

# Dungog Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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# Dungog Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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# Dungog Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

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### Overview

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

198 Dowling Street  
DUNGOG NSW 2420

Council's guiding principles are detailed in Chapter 3 of the LGA and include:

- principles applying to the exercise of functions generally by Council;
- principles to be applied when making decisions;
- principles of community participation;
- principles of sound financial management; and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.dungog.nsw.gov.au](http://www.dungog.nsw.gov.au).

# Dungog Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

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

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

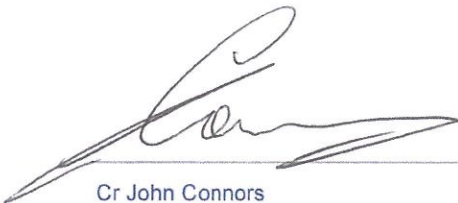
- the *Local Government Act 1993* and the regulations made thereunder
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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


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

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

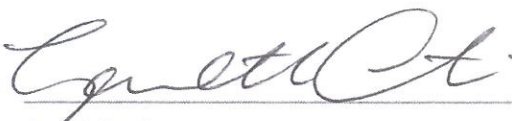
Signed in accordance with a resolution of Council made on 18 October 2023.



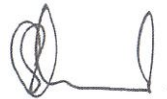
Cr John Connors  
**MAYOR**  
31 January 2024



Cr Stephen Low  
**COUNCILLOR**  
31 January 2024



Gareth Curtis  
**GENERAL MANAGER**  
31 January 2024



Shaun Chandler  
**RESPONSIBLE ACCOUNTING OFFICER**  
31 January 2024

## Dungog Shire Council

### Income Statement

for the year ended 30 June 2023

| Original<br>unaudited<br>budget<br>2023    | \$ '000  | Notes | Actual<br>2023 | Restated<br>Actual<br>2022 |
|--|--|-------|----------------|----------------------------|
| <b>Income from continuing operations</b>   |  |       |                |                            |
| 11,573                                     | Rates and annual charges   | B2-1  | <b>11,352</b>  | 10,322                     |
| 1,192                                      | User charges and fees  | B2-2  | <b>1,382</b>   | 1,138                      |
| 413  | Other revenues   | B2-3  | <b>1,263</b>   | 877                        |
| 4,427                                      | Grants and contributions provided for operating purposes   | B2-4  | <b>9,579</b>   | 6,610                      |
| 32,475                                     | Grants and contributions provided for capital purposes   | B2-4  | <b>21,954</b>  | 16,640                     |
| 538  | Interest and investment income   | B2-5  | <b>648</b>     | 174                        |
| –  | Other income   | B2-6  | <b>233</b>     | 197                        |
| 50,618                                     | <b>Total income from continuing operations</b>   |       | <b>46,411</b>  | 35,958                     |
| <b>Expenses from continuing operations</b> |  |       |                |                            |
| 7,227                                      | Employee benefits and on-costs   | B3-1  | <b>6,534</b>   | 5,589                      |
| 5,307                                      | Materials and services   | B3-2  | <b>14,832</b>  | 10,080                     |
| 123  | Borrowing costs  | B3-3  | <b>498</b>     | 611                        |
| 6,245                                      | Depreciation, amortisation and impairment of non-financial assets                                      | B3-4  | <b>7,262</b>   | 6,134                      |
| 2,912                                      | Other expenses   | B3-5  | <b>1,426</b>   | 951                        |
| –  | Net loss from the disposal of assets   | B4-1  | <b>2,509</b>   | 203                        |
| 21,814                                     | <b>Total expenses from continuing operations</b>   |       | <b>33,061</b>  | 23,568                     |
| <b>28,804</b>                              | <b>Operating result from continuing operations</b>   |       | <b>13,350</b>  | 12,390                     |
| <b>28,804</b>                              | <b>Net operating result for the year attributable to Council</b>                                       |       | <b>13,350</b>  | 12,390                     |
| <b>(3,671)</b>                             | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | <b>(8,604)</b> | (4,250)                    |

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

## Dungog Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2023

| \$ '000   | Notes | 2023          | Restated<br>2022 |
|---|-------|---------------|------------------|
| <b>Net operating result for the year – from Income Statement</b>  |       | <b>13,350</b> | 12,390           |
| <b>Other comprehensive income:</b>  |       |               |                  |
| Amounts which will not be reclassified subsequently to the operating result   |       |               |                  |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment   | C1-7  | <b>43,463</b> | 52,627           |
| Other comprehensive income – joint ventures and associates  | D1-1  | <b>–</b>      | (106)            |
| <b>Total items which will not be reclassified subsequently to the operating result</b>                              |       | <b>43,463</b> | 52,521           |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met            |       |               |                  |
| Other movements   |       | <b>–</b>      | 106              |
| <b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b> |       | <b>–</b>      | 106              |
| <b>Total other comprehensive income for the year</b>  |       | <b>43,463</b> | 52,627           |
| <b>Total comprehensive income for the year attributable to Council</b>  |       | <b>56,813</b> | 65,017           |

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

# Dungog Shire Council

## Statement of Financial Position

as at 30 June 2023

| \$ '000  | Notes | 2023           | Restated<br>2022 | Restated<br>1 July 2021 |
|--|-------|----------------|------------------|-------------------------|
| <b>ASSETS</b>  |       |                |                  |                         |
| <b>Current assets</b>                                |       |                |                  |                         |
| Cash and cash equivalents                            | C1-1  | 11,005         | 6,230            | 2,564                   |
| Investments  | C1-2  | 10,000         | 17,500           | 17,000                  |
| Receivables  | C1-4  | 1,796          | 1,793            | 2,407                   |
| Inventories  | C1-5  | 653            | 470              | 441                     |
| Contract assets and contract cost assets             | C1-6  | 3,349          | 2,732            | 1,121                   |
| Other  |       | 332            | 117              | 97                      |
| <b>Total current assets</b>                          |       | <b>27,135</b>  | <b>28,842</b>    | <b>23,630</b>           |
| <b>Non-current assets</b>                            |       |                |                  |                         |
| Investments  | C1-2  | 750            | 750              | 3,500                   |
| Receivables  | C1-4  | 25             | 25               | 30                      |
| Inventories  | C1-5  | 26             | 26               | 26                      |
| Infrastructure, property, plant and equipment (IPPE) | C1-7  | 524,991        | 466,596          | 395,429                 |
| Investments accounted for using the equity method    | D1-1  | -              | -                | 106                     |
| <b>Total non-current assets</b>                      |       | <b>525,792</b> | <b>467,397</b>   | <b>399,091</b>          |
| <b>Total assets</b>                                  |       | <b>552,927</b> | <b>496,239</b>   | <b>422,721</b>          |
| <b>LIABILITIES</b>                                   |       |                |                  |                         |
| <b>Current liabilities</b>                           |       |                |                  |                         |
| Payables   | C3-1  | 3,894          | 3,747            | 3,499                   |
| Contract liabilities                                 | C3-2  | 7,030          | 9,770            | 5,758                   |
| Borrowings   | C3-3  | 258            | 250              | 235                     |
| Employee benefit provisions                          | C3-4  | 1,780          | 1,695            | 2,290                   |
| Provisions   | C3-5  | 3              | 3                | 3                       |
| <b>Total current liabilities</b>                     |       | <b>12,965</b>  | <b>15,465</b>    | <b>11,785</b>           |
| <b>Non-current liabilities</b>                       |       |                |                  |                         |
| Payables   | C3-1  | 65             | 65               | 65                      |
| Borrowings   | C3-3  | 3,599          | 3,857            | 4,113                   |
| Employee benefit provisions                          | C3-4  | 366            | 365              | 94                      |
| Provisions   | C3-5  | 29,546         | 26,914           | 22,108                  |
| <b>Total non-current liabilities</b>                 |       | <b>33,576</b>  | <b>31,201</b>    | <b>26,380</b>           |
| <b>Total liabilities</b>                             |       | <b>46,541</b>  | <b>46,666</b>    | <b>38,165</b>           |
| <b>Net assets</b>                                    |       | <b>506,386</b> | <b>449,573</b>   | <b>384,556</b>          |
| <b>EQUITY</b>  |       |                |                  |                         |
| Accumulated surplus                                  | C4-1  | 155,196        | 141,846          | 129,456                 |
| IPPE revaluation reserve                             | C4-1  | 351,190        | 307,727          | 255,100                 |
| <b>Council equity interest</b>                       |       | <b>506,386</b> | <b>449,573</b>   | <b>384,556</b>          |
| <b>Total equity</b>                                  |       | <b>506,386</b> | <b>449,573</b>   | <b>384,556</b>          |

