	–	603	174
Interest and extra charges	60	–	25	59
User charges and fees	839	–	565	167
Accrued revenues				
– Interest on investments	401	–	84	–
– Other income accruals	679	–	778	–
Deferred debtors	29	453	80	514
Government grants and subsidies	2,662	–	2,039	–
NSW Rural Fire Service	–	–	79	–
Other debtors	708	–	255	11
Total	6,398	453	4,508	925
Less: provision for impairment				
Rates and annual charges	–	–	(157)	–
User charges and fees	(354)	–	(125)	–
Total provision for impairment – receivables	(354)	–	(282)	–
Total net receivables	6,044	453	4,226	925

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year	282	282
+ new provisions recognised during the year	72	–
Balance at the end of the year	354	282

C1-4 Receivables (continued)

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, whichever occurs first.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Real estate for resale	–	173	131	41
Stores and materials	621	–	602	–
Total inventories at cost	621	173	733	41
Total inventories	621	173	733	41

(i) Other disclosures

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(a) Details for real estate development					
Residential		–	132	90	–
Industrial/commercial		–	41	41	41
Total real estate for resale		–	173	131	41

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

Represented by:

Acquisition costs	–	132	44	–
Development costs	–	41	87	41
Total costs	–	173	131	41
Total real estate for resale	–	173	131	41

Movements:

Real estate assets at beginning of the year		131	41	406	41
– WDV of sales (expense)	B4-1	–	–	(275)	–
– Transfer between current/non-current		(131)	131	–	–
Total real estate for resale		–	173	131	41

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

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

\$ '000	2023	2022
Real estate for resale	–	131
	–	131

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

C1-5 Inventories (continued)

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

C1-6 Contract assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Contract assets	18,135	—	4,436	—
Total contract assets	18,135	—	4,436	—

Contract assets

Transport for NSW	14,154	—	2,586	—
Other Revenue	3,981	—	1,850	—
Total Contract assets at 30 June	18,135	—	4,436	—

Accounting policy

Contract assets

Contract assets represent Council's right to payment for grant funded projects that have been undertaken throughout the year. It represents work completed by council in advance of grant funding being provided.

Contract assets arise to reflect these grants as income in the same financial year for which the works were completed, and may not coincide with milestone payments as stated in the grant funding agreement.

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period										At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	WIP Written off (to P&L)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress	19,888	–	19,888	7,043	–	–	–	–	–	(16,519)	(22)	–	–	10,390	–	10,390
Plant and equipment	43,422	(29,970)	13,452	–	4,622	(543)	(2,097)	–	–	–	–	–	–	46,439	(31,004)	15,435
Office equipment	1,444	(968)	476	–	14	–	(112)	–	–	–	–	–	–	1,458	(1,080)	378
Furniture and fittings	1,134	(870)	264	–	62	–	(40)	–	–	–	–	–	–	1,196	(910)	286
Land:																
– Operational land	10,079	–	10,079	–	16	(16)	–	–	–	–	–	(1,423)	–	8,656	–	8,656
– Community land	15,133	–	15,133	–	–	–	–	–	–	–	–	–	5,258	20,391	–	20,391
Land improvements – non-depreciable	16,251	–	16,251	–	–	–	–	–	–	–	–	–	960	17,211	–	17,211
Land improvements – depreciable	12,606	(4,372)	8,234	–	–	(729)	(260)	–	–	–	–	–	428	12,486	(4,813)	7,673
Infrastructure:																
– Buildings – non-specialised	6,633	(3,939)	2,694	–	–	–	(167)	–	–	–	–	–	269	7,173	(4,377)	2,796
– Buildings – specialised	77,938	(44,920)	33,018	593	178	(124)	(1,736)	–	–	–	–	–	4,332	81,604	(45,343)	36,261
– Other structures	12,459	(4,552)	7,907	4	99	(673)	(411)	–	–	3	–	–	488	12,227	(4,810)	7,417
– Roads	243,640	(92,246)	151,394	7,434	133	(1,908)	(6,559)	–	(32,237)	–	–	–	8,447	229,964	(103,260)	126,704
– Bridges	79,801	(29,393)	50,408	270	–	(921)	(527)	–	–	–	–	–	2,894	82,590	(30,466)	52,124
– Footpaths	10,321	(1,990)	8,331	29	–	(185)	(118)	–	–	–	–	–	473	10,757	(2,227)	8,530
– Bulk earthworks (non-depreciable)	170,374	–	170,374	–	–	–	–	–	–	–	–	–	10,069	180,443	–	180,443
– Stormwater drainage	79,621	(16,466)	63,155	–	–	–	(502)	–	(54)	–	–	–	4,831	85,706	(18,276)	67,430
– Water supply network	54,117	(30,685)	23,432	123	–	(1,272)	(775)	–	–	16,516	–	–	1,650	73,485	(33,811)	39,674
– Sewerage network	43,638	(15,714)	27,924	13	–	(135)	(779)	–	–	–	–	–	2,082	46,741	(17,636)	29,105
– Swimming pools	11,174	(4,422)	6,752	9	–	–	(160)	–	–	–	–	–	471	11,981	(4,909)	7,072
– Other open space/recreational assets	4,704	(1,708)	2,996	15	28	(115)	(208)	(1)	(9)	–	–	–	191	4,857	(1,960)	2,897
– Other infrastructure	–	–	–	–	–	–	–	1	(1)	–	–	–	–	–	–	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	1,283	(452)	831	1,119	–	–	(84)	–	–	–	–	–	–	2,437	(499)	1,938
– Quarry assets	231	(166)	65	–	–	–	(5)	–	–	–	–	–	–	231	(172)	59
Total infrastructure, property, plant and equipment	915,891	(282,833)	633,058	16,652	5,152	(6,621)	(14,540)	–	(32,301)	–	(22)	(1,423)	42,843	948,423	(305,553)	642,870

(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 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	17,671	—	17,671	—	3,873	—	—	—	(1,656)	—	—	—	19,888	—	19,888
Plant and equipment	42,835	(29,076)	13,759	—	1,609	(354)	(1,992)	—	367	63	—	—	43,422	(29,970)	13,452
Office equipment	2,558	(1,946)	612	—	68	(54)	(151)	—	—	—	—	—	1,444	(968)	476
Furniture and fittings	1,173	(887)	286	—	46	(56)	(48)	—	34	—	—	—	1,134	(870)	264
Land:															
– Operational land	8,029	—	8,029	—	86	—	—	—	—	—	—	1,964	10,079	—	10,079
– Community land	12,006	—	12,006	—	—	—	—	—	—	—	—	3,127	15,133	—	15,133
Land improvements – non-depreciable	15,032	—	15,032	—	16	—	—	—	—	—	—	1,203	16,251	—	16,251
Land improvements – depreciable	11,244	(3,978)	7,266	534	—	(1)	(292)	—	169	—	—	558	12,606	(4,372)	8,234
Infrastructure:															
– Buildings – non-specialised	5,452	(3,240)	2,212	—	276	—	(138)	—	—	—	—	344	6,633	(3,939)	2,694
– Buildings – specialised	69,864	(40,111)	29,753	671	244	(128)	(1,431)	—	481	—	—	3,426	77,938	(44,920)	33,018
– Other structures	11,829	(6,559)	5,270	379	—	(302)	(399)	—	605	—	—	2,353	12,459	(4,552)	7,907
– Roads	215,257	(78,512)	136,745	5,429	136	—	(4,893)	—	—	—	—	13,975	243,640	(92,246)	151,394
– Bridges	71,345	(26,410)	44,935	1,321	—	(65)	(478)	—	—	—	—	4,696	79,801	(29,393)	50,408
– Footpaths	9,280	(1,783)	7,497	—	164	—	(113)	—	—	—	—	782	10,321	(1,990)	8,331
– Bulk earthworks (non-depreciable)	154,045	—	154,045	—	—	—	—	—	—	—	—	16,329	170,374	—	170,374
– Stormwater drainage	75,089	(15,072)	60,017	228	—	—	(501)	—	—	—	—	3,411	79,621	(16,466)	63,155
– Water supply network	46,995	(26,121)	20,874	—	—	(7)	(657)	—	—	—	—	3,223	54,117	(30,685)	23,432
– Sewerage network	47,647	(15,726)	31,921	—	—	(46)	(773)	—	—	(63)	(3,114)	—	43,638	(15,714)	27,924
– Swimming pools	9,718	(3,906)	5,812	—	—	—	(141)	—	—	—	—	1,081	11,174	(4,422)	6,752
– Other open space/recreational assets	3,942	(2,144)	1,798	53	73	(7)	(178)	—	—	—	—	1,257	4,704	(1,708)	2,996
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	1,433	(285)	1,148	—	—	—	(268)	(49)	—	—	—	—	1,283	(452)	831
– Quarry assets	646	(538)	108	—	—	—	—	—	—	(43)	—	2	231	(166)	65
Total infrastructure, property, plant and equipment	833,090	(256,294)	576,796	8,615	6,591	(1,020)	(12,453)	(49)	—	(43)	(3,114)	57,731	915,891	(282,833)	633,058

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

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

Accounting policy

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 35
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	33 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	60
Bores	30	Culverts	60
Reticulation pipes: PVC	40 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	10 to 70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	30	Swimming pools	70
Sealed roads: structure	75	Other open space/recreational assets	15 to 110
Unsealed roads	40	Other infrastructure	15 to 110
Bridge: concrete	150		
Bulk earthworks	Infinite		
Kerb, gutter, footpaths	100		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. 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, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Council has no care or control over the purchase or sale of plant and equipment or other fire fighting equipment, nor does Council receive any proceeds from their disposal.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for Council owned land and buildings only.

C1-8 Intangible assets

\$ '000	2023	2022
Software		
Opening values at 1 July		
Gross book value	571	628
Accumulated amortisation	(446)	(455)
Net book value – opening balance	125	173
Movements for the year		
Purchases	12	–
Amortisation charges	(44)	(42)
Disposals	(11)	(6)
Closing values at 30 June		
Gross book value	571	571
Accumulated amortisation	(489)	(446)
Total software – net book value	82	125
Total intangible assets – net book value	82	125

Accounting policy

IT development and software

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

C1-9 Other

Other assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	82	–	58	–
Shares in unlisted companies – StateCover	–	282	–	282
Total other assets	82	282	58	282

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

\$ '000	2023	2022
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(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	167	133
Total income relating to operating leases for Council assets	167	133

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services – operating expenditure	3,165	–	2,677	–
Accrued expenses:				
– Borrowings	2	–	2	–
Prepaid rates	489	–	473	–
Salaries and wages	151	–	127	–
Other expenditure accruals	569	–	326	–
Security bonds, deposits and retentions	451	161	476	65
ATO – net GST payable	9	–	–	–
Other	141	–	161	–
Total payables	4,977	161	4,242	65

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,866	–	2,916	–
Total grants received in advance		6,866	–	2,916	–
User fees and charges received in advance:					
Other		59	–	82	–
Total user fees and charges received in advance		59	–	82	–
Total Contract liabilities at 30 June		6,925	–	2,998	–

Notes

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

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

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

\$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	2,070	2,263
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,070	2,263

Accounting policy

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

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured ¹	105	1,172	1,403	–
Total borrowings	105	1,172	1,403	–

(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 E1-1c.

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	1,403	(1,453)	1,327	–	–	–	1,277
Total liabilities from financing activities	1,403	(1,453)	1,327	–	–	–	1,277

\$ '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	1,549	(146)	–	–	–	–	1,403
Total liabilities from financing activities	1,549	(146)	–	–	–	–	1,403

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	450	450
Credit cards/purchase cards	65	65
Total financing arrangements	515	515
Drawn facilities		
– Bank overdraft facilities	–	–
– Credit cards/purchase cards	61	51
Total drawn financing arrangements	61	51
Undrawn facilities		
– Bank overdraft facilities	450	450
– Credit cards/purchase cards	4	14
Total undrawn financing arrangements	454	464

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

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

C3-3 Borrowings (continued)

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	1,324	–	1,270	–
Long service leave	1,854	–	1,847	–
Total employee benefit provisions	3,178	–	3,117	–

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,005	2,882
	3,005	2,882

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
Asset remediation/restoration (Future Works):				
Gravel Pit Remediation/Restoration	59	179	–	231
Garbage Tip Remediation/Restoration	–	2,437	–	1,325
Quarry Remediation/Restoration	–	1,149	–	1,149
Sub-total – asset remediation/restoration	59	3,765	–	2,705
Total provisions	59	3,765	–	2,705

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2023		
At beginning of year	2,705	2,705
Unwinding of discount	106	106
Additional provisions	1,013	1,013
Total other provisions at end of year	3,824	3,824
2022		
At beginning of year	2,777	2,777
Changes to provision:		
– Revised discount rate	(170)	(170)
– Revised costs	(224)	(224)
Unwinding of discount	43	43
Additional provisions	279	279
Total other provisions at end of year	2,705	2,705

Nature and purpose of provisions

Asset remediation

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

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

C3-5 Provisions (continued)

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.