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

## Dungog Shire Council

### Statement of Changes in Equity

for the year ended 30 June 2023

|   | Notes | 2023                |                          |                | 2022                         |                                   |                       |
|---|-------|---------------------|--------------------------|----------------|------------------------------|-----------------------------------|-----------------------|
|   |       | Accumulated surplus | IPPE revaluation reserve | Total equity   | Accumulated surplus Restated | IPPE revaluation reserve Restated | Total equity Restated |
| <b>\$ '000</b>  |       |                     |                          |                |                              |                                   |                       |
| Opening balance   |       | 141,846             | 307,727                  | 449,573        | 129,135                      | 255,100                           | 384,235               |
| Correction of prior period errors   | G4-1  | –                   | –                        | –              | 321                          | –                                 | 321                   |
| <b>Restated opening balance</b>   |       | <b>141,846</b>      | <b>307,727</b>           | <b>449,573</b> | <b>129,456</b>               | <b>255,100</b>                    | <b>384,556</b>        |
| Net operating result for the year   |       | 13,350              | –                        | 13,350         | 9,752                        | –                                 | 9,752                 |
| Correction of prior period errors   | G4-1  | –                   | –                        | –              | 2,638                        | –                                 | 2,638                 |
| <b>Net operating result for the year</b>                                    |       | <b>13,350</b>       | <b>–</b>                 | <b>13,350</b>  | <b>12,390</b>                | <b>–</b>                          | <b>12,390</b>         |
| <b>Other comprehensive income</b>   |       |                     |                          |                |                              |                                   |                       |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7  | –                   | 43,463                   | 43,463         | –                            | 52,627                            | 52,627                |
| <b>Other comprehensive income</b>   |       | <b>–</b>            | <b>43,463</b>            | <b>43,463</b>  | <b>–</b>                     | <b>52,627</b>                     | <b>52,627</b>         |
| <b>Total comprehensive income</b>   |       | <b>13,350</b>       | <b>43,463</b>            | <b>56,813</b>  | <b>12,390</b>                | <b>52,627</b>                     | <b>65,017</b>         |
| <b>Closing balance at 30 June</b>   |       | <b>155,196</b>      | <b>351,190</b>           | <b>506,386</b> | <b>141,846</b>               | <b>307,727</b>                    | <b>449,573</b>        |

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



# Dungog Shire Council

## Statement of Cash Flows

for the year ended 30 June 2023

| Original<br>unaudited<br>budget<br>2023     | \$ '000   | Notes | Actual<br>2023  | Restated<br>Actual<br>2022 |
|---|---|-------|-----------------|----------------------------|
| <b>Cash flows from operating activities</b> |   |       |                 |                            |
| <i>Receipts:</i>                            |   |       |                 |                            |
| 11,573                                      | Rates and annual charges                              |       | <b>11,256</b>   | 10,255                     |
| 1,192                                       | User charges and fees                                 |       | <b>1,407</b>    | 1,292                      |
| 538   | Interest received                                     |       | <b>573</b>      | 152                        |
| 36,902                                      | Grants and contributions                              |       | <b>28,476</b>   | 26,844                     |
| –   | Bonds, deposits and retentions received               |       | <b>300</b>      | 195                        |
| 413   | Other   |       | <b>2,189</b>    | 274                        |
| <i>Payments:</i>                            |   |       |                 |                            |
| (7,227)                                     | Payments to employees                                 |       | <b>(6,448)</b>  | (5,913)                    |
| (5,307)                                     | Payments for materials and services                   |       | <b>(15,432)</b> | (8,820)                    |
| (123)                                       | Borrowing costs                                       |       | <b>(119)</b>    | (129)                      |
| (2,912)                                     | Other   |       | <b>–</b>        | –                          |
| 35,049                                      | <b>Net cash flows from operating activities</b>       | G1-1  | <b>22,202</b>   | 24,150                     |
| <b>Cash flows from investing activities</b> |   |       |                 |                            |
| <i>Receipts:</i>                            |   |       |                 |                            |
| –   | Sale of investments                                   |       | <b>10,500</b>   | 5,500                      |
| –   | Sale of real estate assets                            |       | <b>24</b>       | 971                        |
| –   | Proceeds from sale of IPPE                            |       | <b>126</b>      | 517                        |
| –   | Deferred debtors receipts                             |       | <b>–</b>        | 5                          |
| <i>Payments:</i>                            |   |       |                 |                            |
| –   | Purchase of investments                               |       | <b>–</b>        | (1,750)                    |
| –   | Acquisition of term deposits                          |       | <b>(3,000)</b>  | (2,500)                    |
| (37,503)                                    | Payments for IPPE                                     |       | <b>(24,827)</b> | (22,986)                   |
| (37,503)                                    | <b>Net cash flows from investing activities</b>       |       | <b>(17,177)</b> | (20,243)                   |
| <b>Cash flows from financing activities</b> |   |       |                 |                            |
| <i>Payments:</i>                            |   |       |                 |                            |
| (250)                                       | Repayment of borrowings                               |       | <b>(250)</b>    | (241)                      |
| (250)                                       | <b>Net cash flows from financing activities</b>       |       | <b>(250)</b>    | (241)                      |
| (2,704)                                     | <b>Net change in cash and cash equivalents</b>        |       | <b>4,775</b>    | 3,666                      |
| 2,564                                       | Cash and cash equivalents at beginning of year        |       | <b>6,230</b>    | 2,564                      |
| (140)                                       | <b>Cash and cash equivalents at end of year</b>       | C1-1  | <b>11,005</b>   | 6,230                      |
| 18,250                                      | plus: Investments on hand at end of year <sup>1</sup> | C1-2  | <b>10,750</b>   | 18,250                     |
| 18,110                                      | <b>Total cash, cash equivalents and investments</b>   |       | <b>21,755</b>   | 24,480                     |

(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.

# Dungog Shire Council

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# Dungog Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### **Historical cost convention**

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

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

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

(i) Council has made a significant judgement about the impairment of a number of its receivables – refer Note E1-1.

(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 to 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:

- Clarence Town School of Arts
- Dungog Showground Management Committee
- James Theatre Management Committee
- Martins Creek School of Arts
- Gresford School of Arts
- Paterson School of Arts

## A1-1 Basis of preparation (continued)

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- Vacy School of Arts
- Vacy Sportsground
- Paterson Sportsground
- Gresford Sporting Complex

### 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.

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

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

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Volunteer services are used across a range of Council functions, including S355 Committees for community facilities and community groups. The value to Council of these services has not been recognised in the income statement as they cannot be reliably measured. The Council would likely be required to pay if the services were not donated.