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	12,926	566	2,092
User charges and fees	8,673	605	85
Interest and investment revenue	1,168	11	24
Other revenues	1,695	7	3
Grants and contributions provided for operating purposes	31,863	148	—
Grants and contributions provided for capital purposes	14,887	29	24
Other income	602	—	—
Total income from continuing operations	71,814	1,366	2,228
Expenses from continuing operations			
Employee benefits and on-costs	13,754	517	505
Materials and services	31,328	780	592
Borrowing costs	106	—	75
Depreciation, amortisation and impairment of non-financial assets	12,859	810	915
Other expenses	255	88	236
Net losses from the disposal of assets	4,324	1,274	135
Total expenses from continuing operations	62,626	3,469	2,458
Operating result from continuing operations	9,188	(2,103)	(230)
Net operating result for the year	9,188	(2,103)	(230)
Net operating result attributable to each council fund	9,188	(2,103)	(230)
Net operating result for the year before grants and contributions provided for capital purposes	(5,699)	(2,132)	(254)

D1-2 Statement of Financial Position by fund

\$ '000	General 2023	Water 2023	Sewer 2023
ASSETS			
Current assets			
Cash and cash equivalents	4,974	4,115	4,146
Investments	28,000	–	–
Receivables	4,497	550	997
Inventories	621	–	–
Contract assets and contract cost assets	18,120	15	–
Other	82	–	–
Total current assets	56,294	4,680	5,143
Non-current assets			
Receivables	453	–	–
Inventories	173	–	–
Infrastructure, property, plant and equipment	562,741	41,868	38,261
Investments accounted for using the equity method	37,578	–	–
Intangible assets	62	–	20
Other	282	–	–
Total non-current assets	601,289	41,868	38,281
Total assets	657,583	46,548	43,424
LIABILITIES			
Current liabilities			
Payables	4,804	135	38
Contract liabilities	6,925	–	–
Borrowings	(1,172)	–	1,277
Employee benefit provision	3,178	–	–
Provisions	59	–	–
Total current liabilities	13,794	135	1,315
Non-current liabilities			
Payables	161	–	–
Borrowings	1,172	–	–
Provisions	3,765	–	–
Total non-current liabilities	5,098	–	–
Total liabilities	18,892	135	1,315
Net assets	638,691	46,413	42,109
EQUITY			
Accumulated surplus	357,107	24,654	23,357
Revaluation reserves	281,584	21,759	18,752
Council equity interest	638,691	46,413	42,109
Total equity	638,691	46,413	42,109

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2023	2022
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Associates	37,578	34,725
Total net share of interests in joint ventures and associates using the equity method – assets	37,578	34,725
Total Council's share of net assets	37,578	34,725

D2-1 Interests in associates

Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership			
			2023	2022	2023	2022
Central Tablelands Water	Blayney	Associate	33%	33%	37,578	34,725
Total carrying amounts – material associates					37,578	34,725

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share. Central Tablelands Water financial data is from their Audited 2022/2023 financial statements, which are the most recent audited financial statements available.

Details

Principal activity		Measurement method
Central Tablelands Water	Supply Water	Equity

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2023	2022	2023	2022
Central Tablelands Water	33%	33%	33%	33%

D2-1 Interests in associates (continued)

Summarised financial information for associates

\$ '000	Central Tablelands Water	
	2023	2022
Statement of financial position		
Current assets		
Cash and cash equivalents	2,268	933
Other current assets	8,958	8,802
Non-current assets	103,097	95,882
Current liabilities		
Other current liabilities	1,569	1,431
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	21	11
Net assets	112,733	104,175
Statement of comprehensive income		
Income	8,639	7,785
Interest income	289	67
Depreciation and amortisation	(2,727)	(2,340)
Interest expense	–	(11)
Other expenses	(5,073)	(4,406)
Profit/(loss) from continuing operations	1,128	1,095
Profit/(loss) for period	1,128	1,095
Other comprehensive income	7,430	13,634
Total comprehensive income	8,558	14,729
Share of income – Council (%)	33%	33%
Profit/(loss) – Council (\$)	376	365
Total comprehensive income – Council (\$)	2,852	4,909
Summarised Statement of cash flows		
Cash flows from operating activities	3,999	3,148
Cash flows from investing activities	(2,664)	(3,094)
Cash flows from financing activities	–	(413)
Net increase (decrease) in cash and cash equivalents	1,335	(359)
Reconciliation of the carrying amount		
Opening net assets (1 July)	104,175	89,446
Profit/(loss) for the period	1,128	1,095
Gains on revaluation of I,PP&E	7,430	13,634
Closing net assets	112,733	104,175
Council's share of net assets (%)	33%	33%
Council's share of net assets (\$)	37,578	34,725

Accounting policy

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

If Council's share of losses of an associate equals or exceeds its interest in the associate, Council discontinues recognising its share of further losses.

Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

D2-1 Interests in associates (continued)

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

D2-2 Unconsolidated structured entities

Council did not consolidate the following structured entities:

D2-3 Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2023	2023
		Net profit	Net assets
Section 355 Committees of Council	Management control and care of Council property	3	789

Reasons for non-recognition

Council auspice a number of Section 355 Committees and due to their immaterial value and nature have been excluded from recognition.

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.

Financial assets

Measured at amortised cost

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 measure at amortised cost 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) **at fair value through other comprehensive income** – 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 these 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.

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

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
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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	416	340
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(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.

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.

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 < 5 years	≥ 5 years	Total
2023				
Gross carrying amount	1,020	–	–	1,020
2022				
Gross carrying amount	603	174	–	777

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts 0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
2023						
Gross carrying amount	20,283	104	3,061	65	453	23,966
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	78.00%	1.47%
ECL provision	–	–	–	–	353	353
2022						
Gross carrying amount	4,488	2,435	4	1,406	759	9,092
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	16.50%	1.38%

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

\$ '000	Not yet overdue	Overdue debts				> 91 days	Total
		0 - 30 days	31 - 60 days	61 - 90 days			
ECL provision	—	—	—	—		125	125

(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(b) 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		
2023							
Payables	0.00%	612	4,526	—	—	5,138	5,138
Borrowings	5.64%	—	175	698	786	1,659	1,277
Total financial liabilities		612	4,701	698	786	6,797	6,415
2022							
Payables	0.00%	541	3,766	—	—	4,307	4,307
Borrowings	5.76%	—	1,443	—	—	1,443	1,403
Total financial liabilities		541	5,209	—	—	5,750	5,710

E2-1 Fair value measurement

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

- Financial assets
- Infrastructure, property, plant and equipment

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

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

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

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

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

Recurring fair value measurements

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
Infrastructure, property, plant and equipment	C1-7						
Capital works in progress		–	–	10,390	19,888	10,390	19,888
Plant and equipment		–	–	15,435	13,452	15,435	13,452
Office equipment		–	–	378	476	378	476
Furniture and fittings		–	–	286	264	286	264
Operational land		8,656	10,079	–	–	8,656	10,079
Community land		–	–	20,391	15,133	20,391	15,133
Land improvements non depreciable		–	–	17,211	16,251	17,211	16,251
Land Improvements depreciable		–	–	7,673	8,234	7,673	8,234
Building non specialised		–	–	2,796	2,694	2,796	2,694
Building specialised		–	–	36,261	33,018	36,261	33,018
Other structures		–	–	7,417	7,907	7,417	7,907
Roads		–	–	126,704	151,394	126,704	151,394
Bridges		–	–	52,124	50,408	52,124	50,408
Footpaths		–	–	8,530	8,331	8,530	8,331
Bulk earthworks		–	–	180,443	170,374	180,443	170,374
Stormwater drainage		–	–	67,430	63,155	67,430	63,155
Water supply network		–	–	39,674	23,432	39,674	23,432
Sewer network		–	–	29,105	27,924	29,105	27,924
Swimming pools		–	–	7,072	6,752	7,072	6,752
Tip assets		–	–	1,938	831	1,938	831
Quarry assets		–	–	59	65	59	65
Open Space/recreational assets		–	–	2,897	2,996	2,897	2,996
Total infrastructure, property, plant and equipment		8,656	10,079	634,214	622,979	642,870	633,058

Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

E2-1 Fair value measurement (continued)

Financial assets

Financial assets are exposed to financial risk such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictability of financial markets. The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

Infrastructure, property, plant and equipment (IPPE)

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

Class	Valuation technique(s)	Unobservable inputs
Plant, equipment, furniture, fittings and office equipment	Cost approach	Current replacement cost, asset condition, useful life and residual value
Operational Land	Market approach	Price per square metre
Community Land	Market approach. Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction.
Buildings	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value.
Other structures	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value.
Roads (including bridges, footpaths, bulk earthworks) and other similar assets	Cost approach	Asset condition, remaining lives using componentisation.
Stormwater Drainage	Cost approach	Asset condition, remaining lives
Water supply and sewerage network infrastructure	Cost approach	Asset condition, remaining lives using componentisation
Tips and quarry assets	Cost approach	Environmental legislation, timing of expected cash outflows, asset condition

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

\$ '000	Fair value 2023	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Buildings Specialised	2,796	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Buildings Non Specialised	36,261	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Capital Works in Progress	10,390	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost
Plant & Equipment	15,435	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Office Equipment	378	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Furniture & Fittings	286	Cost Approach	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Community land	20,391	Cost Approach	<ul style="list-style-type: none"> • NSW Valuer General's Valuation (Unimproved Capital Value)
Land Improvements Non-Depreciable	17,211	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Land Improvements Depreciable	7,673	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Other structures	7,417	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Roads	126,704	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Bridges	52,124	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Footpaths	8,530	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Bulk Earthworks	180,443	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Terrain rating
Stormwater Drainage	67,430	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Water Supply Network	39,674	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Sewer Network	29,105	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Swimming Pools	7,072	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Open Space/Recreational Assets	2,897	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Tip Assets	1,938	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows
Quarry Assets	59	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows

E2-1 Fair value measurement (continued)

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

\$ '000	Total	
	2023	2022
Opening balance	622,979	576,796
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	41,420	52,653
Other movements		
Purchases (GBV)	22,711	15,120
Disposals (WDV)	(7,456)	(1,020)
Depreciation and impairment	(46,840)	(12,453)
Other movement	10,056	(8,117)
Closing balance	642,870	622,979

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 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20 million for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$95,420.98. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

Council's expected contributions to the plan for the next annual reporting period is \$89,885.16.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.31%.

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2023.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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.

E3-1 Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

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	2023	2022
Compensation:		
Short-term benefits	783	766
Post-employment benefits	67	62
Other long-term benefits	29	20
Total	879	848

Other transactions with KMP and their related parties

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

- 1 A Councillor of Cabonne Council is an interested party in a jointly owned property with other family members in the Garra District.
- 2 Two Coucillors of Cabonne Council hold the Presidents position of two different Community Groups who sponsor Community Events to which Council donates funds.
- 3 One Councillor of Cabonne Council is a member of a Community Group that sponsors a Council run program.
- 4 Councillors and Executive Staff of Cabonne Council have a combined total of outstanding Rates, Debtor and / or Water/Sewer Accounts to the amount of \$817.54
- 5 Two Councillors of Cabonne Council have family members also employed by Council in Administrative roles.
- 6 One Councillor of Cabonne Council has a family member that is used as a Contractor to carry out maintenance work for Council.

F1-1 Key management personnel (KMP) (continued)

7 One Councillor and One Executive Staff member have family members that could potentially be procured for Contract maintenance work for Council.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	28	25
Councillors' fees	114	126
Councillors' Superannuation	8	—
Other Councillors' expenses (including Mayor)	84	78
Total	234	229

F1-3 Other related parties

\$ '000	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
2023					
Central Tablelands Water	127	—		—	—
Molong Advancement Group	9	—		—	—
Molong Express	6	—		—	—
2022					
Central Tablelands Water	104	—		—	—
Molong Advancement Group	9	—		—	—
Molong Express	3	—		—	—

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
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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

	62	60
--	----	----

Remuneration for audit and other assurance services

	62	60
--	----	----

Total Auditor-General remuneration

Non NSW Auditor-General audit firms

	62	60
--	----	----

Total audit fees

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	6,855	4,840
Add / (less) non-cash items:		
Depreciation and amortisation	14,584	12,495
(Gain) / loss on disposal of assets	5,733	557
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	–	49
Unwinding of discount rates on reinstatement provisions	106	(127)
Share of net (profits)/losses of associates/joint ventures using the equity method	(376)	(423)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(1,530)	(1,538)
Increase / (decrease) in provision for impairment of receivables	72	1
(Increase) / decrease of inventories	(19)	(138)
(Increase) / decrease of other current assets	(24)	17
(Increase) / decrease of contract asset	(13,699)	(1,480)
Increase / (decrease) in payables	488	660
Increase / (decrease) in accrued interest payable	–	(1)
Increase / (decrease) in other accrued expenses payable	267	76
Increase / (decrease) in other liabilities	76	92
Increase / (decrease) in contract liabilities	3,927	(1,091)
Increase / (decrease) in employee benefit provision	61	(343)
Increase / (decrease) in other provisions	1,013	55
Net cash flows from operating activities	17,534	13,701

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Sewerage and water infrastructure	113	129
Buildings	325	2,758
Plant and equipment	816	2,231
Roads, Bridges & Footpaths	742	2,601
Other structures	28	1,377
Other	283	1,112
Total commitments	2,307	10,208

These expenditures are payable as follows:

Within the next year	2,307	10,208
Total payable	2,307	10,208

Sources for funding of capital commitments:

Unrestricted general funds	1,118	4,917
Future grants and contributions	838	1,209
Externally restricted reserves	26	22
Internally restricted reserves	325	4,060
Total sources of funding	2,307	10,208

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Roads	940	94	–	–	32	(13)	–	1,053	–
Other	151	16	–	–	1	(3)	–	165	–
S7.11 contributions – under a plan	1,091	110	–	–	33	(16)	–	1,218	–
Total S7.11 and S7.12 revenue under plans	1,091	110	–	–	33	(16)	–	1,218	–
Total contributions	1,091	110	–	–	33	(16)	–	1,218	–