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

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

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

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

### New accounting standards adopted during the year

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

Those newly adopted standards did not have a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

## 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<br>Restated | 2023          | 2022<br>Restated | 2023             | 2022<br>Restated | 2023                     | 2022<br>Restated | 2023                      | 2022<br>Restated |
| <b>Functions or activities</b>        |               |                  |               |                  |                  |                  |                          |                  |                           |                  |
| Corporate & client services           | 3,277         | 609              | 7,815         | 3,445            | (4,538)          | (2,836)          | 32                       | 39               | 42,724                    | 40,390           |
| Public order and safety               | 18            | 66               | 283           | 756              | (265)            | (690)            | 177                      | 63               | 2,557                     | 2,477            |
| Health                                | 83            | 89               | 118           | 183              | (35)             | (94)             | 82                       | 56               | –                         | –                |
| Community services and education      | 152           | 137              | 468           | 228              | (316)            | (91)             | 195                      | 195              | 1,267                     | 1,226            |
| Housing and community amenities       | 4,107         | 3,527            | 6,468         | 5,566            | (2,361)          | (2,039)          | 691                      | 1,262            | 18,694                    | 17,325           |
| Recreation and culture                | 1,585         | 575              | 2,411         | 1,814            | (826)            | (1,239)          | 2,140                    | 410              | 16,533                    | 15,251           |
| Mining, manufacture and construction  | 100           | 73               | 628           | 520              | (528)            | (447)            | –                        | –                | 1,405                     | 1,337            |
| Transport and communication           | 23,406        | 18,311           | 14,323        | 10,356           | 9,083            | 7,955            | 25,102                   | 18,642           | 466,208                   | 414,787          |
| Economic affairs                      | 328           | 998              | 547           | 700              | (219)            | 298              | 335                      | 17               | 3,287                     | 3,302            |
| General purpose income                | 13,355        | 11,573           | –             | –                | 13,355           | 11,573           | 2,779                    | 2,566            | 162                       | 144              |
| <b>Total functions and activities</b> | <b>46,411</b> | <b>35,958</b>    | <b>33,061</b> | <b>23,568</b>    | <b>13,350</b>    | <b>12,390</b>    | <b>31,533</b>            | <b>23,250</b>    | <b>552,927</b>            | <b>496,239</b>   |

## B1-2 Components of functions or activities

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

### Corporate & client services

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes corporate support and other support services, engineering works, and any Council policy compliance.

### Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

### Health

Includes health administration, food control, control of noxious plants.

### Community services and education

Includes administration and education; migrant, Indigenous and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

### Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons. Also includes insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

### Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

### Mining, manufacture and construction

Includes building control, quarries and pits and mineral resources.

### Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths and parking areas.

### Economic affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; saleyards and markets; real estate development; commercial nurseries; and other business undertakings.

### General purpose income

Includes income from general rates, financial assistance grants, interest income and the share of gains/losses in associates and joint ventures.

## B2 Sources of income

### B2-1 Rates and annual charges

| \$ '000   | 2023          | 2022          |
|---|---------------|---------------|
| <b>Ordinary rates</b>   |               |               |
| Residential   | 5,509         | 4,912         |
| Farmland  | 3,311         | 3,032         |
| Business  | 506           | 464           |
| Less: pensioner rebates   | (127)         | (123)         |
| <b>Rates levied to ratepayers</b>                                   | <b>9,199</b>  | <b>8,285</b>  |
| Pensioner rate subsidies received                                   | 69            | 68            |
| <b>Total ordinary rates</b>   | <b>9,268</b>  | <b>8,353</b>  |
| <b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b> |               |               |
| Domestic waste management services                                  | 1,890         | 1,783         |
| Stormwater management services                                      | 42            | 42            |
| Waste management services (non-domestic)                            | 171           | 162           |
| Sanitary  | 3             | 4             |
| Less: pensioner rebates   | (48)          | (49)          |
| <b>Annual charges levied</b>  | <b>2,058</b>  | <b>1,942</b>  |
| Pensioner annual charges subsidies received:                        |               |               |
| – Domestic waste management   | 26            | 27            |
| <b>Total annual charges</b>   | <b>2,084</b>  | <b>1,969</b>  |
| <b>Total rates and annual charges</b>                               | <b>11,352</b> | <b>10,322</b> |

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

#### Accounting policy

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area.

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



## B2-2 User charges and fees

| \$ '000  | Timing | 2023         | 2022         |
|--|--------|--------------|--------------|
| <b>Specific user charges (per s502 - specific 'actual use' charges)</b>      |        |              |              |
| Domestic waste management services   | 2      | 158          | 189          |
| <b>Total specific user charges</b>   |        | <b>158</b>   | <b>189</b>   |
| <b>Other user charges and fees</b>   |        |              |              |
| <b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>  |        |              |              |
| Inspection services  | 2      | 5            | 6            |
| Planning and building regulation   | 2      | 329          | 225          |
| Private works – section 67   | 2      | 1            | 3            |
| Town planning  | 2      | 72           | 66           |
| Building control   | 2      | 52           | 31           |
| Septic tank applications   | 2      | 24           | 20           |
| <b>Total fees and charges – statutory/regulatory</b>                         |        | <b>483</b>   | <b>351</b>   |
| <b>(ii) Fees and charges – other (incl. general user charges (per s608))</b> |        |              |              |
| Caravan park   | 2      | 315          | 201          |
| Cemeteries   | 2      | 59           | 52           |
| Tourism  | 2      | 2            | –            |
| Waste disposal tipping fees  |        | –            | 3            |
| Onsite sewerage management services  | 2      | 299          | 281          |
| Inspections and construction certificates – roads                            | 2      | 54           | 47           |
| Other  | 2      | 12           | 14           |
| <b>Total fees and charges – other</b>  |        | <b>741</b>   | <b>598</b>   |
| <b>Total other user charges and fees</b>                                     |        | <b>1,224</b> | <b>949</b>   |
| <b>Total user charges and fees</b>   |        | <b>1,382</b> | <b>1,138</b> |
| <b>Timing of revenue recognition for user charges and fees</b>               |        |              |              |
| User charges and fees recognised at a point in time (2)                      |        | 1,382        | 1,138        |
| <b>Total user charges and fees</b>   |        | <b>1,382</b> | <b>1,138</b> |

### Accounting policy

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

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

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

## B2-3 Other revenues

| \$ '000  | Timing | 2023         | 2022       |
|--|--------|--------------|------------|
| Fines – other  | 2      | 8            | 8          |
| Legal fees recovery – other                            | 2      | 8            | –          |
| Commissions and agency fees                            | 2      | 118          | 131        |
| Insurance claims recoveries                            | 2      | –            | 253        |
| Sales – general  |        | –            | 4          |
| Landfill recycling stations sales                      | 2      | 417          | 6          |
| Section 88 fee collected                               | 2      | 665          | 450        |
| Workers compensation and insurance rebates             | 2      | 30           | 21         |
| Other  | 2      | 17           | 4          |
| <b>Total other revenue</b>                             |        | <b>1,263</b> | <b>877</b> |
| <b>Timing of revenue recognition for other revenue</b> |        |              |            |
| Other revenue recognised at a point in time (2)        |        | 1,263        | 877        |
| <b>Total other revenue</b>                             |        | <b>1,263</b> | <b>877</b> |

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

| \$ '000  | Timing | Operating<br>2023 | Operating<br>2022 | Capital<br>2023 | Capital<br>2022<br>Restated |
|--|--------|-------------------|-------------------|-----------------|-----------------------------|
| <b>General purpose grants and non-developer contributions (untied)</b>     |        |                   |                   |                 |                             |
| <b>General purpose (untied)</b>  |        |                   |                   |                 |                             |
| <b>Current year allocation</b>   |        |                   |                   |                 |                             |
| Financial assistance – general component                                   | 2      | 540               | 1,012             | –               | –                           |
| Financial assistance – local roads component                               | 2      | 287               | 515               | –               | –                           |
| <b>Payment in advance - future year allocation</b>                         |        |                   |                   |                 |                             |
| Financial assistance – general component                                   | 2      | 2,239             | 1,555             | –               | –                           |
| Financial assistance – local roads component                               | 2      | 1,158             | 795               | –               | –                           |
| <b>Amount recognised as income during current year</b>                     |        | <b>4,224</b>      | <b>3,877</b>      | <b>–</b>        | <b>–</b>                    |
| <b>Special purpose grants and non-developer contributions (tied)</b>       |        |                   |                   |                 |                             |
| <b>Cash contributions</b>  |        |                   |                   |                 |                             |
| – Other  | 2      | 1                 | 1                 | –               | –                           |
| Community care   | 1      | 195               | 99                | –               | –                           |
| Heritage and cultural  | 2      | 14                | 82                | –               | –                           |
| Library  | 1      | 68                | 66                | 550             | 137                         |
| Library – special projects   | 2      | –                 | –                 | 17              | 17                          |
| Noxious weeds  | 2      | 59                | 88                | 23              | –                           |
| Public halls   | 1      | –                 | –                 | –               | 19                          |
| Recreation and culture   | 1      | –                 | 49                | 880             | 316                         |
| Street lighting  | 2      | 21                | 21                | –               | –                           |
| Transport (roads to recovery)  | 2      | –                 | –                 | –               | 575                         |
| Transport (other roads and bridges funding)                                | 1      | 1,512             | 2,171             | 9,615           | 6,612                       |
| Other specific grants  | 1      | 55                | 24                | –               | 324                         |
| Bushfire services  | 2      | 3                 | 19                | –               | 26                          |
| Roads and bridges  | 1      | –                 | 2                 | 1,796           | 66                          |
| Transport for NSW contributions (regional roads, block grant)              | 1      | 3,225             | –                 | 7,462           | 7,904                       |
| Tourism  | 2      | 11                | 8                 | –               | 15                          |
| Other contributions  | 1      | –                 | –                 | 634             | 23                          |
| Emergency services levy  | 2      | 174               | 18                | –               | –                           |
| Waste management   | 2      | 17                | 85                | –               | –                           |
| <b>Total special purpose grants and non-developer contributions (tied)</b> |        | <b>5,355</b>      | <b>2,733</b>      | <b>20,977</b>   | <b>16,034</b>               |
| <b>Total grants and non-developer contributions</b>                        |        | <b>9,579</b>      | <b>6,610</b>      | <b>20,977</b>   | <b>16,034</b>               |
| <b>Comprising:</b>   |        |                   |                   |                 |                             |
| – Commonwealth funding   |        | 4,224             | 3,877             | 348             | 3,025                       |
| – State funding  |        | 5,355             | 2,733             | 20,629          | 13,009                      |
|  |        | <b>9,579</b>      | <b>6,610</b>      | <b>20,977</b>   | <b>16,034</b>               |