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

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
CONTRIBUTION PLAN NUMBER 1 – SMALL RURAL HOLDINGS									
Roads	47	–	–	–	–	–	–	47	–
Total	47	–	–	–	–	–	–	47	–
CONTRIBUTION PLAN NUMBER – GENERAL RURAL ZONE									
Roads	893	94	–	–	32	(13)	–	1,006	–
Total	893	94	–	–	32	(13)	–	1,006	–
CONTRIBUTION PLAN NUMBER – BUSHFIRE EQUIPMENT									
Other	151	16	–	–	1	(3)	–	165	–
Total	151	16	–	–	1	(3)	–	165	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 20222021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,728)	(4.54)%	(10.44)%	(18.00)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	60,092				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	28,081	37.43%	53.24%	51.03%	> 60.00%
Total continuing operating revenue ¹	75,032				
3. Unrestricted current ratio					
Current assets less all external restrictions	30,353	7.74x	7.34x	8.33x	> 1.50x
Current liabilities less specific purpose liabilities	3,923				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12,037	7.37x	30.62x	28.56x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,634				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,080	6.59%	4.34%	4.96%	< 10.00%
Rates and annual charges collectable	16,400				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	41,235	9.36	14.05	16.30	> 3.00
Monthly payments from cash flow of operating and financing activities	4,406	months	months	months	months

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(0.60)%	(9.05)%	(159.46)%	(40.18)%	(11.52)%	(16.51)%	> 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	34.56%	51.10%	87.04%	50.69%	98.92%	95.63%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	7.74x	6.90x	34.67x	23.41x	3.91x	2.99x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8.10x	40.29x	∞	∞	9.81x	7.07x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.86%	5.23%	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	7.92 months	12.71 months	35.22 months	45.20 months	33.48 months	22.28 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

99 -101 Bank Street
Molong NSW 2866

Mailing Address:

PO Box 17
Molong NSW 2866

Telephone: 02 6392 3200

Facsimile: 02 6392 3260

Opening hours:

9:00am - 5:00pm
Monday to Friday

Internet: www.cabonne.nsw.gov.au

Email: council@cabonne.nsw.gov.au

Officers

General Manager

Bradley Byrnes

Responsible Accounting Officer

Heather Nicholls

Public Officer

Jolene Pearson

Auditors

Audit Office of NSW
Level 15, 1 Margaret Street
SYDNEY NSW 2001

Elected members

Mayor

Kevin Beatty

Councillors

Jamie Jones
Peter Batten
Marlene Nash
Jennifer Weaver
Elizabeth Oldham
Kathryn O'Ryan
Andrew Pull
Andrew Rawson

Other information

ABN: 419 929 192 00



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cabonne Council

To the Councillors of Cabonne Council

Qualified Opinion

I have audited the accompanying financial statements of Cabonne Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-7 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 1 December 2011.
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023, which is offset by 'Grants and contributions provided for capital purposes' income that should have been recognised when the assets were vested
- determine the impact on the 'Operating performance' ratio in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

A handwritten signature in black ink, appearing to read 'F Ali' in a cursive script.

Farisha Ali
Delegate of the Auditor-General for New South Wales

8 February 2024
SYDNEY



Councillor Kevin Beatty
Mayor
Cabonne Shire Council
PO Box 17
MOLONG NSW 2866

Contact: Farisha Ali
Phone no: 02 9275 7373
Our ref: R008-16585809-50370

8 February 2024

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2023 Cabonne Shire Council

I have audited the general purpose financial statements (GPFS) of the Cabonne Shire Council (the Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership

- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 1 December 2011.
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets.





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

This has resulted in the audit opinion on the Council's 30 June 2023 general purpose financial statements (GPFS) to be modified.

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

INCOME STATEMENT

Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	15.6	15.3	 2.0
Grants and contributions revenue	47.0	23.1	 103.5
Operating result from continuing operations	6.9	4.8	 43.8
Net operating result before capital grants and contributions	(8.1)	(4.4)	 84.1

Rates and annual charges revenue (\$15.6 million) increased by \$0.3 million in 2022–23, due to the rate peg increase of 2 per cent.

Grants and contributions revenue (\$47.0 million) increased by \$23.9 million (103.5 per cent) in 2022–23 due to:

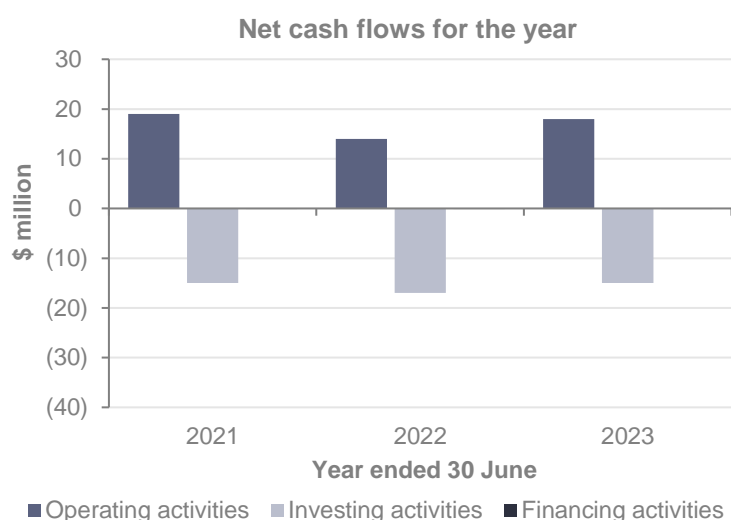
- receiving \$19.2 million in funding for storm and flood damage (Various natural disaster grants totalling \$5 million, RMS funding of \$14 million, and grant from OLG of \$1 million)
- receiving 95 per cent of the financial assistance grants for 2023-24 in advance (75 per cent in 2021-22).

The Council's operating result from continuing operations (\$6.9 million including depreciation, amortisation and impairment expense of \$14.6 million) was \$2.1 million higher than the 2021–22 result.

The net operating result before capital grants and contributions (\$8.1 million) was \$3.7 million lower than the 2021–22 result. Council recognised significant revenues in relation to funding to remediate flood damage. Materials and services costs increased as well, however not proportionately as resources were diverted from budgeted operational works to complete flood related works.

STATEMENT OF CASH FLOWS

Cash receipts for grants and contributions were \$17.4 million higher than the previous year, resulting in higher cashflows from operating activities. Offset by a smaller increase in materials and services of \$12.2 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	41.2	44.7	Externally restricted balances comprise mainly of contract liabilities, unexpended grant funds developer contributions, water and sewer funds. Internal allocations are determined by council policies or decisions, which are subject to change. The reduction in 2022-23 is due to the significant outstanding contract assets due to the ongoing flood repair work.
Restricted and allocated cash and investments:			
• External restrictions	34.2	20.1	
• Internal allocations	5.1	23.1	

Debt

At 30 June 2023, Council had:

- \$1.3 million (2022: \$1.4 million) in secured loans
- \$450,000 in approved overdraft facility with nil drawn down
- \$65,000 in credit card facility with \$61,000 used.