## B2-4 Grants and contributions (continued)

## Developer contributions

| \$ '000  | Notes | Timing | Operating<br>2023 | Operating<br>2022 | Capital<br>2023 | Capital<br>2022<br>Restated |
|--|-------|--------|-------------------|-------------------|-----------------|-----------------------------|
| <b>Developer contributions:<br/>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the<br/>LGA):</b> | G5    |        |                   |                   |                 |                             |
| <b>Cash contributions</b>  |       |        |                   |                   |                 |                             |
| S 7.11 – contributions towards<br>amenities/services                                       |       | 2      | –                 | –                 | 977             | 606                         |
| <b>Total developer contributions – cash</b>  |       |        | <b>–</b>          | <b>–</b>          | <b>977</b>      | <b>606</b>                  |
| <b>Total developer contributions</b>   |       |        | <b>–</b>          | <b>–</b>          | <b>977</b>      | <b>606</b>                  |
| <b>Total contributions</b>   |       |        | <b>–</b>          | <b>–</b>          | <b>977</b>      | <b>606</b>                  |
| <b>Total grants and contributions</b>  |       |        | <b>9,579</b>      | <b>6,610</b>      | <b>21,954</b>   | <b>16,640</b>               |
| <b>Timing of revenue recognition for grants and<br/>contributions</b>                      |       |        |                   |                   |                 |                             |
| Grants and contributions recognised over time (1)  |       |        | 5,378             | 144               | 20,937          | 13,502                      |
| Grants and contributions recognised at a point in time<br>(2)                              |       |        | 4,201             | 6,466             | 1,017           | 3,138                       |
| <b>Total grants and contributions</b>  |       |        | <b>9,579</b>      | <b>6,610</b>      | <b>21,954</b>   | <b>16,640</b>               |

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

| \$ '000  | Operating<br>2023 | Operating<br>2022 | Capital<br>2023 | Capital<br>2022<br>Restated |
|--|-------------------|-------------------|-----------------|-----------------------------|
| <b>Unspent grants and contributions</b>  |                   |                   |                 |                             |
| Unspent funds at 1 July  | 49                | 70                | 9,770           | 5,661                       |
| Add: Funds received and not recognised as revenue in the current year  | –                 | 11                | 3,926           | 8,738                       |
| Less: Funds received in prior year but revenue recognised and funds spent in current year                          | (23)              | (32)              | (6,488)         | (4,629)                     |
| Adjustment   | 178               | –                 | (178)           | –                           |
| <b>Unspent funds at 30 June</b>  | <b>204</b>        | <b>49</b>         | <b>7,030</b>    | <b>9,770</b>                |
| <b>Contributions</b>   |                   |                   |                 |                             |
| Unspent funds at 1 July  | 7,659             | 7,053             | –               | –                           |
| Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 977               | 606               | –               | –                           |
| Less: funds received in prior year and spent in current year   | (862)             | –                 | –               | –                           |
| <b>Unspent contributions at 30 June</b>  | <b>7,774</b>      | <b>7,659</b>      | <b>–</b>        | <b>–</b>                    |

### Accounting policy

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

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

The performance obligations vary according to the agreement but include evidence of the event taking place or satisfactory achievement of milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### 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).

## B2-4 Grants and contributions (continued)

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

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

### Other grants and contributions

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

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

## B2-5 Interest and investment income

| \$ '000  | 2023       | 2022       |
|--|------------|------------|
| <b>Interest on financial assets measured at amortised cost</b>   |            |            |
| – Overdue rates and annual charges (incl. special purpose rates) | 47         | 39         |
| – Cash and investments   | 601        | 135        |
| <b>Total interest and investment income (losses)</b>             | <b>648</b> | <b>174</b> |

### Accounting policy

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

## B2-6 Other income

| \$ '000   | Notes | 2023       | 2022       |
|---|-------|------------|------------|
| <b>Reversal of impairment losses on receivables</b>       |       |            |            |
| Other   |       | 47         | –          |
| <b>Total reversal of impairment losses on receivables</b> | C1-4  | <b>47</b>  | <b>–</b>   |
| <b>Rental income</b>                                      |       |            |            |
| Mt. Richardson Radio Station                              |       | 3          | 6          |
| Alison Court Aged Units                                   |       | 130        | 125        |
| Dungog Information Neighbourhood Service                  |       | 5          | 4          |
| Clarence Town Pre-School Rental                           |       | 3          | 3          |
| Paterson Golf/Tennis Clubs                                |       | 2          | 2          |
| Dungog Saleyards  |       | 7          | 7          |
| Workshop  |       | –          | 1          |
| Leaseback fees - council vehicles                         |       | 36         | 41         |
| Other   |       | –          | 8          |
| <b>Total rental income</b>                                | C2-2  | <b>186</b> | <b>197</b> |
| <b>Total other income</b>                                 |       | <b>233</b> | <b>197</b> |

## B3 Costs of providing services

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

| \$ '000  | 2023         | 2022         |
|--|--------------|--------------|
| Salaries and wages                             | 6,160        | 5,566        |
| Employee leave entitlements (ELE)              | 632          | 368          |
| Superannuation                                 | 670          | 654          |
| Workers' compensation insurance                | 257          | 245          |
| Fringe benefit tax (FBT)                       | 79           | 77           |
| Training costs (other than salaries and wages) | 86           | 68           |
| Other  | 19           | 29           |
| <b>Total employee costs</b>                    | <b>7,903</b> | <b>7,007</b> |
| Less: capitalised costs                        | (1,369)      | (1,418)      |
| <b>Total employee costs expensed</b>           | <b>6,534</b> | <b>5,589</b> |

#### 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<br>Restated |
|---|-------|---------------|------------------|
| Raw materials and consumables                       |       | 10,814        | 6,712            |
| Contractor costs                                    |       | 380           | 238              |
| Audit Fees  | F2-1  | 140           | 60               |
| Councillor and Mayoral fees and associated expenses | F1-2  | 115           | 111              |
| Advertising   |       | 143           | 78               |
| Bank charges  |       | 11            | 10               |
| Electricity and heating                             |       | 80            | 79               |
| Insurance   |       | 449           | 388              |
| Postage   |       | 21            | 24               |
| Printing and stationery                             |       | 45            | 35               |
| Street lighting                                     |       | 46            | 240              |
| Subscriptions and publications                      |       | 52            | 57               |
| Telephone and communications                        |       | 72            | 61               |
| Valuation fees                                      |       | 44            | 42               |
| Agency collection costs – Australia Post            |       | 24            | 24               |
| Commissions   |       | 165           | 129              |
| Newcastle regional library                          |       | 16            | 14               |
| Weight of loads co-operative                        |       | 17            | 17               |
| Rehabilitation provision adjustment                 |       | 1,181         | 919              |
| Other expenses                                      |       | 886           | 767              |
| <b>Legal expenses:</b>                              |       |               |                  |
| – Legal expenses: planning and development          |       | 60            | 27               |
| – Legal expenses: other                             |       | 26            | 27               |
| Expenses from leases of low value assets            |       | 43            | 21               |
| Other   |       | 2             | –                |
| <b>Total materials and services</b>                 |       | <b>14,832</b> | <b>10,080</b>    |
| <b>Total materials and services</b>                 |       | <b>14,832</b> | <b>10,080</b>    |

### 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       |
|---|-------|------------|------------|
| <b>(i) Interest bearing liability costs</b>                               |       |            |            |
| Interest on loans   |       | 122        | 125        |
| <b>Total interest bearing liability costs</b>                             |       | <b>122</b> | <b>125</b> |
| <b>Total interest bearing liability costs expensed</b>                    |       | <b>122</b> | <b>125</b> |
| <b>(ii) Other borrowing costs</b>   |       |            |            |
| Discount adjustments relating to movements in provisions (other than ELE) |       |            |            |
| – Remediation liabilities   | C3-5  | 376        | 486        |
| <b>Total other borrowing costs</b>  |       | <b>376</b> | <b>486</b> |
| <b>Total borrowing costs expensed</b>                                     |       | <b>498</b> | <b>611</b> |

### Accounting policy

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



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

| \$ '000   | Notes     | 2023         | 2022         |
|---|-----------|--------------|--------------|
| <b>Depreciation and amortisation</b>  |           |              |              |
| Plant and equipment   |           | 557          | 458          |
| Office equipment  |           | 8            | 5            |
| Furniture and fittings  |           | 22           | 2            |
| <b>Infrastructure:</b>  |           |              |              |
|   | C1-7      |              |              |
| – Buildings – specialised   |           | 719          | 582          |
| – Other structures  |           | 98           | 56           |
| – Roads   |           | 3,196        | 3,142        |
| – Bridges   |           | 963          | 619          |
| – Footpaths   |           | 34           | 34           |
| – Stormwater drainage   |           | 516          | 458          |
| – Swimming pools  |           | 81           | 30           |
| – Other open space/recreational assets  |           | 474          | 387          |
| <b>Other assets:</b>  |           |              |              |
| – Library books   |           | 35           | 37           |
| <b>Reinstatement, rehabilitation and restoration assets:</b>                    |           |              |              |
| – Asset reinstatement costs   | C3-5,C1-7 | 559          | 324          |
| <b>Total depreciation, amortisation and impairment for non-financial assets</b> |           | <b>7,262</b> | <b>6,134</b> |

### Accounting policy

#### Depreciation and amortisation

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

#### Impairment of non-financial assets

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

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

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

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

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

### B3-5 Other expenses

| \$ '000  | 2023         | 2022       |
|--|--------------|------------|
| <b>Other</b>   |              |            |
| Contributions/levies to other levels of government                           |              |            |
| – NSW fire brigade levy  | 21           | 18         |
| – NSW rural fire service levy  | 620          | 466        |
| – Waste levy   | 579          | 450        |
| – Other contributions/levies   | 200          | 14         |
| Donations, contributions and assistance to other organisations (Section 356) | 6            | 3          |
| <b>Total other expenses</b>  | <b>1,426</b> | <b>951</b> |

#### Accounting policy

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

Impairment expenses are recognised when identified.

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

| \$ '000   | Notes | 2023           | 2022         |
|---|-------|----------------|--------------|
| <b>Gain (or loss) on disposal of property (excl. investment property)</b> |       |                |              |
| Proceeds from disposal – property   |       | 24             | 971          |
| Less: carrying amount of property assets sold/written off                 |       | (1)            | (192)        |
| <b>Gain (or loss) on disposal</b>   |       | <b>23</b>      | <b>779</b>   |
| <b>Gain (or loss) on disposal of plant and equipment</b>                  |       |                |              |
|   | C1-7  |                |              |
| Proceeds from disposal – plant and equipment                              |       | 126            | 517          |
| Less: carrying amount of plant and equipment assets sold/written off      |       | (125)          | (841)        |
| <b>Gain (or loss) on disposal</b>   |       | <b>1</b>       | <b>(324)</b> |
| <b>Gain (or loss) on disposal of infrastructure</b>                       |       |                |              |
|   | C1-7  |                |              |
| Less: carrying amount of infrastructure assets sold/written off           |       | (2,533)        | (658)        |
| <b>Gain (or loss) on disposal</b>   |       | <b>(2,533)</b> | <b>(658)</b> |
| <b>Net gain (or loss) from disposal of assets</b>                         |       | <b>(2,509)</b> | <b>(203)</b> |

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 29 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<br>Budget | 2023<br>Actual | 2023<br>----- Variance ----- |                |
|--|----------------|----------------|------------------------------|----------------|
| <b>Revenues</b>  |                |                |                              |                |
| <b>Rates and annual charges</b>  | 11,573         | 11,352         | (221)                        | (2)% <b>U</b>  |
| <b>User charges and fees</b>   | 1,192          | 1,382          | 190                          | 16% <b>F</b>   |
| User Fees and Charges performed favourably largely as a result of the increased level of development activity within the shire and increased patronage at the Williams River Holiday Park. |                |                |                              |                |
| <b>Other revenues</b>  | 413            | 1,263          | 850                          | 206% <b>F</b>  |
| Increased Scrap Metal sales and Sec 88 Landfill fees resulted in higher revenue than budgeted for Other revenue.   |                |                |                              |                |
| <b>Operating grants and contributions</b>  | 4,427          | 9,579          | 5,152                        | 116% <b>F</b>  |
| Operating grants and contributions are above budget due to an advance payment of the Financial Assistance Grant and receipt of additional grants relating to flood recovery.               |                |                |                              |                |
| <b>Capital grants and contributions</b>  | 32,475         | 21,954         | (10,521)                     | (32)% <b>U</b> |
| A lower level of capital grant revenue was received for bridge infrastructure.   |                |                |                              |                |
| <b>Interest and investment revenue</b>   | 538            | 648            | 110                          | 20% <b>F</b>   |
| Interest and Investment income is higher than budget due to better than anticipated returns.   |                |                |                              |                |
| <b>Other income</b>  | -              | 233            | 233                          | ∞ <b>F</b>     |

## B5-1 Material budget variations (continued)

| \$ '000   | 2023<br>Budget | 2023<br>Actual | 2023<br>----- Variance ----- |                 |
|---|----------------|----------------|------------------------------|-----------------|
| <b>Expenses</b>   |                |                |                              |                 |
| <b>Employee benefits and on-costs</b>   | 7,227          | 6,534          | 693                          | 10% <b>F</b>    |
| <b>Materials and services</b>   | 5,307          | 14,832         | (9,525)                      | (179)% <b>U</b> |
| Increases in materials and services reflect unbudgeted rehabilitation provision adjustments and additional operating grants, most of which can be attributed to rectifying natural disaster damages.                      |                |                |                              |                 |
| <b>Borrowing costs</b>  | 123            | 498            | (375)                        | (305)% <b>U</b> |
| Borrowing costs are under budget due to a reduction in the remediation costs for contaminated landfill sites. This is due to favourable market conditions impacting the valuation of the liability.                       |                |                |                              |                 |
| <b>Depreciation, amortisation and impairment of non-financial assets</b>  | 6,245          | 7,262          | (1,017)                      | (16)% <b>U</b>  |
| Depreciation, amortisation and impairment of non-financial assets are over budget predominately due to the revaluation increment of drainage assets in the previous financial year and the timber bridge renewal program. |                |                |                              |                 |
| <b>Other expenses</b>   | 2,912          | 1,426          | 1,486                        | 51% <b>F</b>    |
| The planned and budgeted contributions for community service projects for the current year have not been made.  |                |                |                              |                 |
| <b>Net losses from disposal of assets</b>   | -              | 2,509          | (2,509)                      | ∞ <b>U</b>      |
| No budget is placed on the disposal of assets. This primarily relates to the refurbishment of council facilities and roads and bridges infrastructure which have been replaced or rehabilitated.                          |                |                |                              |                 |
| <b>Statement of cash flows</b>  |                |                |                              |                 |
| <b>Cash flows from operating activities</b>   | 35,049         | 22,202         | (12,847)                     | (37)% <b>U</b>  |
| Due to grant funds not being received and included in the original budget. Materials and services costs are not budgeted for repairing and restoring infrastructure assets damaged by floods and storms.                  |                |                |                              |                 |
| <b>Cash flows from investing activities</b>   | (37,503)       | (17,177)       | 20,326                       | (54)% <b>F</b>  |
| Delays in capital projects result from supply chain issues, unanticipated project-specific complexities, and timing of payments for infrastructure assets construction projects.  |                |                |                              |                 |
| <b>Cash flows from financing activities</b>   | (250)          | (250)          | -                            | 0% <b>F</b>     |