PERFORMANCE

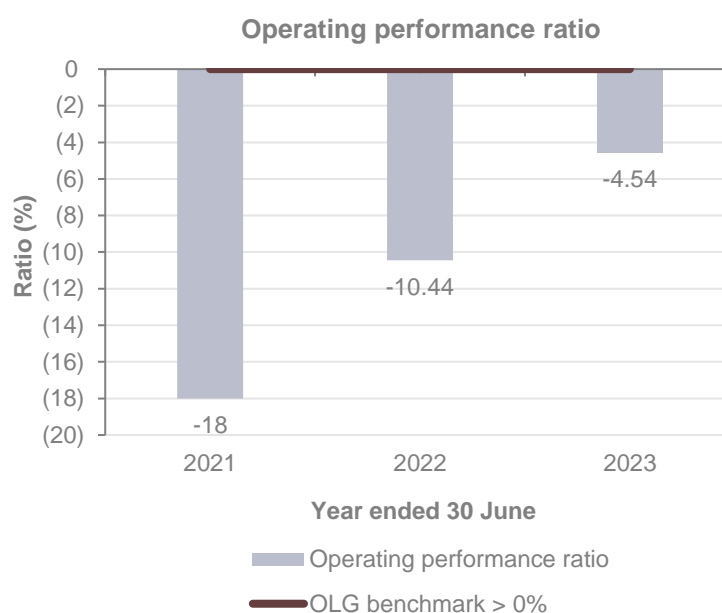
Performance measures

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 continued to not meet the benchmark.

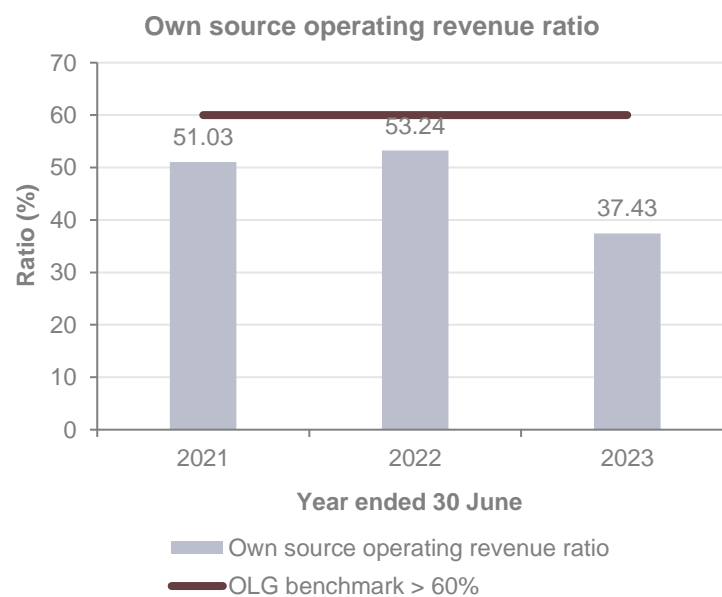
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council continues to remain below the benchmark due to the high level of grants and contributions received.

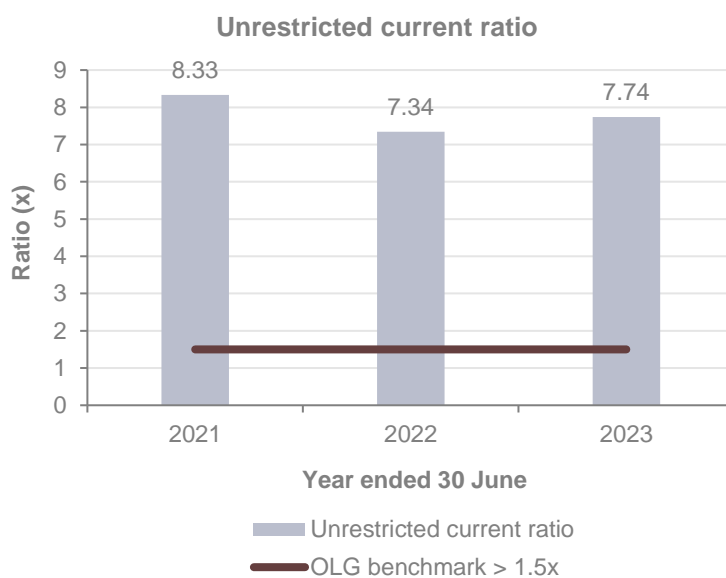
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the OLG benchmark.

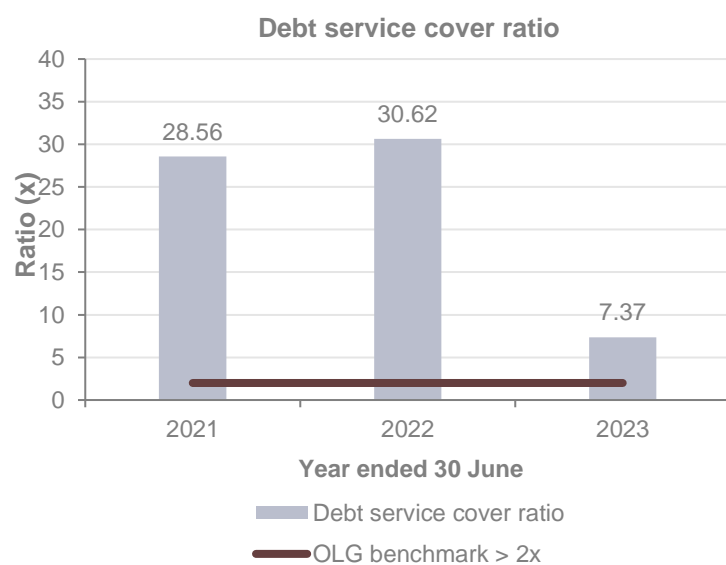
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continues to exceed the OLG benchmark.

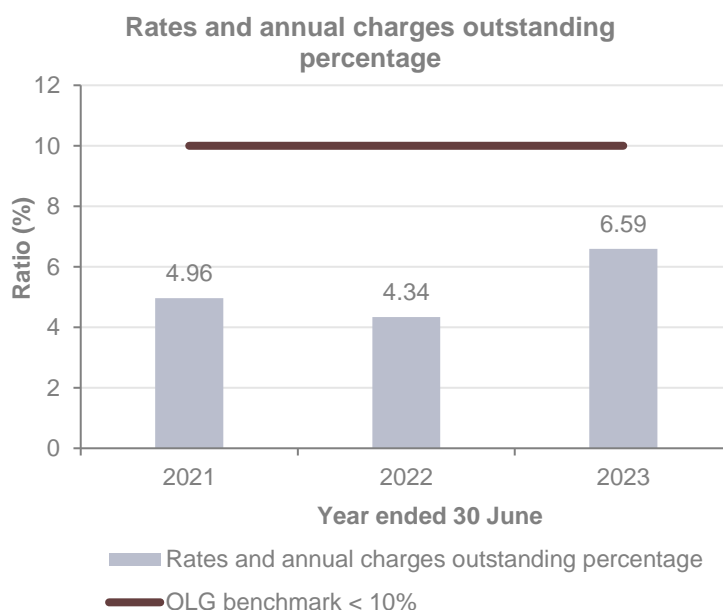
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council has continued to meet this benchmark.

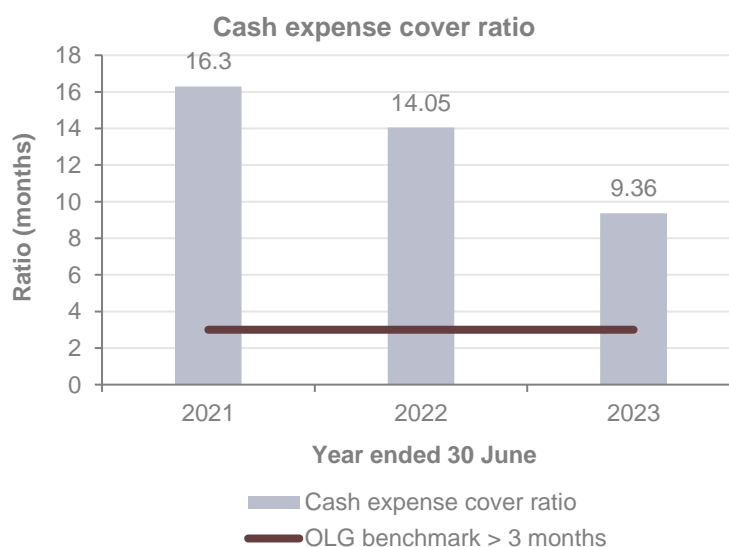
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council continues to exceed the OLG benchmark.

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

Council renewed \$16.7 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads (\$7.4 million) and work in progress (\$7.0 million). A further \$5.2 million was spent on new assets, of which \$4.6 million related to plant and equipment purchases at year end.

OTHER MATTERS

Legislative compliance

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

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

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



Farisha Ali

Delegate of the Auditor-General for New South Wales

Cabonne Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2023

The Cabonne Local Government Area is thriving, caring, and vibrant. Our Cabonne community recognise and acknowledge our rich culture, heritage, and history. We strive to protect and value our environment, and the rural aspects of the region. We recognise that we need to ensure all members of our community have access to the services and support required to be successful.



Special Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	5
Income Statement of sewerage business activity	6
Statement of Financial Position of water supply business activity	7
Statement of Financial Position of sewerage business activity	8
Note – Significant Accounting Policies	9
Auditor's Report on Special Purpose Financial Statements	12

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).

Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

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

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

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

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

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

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

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



Kevin Beatty

Mayor

28 November 2023



Jamie Jones

Deputy Mayor

28 November 2023



Bradley Byrnes

General Manager

28 November 2023



Heather Nicholls

Responsible Accounting Officer

28 November 2023

Cabonne Council

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to Section 413(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 28 November 2023.

Kevin Beatty
Mayor
28 November 2023



Janie Jones
Deputy Mayor
28 November 2023



Bradley Byrnes
General Manager
28 November 2023



Heather Nicholls
Responsible Accounting Officer
28 November 2023



Cabonne Council

Income Statement of water supply business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	566	567
User charges	605	664
Interest and investment income	11	11
Grants and contributions provided for operating purposes	148	—
Other income	7	5
Total income from continuing operations	1,337	1,247
Expenses from continuing operations		
Employee benefits and on-costs	517	574
Materials and services	780	386
Depreciation, amortisation and impairment	810	698
Net loss from the disposal of assets	1,274	—
Other expenses	88	90
Total expenses from continuing operations	3,469	1,748
Surplus (deficit) from continuing operations before capital amounts	(2,132)	(501)
Grants and contributions provided for capital purposes	29	1,213
Surplus (deficit) from continuing operations after capital amounts	(2,103)	712
Surplus (deficit) from all operations before tax	(2,103)	712
Surplus (deficit) after tax	(2,103)	712
Plus accumulated surplus	26,757	26,045
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	24,654	26,757
Return on capital %	(5.1)%	(1.2)%
Subsidy from Council	3,815	1,990
Calculation of dividend payable:		
Surplus (deficit) after tax	(2,103)	712
Less: capital grants and contributions (excluding developer contributions)	(29)	(1,213)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Cabonne Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	2,092	2,199
User charges	85	69
Fees	—	3
Interest and investment income	24	24
Other income	3	—
Total income from continuing operations	2,204	2,295
Expenses from continuing operations		
Employee benefits and on-costs	505	669
Borrowing costs	75	86
Materials and services	592	691
Depreciation, amortisation and impairment	915	901
Net loss from the disposal of assets	135	—
Other expenses	236	327
Total expenses from continuing operations	2,458	2,674
Surplus (deficit) from continuing operations before capital amounts	(254)	(379)
Grants and contributions provided for capital purposes	24	105
Surplus (deficit) from continuing operations after capital amounts	(230)	(274)
Surplus (deficit) from all operations before tax	(230)	(274)
Surplus (deficit) after tax	(230)	(274)
Plus accumulated surplus	23,587	23,861
Closing accumulated surplus	23,357	23,587
Return on capital %	(0.5)%	(0.8)%
Subsidy from Council	1,717	1,662
Calculation of dividend payable:		
Surplus (deficit) after tax	(230)	(274)
Less: capital grants and contributions (excluding developer contributions)	(24)	(105)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Cabonne Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Contract assets and contract cost assets	15	370
Cash and cash equivalents	4,115	3,955
Receivables	550	1,785
Total current assets	4,680	6,110
Non-current assets		
Receivables	—	50
Infrastructure, property, plant and equipment	41,868	40,678
Total non-current assets	41,868	40,728
Total assets	46,548	46,838
LIABILITIES		
Current liabilities		
Payables	135	261
Total current liabilities	135	261
Total liabilities	135	261
Net assets	46,413	46,577
EQUITY		
Accumulated surplus	24,654	24,023
Revaluation reserves	21,759	22,554
Total equity	46,413	46,577

Cabonne Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	4,146	3,292
Receivables	997	962
Total current assets	5,143	4,254
Non-current assets		
Receivables	—	150
Infrastructure, property, plant and equipment	38,261	37,395
Intangible assets	20	—
Total non-current assets	38,281	37,545
Total assets	43,424	41,799
LIABILITIES		
Current liabilities		
Payables	38	19
Borrowings	1,277	1,403
Total current liabilities	1,315	1,422
Total liabilities	1,315	1,422
Net assets	42,109	40,377
EQUITY		
Accumulated surplus	23,357	20,952
Revaluation reserves	18,752	19,425
Total equity	42,109	40,377

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

Cabonne Council Combined Sewerage Supplies

Sewerage reticulation and treatment operations servicing the towns of Molong, Eugowra, Canowindra, Cudal, Yeoval, Cumnock and Manildra.

These are reported under two special rate funds:

- Cabonne Sewer Fund, servicing the towns of Molong, Canowindra and Eugowra, and
- Small Town Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval

Category 2

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

Cabonne Council Combined Water Supplies

Water supply operations servicing the towns of Molong, Yeoval and Cumnock, established as a combined special rate fund.

Taxation equivalent charges

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

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – **25%** (21/22 25%)

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

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

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (21/22 25%).

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

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

The rate applied of 25% is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

Note – Significant Accounting Policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

(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 DPIE – Water guidelines and must not exceed:

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

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIE – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cabonne 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and 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 2023, 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 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Farisha Ali' in a cursive script.