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

| \$ '000                                | 2023          | 2022         |
|--|---------------|--------------|
| <b>Cash assets</b>                     |               |              |
| Cash on hand and at bank               | 1,810         | 1,712        |
| Cash equivalent assets                 |               |              |
| – Deposits at call                     | 9,195         | 4,518        |
| <b>Total cash and cash equivalents</b> | <b>11,005</b> | <b>6,230</b> |

#### Reconciliation of cash and cash equivalents

|   |               |              |
|---|---------------|--------------|
| Total cash and cash equivalents per Statement of Financial Position | 11,005        | 6,230        |
| <b>Balance as per the Statement of Cash Flows</b>                   | <b>11,005</b> | <b>6,230</b> |

#### Accounting policy

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

#### C1-2 Financial investments

| \$ '000  | 2023<br>Current | 2023<br>Non-current | 2022<br>Current | 2022<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Debt securities at amortised cost</b>                   |                 |                     |                 |                     |
| Long term deposits   | 10,000          | –                   | 14,500          | –                   |
| NCD's, FRN's (with maturities > 3 months)                  | –               | 750                 | 3,000           | 750                 |
| <b>Total</b>   | <b>10,000</b>   | <b>750</b>          | <b>17,500</b>   | <b>750</b>          |
| <b>Total financial investments</b>                         | <b>10,000</b>   | <b>750</b>          | <b>17,500</b>   | <b>750</b>          |
| <b>Total cash assets, cash equivalents and investments</b> | <b>21,005</b>   | <b>750</b>          | <b>23,730</b>   | <b>750</b>          |

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## C1-2 Financial investments (continued)

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### **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.

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

| \$ '000  | 2023            | 2022<br>Restated |
|--|-----------------|------------------|
| (a) Externally restricted cash, cash equivalents and investments                         |                 |                  |
| <b>Total cash, cash equivalents and investments</b>                                      | <b>21,755</b>   | 24,480           |
| Less: Externally restricted cash, cash equivalents and investments                       | <u>(16,546)</u> | <u>(18,456)</u>  |
| <b>Cash, cash equivalents and investments not subject to external restrictions</b>       | <b>5,209</b>    | 6,024            |
| <b>External restrictions</b>   |                 |                  |
| External restrictions included in cash, cash equivalents and investments above comprise: |                 |                  |
| Developer contributions – general  | 7,945           | 7,550            |
| Specific purpose unexpended grants – general fund  | 6,929           | 9,691            |
| Bike path  | 8               | 8                |
| Deposits and retentions  | 653             | 353              |
| Kerb and gutter  | 10              | 10               |
| Pavement   | 54              | 54               |
| Rail services australia  | 39              | 39               |
| RLCIP infrastructure funding   | 1               | 1                |
| Domestic waste management  | 907             | 750              |
| <b>External restrictions – other</b>   | <b>16,546</b>   | 18,456           |
| <b>Total external restrictions</b>   | <b>16,546</b>   | 18,456           |

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<br>Restated |
|--|---------------|------------------|
| (b) Internal allocations   |               |                  |
| <b>Internal allocations</b>  |               |                  |
| At 30 June, Council has internally allocated funds to the following: |               |                  |
| Plant and vehicle replacement  | 1,948         | 1,237            |
| Employees leave entitlement  | 1,376         | 1,100            |
| Buildings and grounds  | 448           | 57               |
| Insurance equalisation   | 200           | 15               |
| Other waste management   | 1,214         | 860              |
| Settlement for the aged  | 426           | 350              |
| Shire properties   | 512           | 50               |
| Special projects   | 4,135         | 742              |
| Roads & Bridges - Unexpend Votes                                     | 951           | –                |
| Bennet Park - lights   | 13            | –                |
| Strategic Property & Development                                     | 596           | –                |
| Other  | 713           | –                |
| <b>Total internal allocations</b>                                    | <b>12,532</b> | 4,411            |

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         |             | 2022         |             |
|---|--------------|-------------|--------------|-------------|
|   | Current      | Non-current | Current      | Non-current |
| Rates and annual charges                            | 785          | –           | 755          | –           |
| Interest and extra charges                          | 97           | –           | 89           | –           |
| User charges and fees                               | 8            | –           | 8            | –           |
| Private works                                       | 9            | –           | 12           | –           |
| Accrued revenues                                    |              |             |              |             |
| – Interest on investments                           | 122          | –           | 55           | –           |
| – Other income accruals                             | 3            | –           | 47           | –           |
| Deferred debtors                                    | –            | 25          | –            | 25          |
| Government grants and subsidies                     | –            | –           | 322          | –           |
| Net GST receivable                                  | 757          | –           | 634          | –           |
| Kerb and guttering                                  | 5            | –           | 6            | –           |
| Rates legal costs recovery                          | 20           | –           | 13           | –           |
| Contributions                                       | –            | –           | 10           | –           |
| Other debtors                                       | 71           | –           | (1)          | –           |
| <b>Total</b>  | <b>1,877</b> | <b>25</b>   | <b>1,950</b> | <b>25</b>   |
| <b>Less: provision for impairment</b>               |              |             |              |             |
| Rates and annual charges                            | –            | –           | (84)         | –           |
| Other debtors                                       | (81)         | –           | (73)         | –           |
| <b>Total provision for impairment – receivables</b> | <b>(81)</b>  | <b>–</b>    | <b>(157)</b> | <b>–</b>    |
| <b>Total net receivables</b>                        | <b>1,796</b> | <b>25</b>   | <b>1,793</b> | <b>25</b>   |

| \$ '000   | 2023      | 2022       |
|---|-----------|------------|
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 157       | 150        |
| + new provisions recognised during the year                                   | 8         | 7          |
| – amounts already provided for and written off this year                      | (84)      | –          |
| <b>Balance at the end of the year</b>   | <b>81</b> | <b>157</b> |

## C1-4 Receivables (continued)

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### Accounting policy

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

### Impairment

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

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

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

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

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

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

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

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

## C1-5 Inventories

| \$ '000  | 2023<br>Current | 2023<br>Non-current | 2022<br>Current | 2022<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>(i) Inventories at cost</b>                         |                 |                     |                 |                     |
| Stores and materials                                   | 653             | –                   | 444             | –                   |
| <b>Total inventories at cost</b>                       | <b>653</b>      | <b>–</b>            | <b>444</b>      | <b>–</b>            |
| <b>(ii) Inventories at net realisable value (NRV)</b>  |                 |                     |                 |                     |
| Real estate for resale                                 | –               | 26                  | 26              | 26                  |
| <b>Total inventories at net realisable value (NRV)</b> | <b>–</b>        | <b>26</b>           | <b>26</b>       | <b>26</b>           |
| <b>Total inventories</b>                               | <b>653</b>      | <b>26</b>           | <b>470</b>      | <b>26</b>           |