Farisha Ali
Delegate of the Auditor-General for New South Wales

8 February 2024
SYDNEY

Cabonne Council

SPECIAL SCHEDULES

for the year ended 30 June 2023

The Cabonne Local Government Area is thriving, caring, and vibrant. Our Cabonne community recognise and acknowledge our rich culture, heritage, and history. We strive to protect and value our environment, and the rural aspects of the region. We recognise that we need to ensure all members of our community have access to the services and support required to be successful.



Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2023	6

Cabonne Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	10,941	11,150
Plus or minus adjustments ²	b	7	(1)
Notional general income	$c = a + b$	10,948	11,149
Permissible income calculation			
Or rate peg percentage	e	2.00%	4.10%
Or plus rate peg amount	$i = e \times (c + g)$	219	457
Sub-total	$k = (c + g + h + i + j)$	11,167	11,606
Plus (or minus) last year's carry forward total	l	3	20
Sub-total	$n = (l + m)$	3	20
Total permissible income	$o = k + n$	11,170	11,626
Less notional general income yield	p	11,150	11,655
Catch-up or (excess) result	$q = o - p$	20	(29)
Carry forward to next year ⁶	$t = q + r + s$	20	(29)

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cabonne Council (the Council) for the year ending 30 June 2024.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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



Farisha Ali
Delegate of the Auditor-General for New South Wales

8 February 2024
SYDNEY

Cabonne Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	23,525	6,880	194	70	39,149	88,776	11.0%	14.0%	47.0%	25.0%	3.0%
	Sub-total	23,525	6,880	194	70	39,057	88,776	11.0%	14.0%	47.0%	25.0%	3.0%
Other structures	Other structures	2,200	183	–	–	7,417	12,226	5.0%	28.0%	60.0%	6.0%	1.0%
	Sub-total	2,200	183	–	–	7,417	12,226	5.0%	28.0%	60.0%	6.0%	1.0%
Roads	Roads	74,694	21,808	3,797	866	126,704	262,201	0.2%	19.2%	57.8%	12.6%	10.4%
	Bridges	7,639	1,445	18	4	52,124	82,589	10.0%	60.0%	23.0%	7.0%	0.0%
	Footpaths	457	–	35	7	8,530	10,756	50.0%	33.0%	17.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	180,443	180,443	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	82,790	23,253	3,850	877	367,801	535,989	36.3%	19.3%	32.1%	7.2%	5.1%
Water supply network	Water supply network	25,404	9,103	675	661	39,673	73,484	8.0%	3.0%	47.0%	35.0%	7.0%
	Sub-total	25,404	9,103	675	661	39,674	73,484	8.0%	3.0%	47.0%	35.0%	7.0%
Sewerage network	Sewerage network	4,791	117	862	636	29,105	46,741	36.0%	24.0%	39.0%	1.0%	0.0%
	Sub-total	4,791	117	862	636	29,105	46,741	36.0%	24.0%	39.0%	1.0%	0.0%
Stormwater drainage	Stormwater drainage	6,003	3,002	100	51	67,483	85,759	64.0%	22.0%	5.0%	4.0%	5.0%
	Sub-total	6,003	3,002	100	51	67,430	85,759	64.0%	22.0%	5.0%	4.0%	5.0%
Open space / recreational assets	Swimming pools	1,587	–	1,573	1,210	7,062	11,981	0.0%	47.0%	53.0%	0.0%	0.0%
	Open Spaces	839	12	–	–	2,907	4,867	4.0%	28.0%	67.0%	1.0%	0.0%
	Sub-total	2,426	12	1,573	1,210	9,969	16,848	1.2%	41.5%	57.0%	0.3%	0.0%
Total – all assets		147,139	42,550	7,254	3,505	560,453	859,823	32.9%	18.4%	33.5%	10.6%	4.6%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required

Cabonne Council

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

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Cabonne Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	16,652	37.64%	97.52%	119.70%	> 100.00%
Depreciation, amortisation and impairment	44,243				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	147,139	25.78%	14.51%	12.53%	< 2.00%
Net carrying amount of infrastructure assets	570,843				
Asset maintenance ratio					
Actual asset maintenance	3,505	48.32%	94.53%	93.33%	> 100.00%
Required asset maintenance	7,254				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	42,550	4.95%	3.42%	3.05%	
Gross replacement cost	859,823				

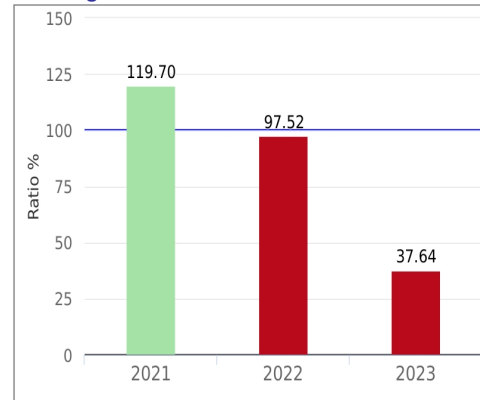
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Cabonne Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

22/23 ratio 37.64%

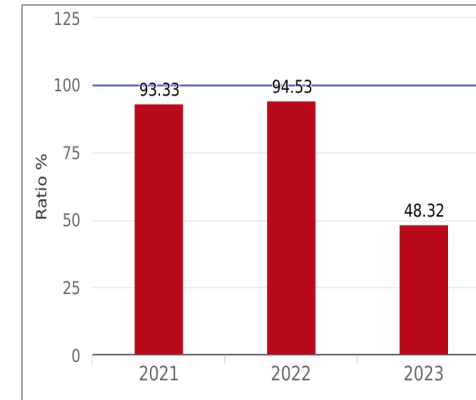
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

22/23 ratio 48.32%

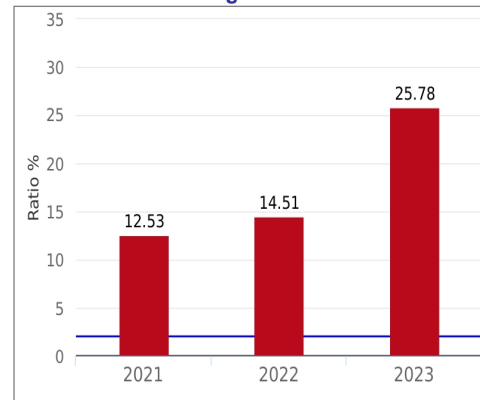
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

22/23 ratio 25.78%

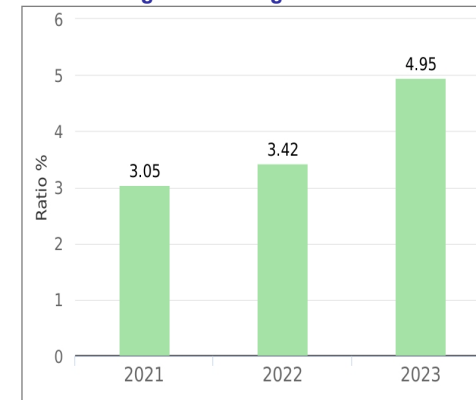
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

22/23 ratio 4.95%