**(i) Other disclosures**

| \$ '000  | 2023<br>Current | 2023<br>Non-current | 2022<br>Current | 2022<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Details for real estate development</b>         |                 |                     |                 |                     |
| Residential  | –               | 26                  | 26              | 26                  |
| <b>Total real estate for resale</b>                    | <b>–</b>        | <b>26</b>           | <b>26</b>       | <b>26</b>           |
| (Valued at the lower of cost and net realisable value) |                 |                     |                 |                     |
| <b>Represented by:</b>                                 |                 |                     |                 |                     |
| Acquisition costs                                      | –               | 26                  | 26              | 26                  |
| <b>Total costs</b>                                     | <b>–</b>        | <b>26</b>           | <b>26</b>       | <b>26</b>           |
| <b>Total real estate for resale</b>                    | <b>–</b>        | <b>26</b>           | <b>26</b>       | <b>26</b>           |
| <b>Movements:</b>                                      |                 |                     |                 |                     |
| Real estate assets at beginning of the year            | 26              | 26                  | –               | 26                  |
| – Purchases and other costs                            | (26)            | –                   | 26              | –                   |
| <b>Total real estate for resale</b>                    | <b>–</b>        | <b>26</b>           | <b>26</b>       | <b>26</b>           |

## C1-5 Inventories (continued)

### Accounting policy

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

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

#### Land held for resale

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

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

## C1-6 Contract assets and Contract cost assets

| \$ '000   | 2023<br>Current | 2023<br>Non-current | 2022<br>Current<br>Restated | 2022<br>Non-current |
|---|-----------------|---------------------|-----------------------------|---------------------|
| Contract assets                                       | 3,349           | –                   | 2,732                       | –                   |
| <b>Total contract assets and contract cost assets</b> | <b>3,349</b>    | <b>–</b>            | <b>2,732</b>                | <b>–</b>            |

### Contract assets

|  |              |          |              |          |
|--|--------------|----------|--------------|----------|
| Work relating to infrastructure grants | 3,349        | –        | 2,732        | –        |
| <b>Total contract assets</b>           | <b>3,349</b> | <b>–</b> | <b>2,732</b> | <b>–</b> |

#### Significant changes in contract assets

The significant change in contract assets is the result of Council undertaking a significant number of grant-funded capital infrastructure projects during the year. The receipt of grant funding for specific projects has not coincided with the progress of the completion of the associated works, as provided for in the relevant grant funding agreements.

### Accounting policy

#### Contract assets

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

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

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

## C1-7 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 Restated | Accumulated depreciation and impairment | Net carrying amount Restated | Additions renewals <sup>1</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| <b>\$ '000</b>  |                                |   |                              |   |                      |                             |                      |               |                           |  |                       |   |                     |
| Capital work in progress                                    | 12,525                         | –                                       | 12,525                       | 5,540                                       | 1,862                | –                           | –                    | (8,340)       | –                         | –                                      | 11,587                | –                                       | 11,587              |
| Plant and equipment   | 8,059                          | (4,014)                                 | 4,045                        | 500   | 44                   | (111)                       | (557)                | –             | –                         | –                                      | 8,470                 | (4,549)                                 | 3,921               |
| Office equipment  | 656                            | (639)                                   | 17                           | 7   | 10                   | –                           | (8)                  | –             | –                         | –                                      | 673                   | (647)                                   | 26                  |
| Furniture and fittings                                      | 326                            | (250)                                   | 76                           | 6   | 172                  | –                           | (22)                 | –             | –                         | –                                      | 493                   | (260)                                   | 233                 |
| <b>Land:</b>  |                                |   |                              |   |                      |                             |                      |               |                           |  |                       |   |                     |
| – Operational land  | 9,223                          | –                                       | 9,223                        | 30  | –                    | –                           | –                    | 28            | –                         | 2,722                                  | 12,003                | –                                       | 12,003              |
| – Community land  | 5,430                          | –                                       | 5,430                        | 82  | –                    | –                           | –                    | –             | –                         | 4,894                                  | 10,406                | –                                       | 10,406              |
| <b>Infrastructure:</b>                                      |                                |   |                              |   |                      |                             |                      |               |                           |  |                       |   |                     |
| – Buildings – specialised                                   | 40,448                         | (26,039)                                | 14,409                       | 99  | 1,307                | –                           | (719)                | 373           | –                         | 3,203                                  | 45,430                | (26,758)                                | 18,672              |
| – Other structures  | 1,928                          | (1,010)                                 | 918                          | –   | 42                   | –                           | (98)                 | –             | –                         | 142                                    | 2,112                 | (1,108)                                 | 1,004               |
| – Roads   | 219,149                        | (79,740)                                | 139,409                      | 6,189                                       | –                    | (1,663)                     | (3,196)              | 3,846         | –                         | 13,445                                 | 240,858               | (82,827)                                | 158,031             |
| – Bridges   | 76,605                         | (28,500)                                | 48,105                       | 5,708                                       | –                    | (870)                       | (963)                | 2,880         | –                         | 4,758                                  | 88,889                | (29,270)                                | 59,619              |
| – Footpaths   | 2,958                          | (1,375)                                 | 1,583                        | –   | –                    | –                           | (34)                 | –             | –                         | 164                                    | 3,123                 | (1,409)                                 | 1,714               |
| – Bulk earthworks (non-depreciable)                         | 188,070                        | –                                       | 188,070                      | 1,408                                       | –                    | –                           | –                    | 563           | –                         | 11,104                                 | 201,146               | –                                       | 201,146             |
| – Stormwater drainage                                       | 42,498                         | (11,187)                                | 31,311                       | 314   | –                    | –                           | (516)                | 617           | –                         | 2,180                                  | 45,610                | (11,703)                                | 33,907              |
| – Swimming pools  | 2,693                          | (2,412)                                 | 281                          | 9   | –                    | –                           | (81)                 | –             | –                         | 198                                    | 2,901                 | (2,493)                                 | 408                 |
| – Other open space/recreational assets                      | 8,540                          | (4,973)                                 | 3,567                        | 65  | 320                  | (16)                        | (474)                | 33            | –                         | 653                                    | 9,389                 | (5,240)                                 | 4,149               |
| <b>Other assets:</b>  |                                |   |                              |   |                      |                             |                      |               |                           |  |                       |   |                     |
| – Library books   | 921                            | (803)                                   | 118                          | 36  | –                    | –                           | (35)                 | –             | –                         | –                                      | 957                   | (838)                                   | 119                 |
| <b>Reinstatement, rehabilitation and restoration assets</b> |                                |   |                              |   |                      |                             |                      |               |                           |  |                       |   |                     |
| – Tip & quarry assets                                       | 9,079                          | (1,570)                                 | 7,509                        | –   | –                    | –                           | (559)                | –             | 1,096                     | –                                      | 9,288                 | (1,242)                                 | 8,046               |
| <b>Total infrastructure, property, plant and equipment</b>  | <b>629,108</b>                 | <b>(162,512)</b>                        | <b>466,596</b>               | <b>19,993</b>                               | <b>3,757</b>         | <b>(2,660)</b>              | <b>(7,262)</b>       | <b>–</b>      | <b>1,096</b>              | <b>43,463</b>                          | <b>693,335</b>        | <b>(168,344)</b>                        | <b>524,991</b>      |

(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 <sup>1</sup>             | Additions new assets Restated | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount Restated | Accumulated depreciation and impairment | Net carrying amount Restated |
| <b>\$ '000</b>  |                       |   |                     |   |                               |                             |                      |               |                           |  |                                |   |                              |
| Capital work in progress                                    | 5,779                 | –                                       | 5,779               | 10,650                                      | 420                           | –                           | –                    | (4,325)       | –                         | –                                      | 12,525                         | –                                       | 12,525                       |
| Plant and equipment   | 10,602                | (6,565)                                 | 4,037               | 1,213                                       | 92                            | (841)                       | (458)                | –             | –                         | –                                      | 8,059                          | (4,014)                                 | 4,045                        |
| Office equipment  | 655                   | (633)                                   | 22                  | –   | –                             | –                           | (5)                  | –             | –                         | –                                      | 656                            | (639)                                   | 17                           |
| Furniture and fittings                                      | 287                   | (254)                                   | 33                  | 40  | 5                             | –                           | (2)                  | –             | –                         | –                                      | 326                            | (250)                                   | 76                           |
| <b>Land:</b>  |                       |   |                     |   |                               |                             |                      |               |                           |  |                                |   |                              |
| – Operational land  | 7,881                 | –                                       | 7,881               | –   | 4                             | (180)                       | –                    | 10            | –                         | 1,507                                  | 9,223                          | –                                       | 9,223                        |
| – Community land  | 4,190                 | –                                       | 4,190               | –   | 482                           | –                           | –                    | –             | –                         | 758                                    | 5,430                          | –                                       | 5,430                        |
| <b>Infrastructure:</b>                                      |                       |   |                     |   |                               |                             |                      |               |                           |  |                                |   |                              |
| – Buildings – specialised                                   | 33,405                | (25,594)                                | 7,811               | 35  | 325                           | (12)                        | (582)                | 2,016         | (72)                      | 4,889                                  | 40,448                         | (26,039)                                | 14,409                       |
| – Other structures  | 1,824                 | (954)                                   | 870                 | –   | –                             | –                           | (56)                 | –             | –                         | 104                                    | 1,928                          | (1,010)                                 | 918                          |
| – Roads   | 196,462               | (79,247)                                | 117,215             | 6,077                                       | –                             | (484)                       | (3,142)              | 950           | –                         | 18,793                                 | 219,149                        | (79,740)                                | 139,409                      |
| – Bridges   | 69,637                | (27,914)                                | 41,723              | 1,384                                       | –                             | (174)                       | (619)                | 31            | –                         | 5,760                                  | 76,605                         | (28,500)                                | 48,105                       |
| – Footpaths   | 1,337                 | (317)                                   | 1,020               | 59  | –                             | –                           | (34)                 | –             | –                         | 538                                    | 2,958                          | (1,375)                                 | 1,583                        |
| – Bulk earthworks (non-depreciable)                         | 170,666               | –                                       | 170,666             | 913   | –                             | –                           | –                    | 363           | –                         | 16,128                                 | 188,070                        | –                                       | 188,070                      |
| – Stormwater drainage                                       | 37,752                | (10,729)                                | 27,023              | 915   | –                             | –                           | (458)                | 215           | –                         | 3,616                                  | 42,498                         | (11,187)                                | 31,311                       |
| – Swimming pools  | 2,554                 | (2,383)                                 | 171                 | 6   | –                             | –                           | (30)                 | –             | –                         | 133                                    | 2,693                          | (2,412)                                 | 281                          |
| – Other open space/recreational assets                      | 7,014                 | (4,586)                                 | 2,428               | 222   | 91                            | –                           | (387)                | 740           | 72                        | 401                                    | 8,540                          | (4,973)                                 | 3,567                        |
| <b>Other assets:</b>  |                       |   |                     |   |                               |                             |                      |               |                           |  |                                |   |                              |
| – Library books   | 894                   | (766)                                   | 128                 | 27  | –                             | –                           | (37)                 | –             | –                         | –                                      | 921                            | (803)                                   | 118                          |
| <b>Reinstatement, rehabilitation and restoration assets</b> |                       |   |                     |   |                               |                             |                      |               |                           |  |                                |   |                              |
| – Tip assets  | 5,678                 | (1,246)                                 | 4,432               | –   | –                             | –                           | (324)                | –             | 3,400                     | –                                      | 9,079                          | (1,570)                                 | 7,509                        |
| <b>Total infrastructure, property, plant and equipment</b>  | <b>556,617</b>        | <b>(161,188)</b>                        | <b>395,429</b>      | <b>21,541</b>                               | <b>1,419</b>                  | <b>(1,691)</b>              | <b>(6,134)</b>       | <b>–</b>      | <b>3,400</b>              | <b>52,627</b>                          | <b>629,108</b>                 | <b>(162,512)</b>                        | <b>466,596</b>               |

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

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

### Accounting policy

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

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

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

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

#### Useful lives of IPPE

Land is not depreciated. 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:

| <b>Plant and equipment</b>        | Years     | <b>Other equipment</b>               | Years     |
|-----------------------------------|-----------|--------------------------------------|-----------|
| Office equipment                  | 5 to 10   | Playground equipment                 | 5 to 15   |
| Office furniture                  | 10 to 20  | Benches, seats etc.                  | 10 to 20  |
| Computer equipment                | 4         |                                      |           |
| Vehicles                          | 5 to 8    | <b>Buildings</b>                     |           |
| Heavy plant/road making equipment | 5 to 10   | Buildings: masonry                   | 50 to 100 |
| Other plant and equipment         | 5 to 15   | Buildings: other                     | 20 to 40  |
| <b>Stormwater assets</b>          |           |                                      |           |
| Drains                            | 80 to 100 |                                      |           |
| Culverts                          | 50 to 80  |                                      |           |
| Flood control structures          | 80 to 100 |                                      |           |
| <b>Transportation assets</b>      |           | <b>Other infrastructure assets</b>   |           |
| Sealed roads: surface             | 20        | Bulk earthworks                      | Infinite  |
| Sealed roads: structure           | 50        | Swimming pools                       | 80        |
| Sealed roads: other               | 30 to 60  | Unsealed roads                       | 20        |
| Unsealed roads                    | 20 to 40  | Other open space/recreational assets | 50        |
| Bridge: concrete                  | 80 to 100 | Other infrastructure                 | 25        |
| Bridge: timber                    | 50        |                                      |           |
| Road pavements                    | 80        |                                      |           |
| Kerb, gutter and footpaths        | 40        |                                      |           |

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

#### Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from the current fair value.

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

#### Land under roads

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

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

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

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### **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. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

### **Rural Fire Service assets**

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

Council has assessed and determined to not recognise any rural fire service assets.



## C2 Leasing activities

### C2-1 Council as a lessee

Council has leases over office and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

#### Terms and conditions of leases

##### Office and IT equipment

Leases for photocopiers and IT equipment are considered low value assets. The leases are for 5 years, with no renewal option. The payments are fixed, however some of the leases include variable payments based on usage.

#### (a) Income Statement

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

| \$ '000                               | 2023      | 2022      |
|---------------------------------------|-----------|-----------|
| Expenses relating to low-value leases | 43        | 21        |
|                                       | <b>43</b> | <b>21</b> |

#### (b) Statement of Cash Flows

|                               |           |           |
|-------------------------------|-----------|-----------|
| Total cash outflow for leases | 61        | 32        |
|                               | <b>61</b> | <b>32</b> |

#### Accounting policy

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

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

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

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

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

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

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

#### Exceptions to lease accounting

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

## C2-2 Council as a lessor

### Operating leases

| \$ '000 | 2023 | 2022 |
|---------|------|------|
|---------|------|------|

#### (i) Assets held as property, plant and equipment

Council provides operating leases over Council buildings or properties for the purpose of various community activities, emergency services, commercial use and aged housing. The table below relates to operating leases on assets disclosed in C1-7.

|  |            |            |
|--|------------|------------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 186        | 197        |
| <b>Total income relating to operating leases for Council assets</b>                | <b>186</b> | <b>197</b> |

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

|  |              |              |
|--|--------------|--------------|
| Plant & Equipment  | 412          | 470          |
| Land   | 947          | 1,119        |
| Buildings  | 1,621        | 935          |
| Other Structures   | 59           | 44           |
| Swimming Pools   | 625          | 248          |
| <b>Total amount of IPPE leased out by Council under operating leases</b> | <b>3,664</b> | <b>2,816</b> |

#### (ii) Maturity analysis of contractual lease income

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

|   |              |              |
|---|--------------|--------------|
| < 1 year  | 156          | 159          |
| 1–2 years   | 162          | 163          |
| 2–3 years   | 167          | 167          |
| 3–4 years   | 173          | 171          |
| 4–5 years   | 180          | 175          |
| > 5 years   | 186          | 180          |
| <b>Total undiscounted lease payments to be received</b> | <b>1,024</b> | <b>1,015</b> |

### Accounting policy

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

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

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

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

## C3 Liabilities of Council

### C3-1 Payables

| \$ '000                                    | 2023<br>Current | 2023<br>Non-current | 2022<br>Current | 2022<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Goods and services – operating expenditure | 2,669           | –                   | 3,060           | –                   |
| Accrued expenses:                          |                 |                     |                 |                     |
| – Borrowings                               | 2               | –                   | –               | –                   |
| – Other expenditure accruals               | 358             | –                   | 140             | –                   |
| Security bonds, deposits and retentions    | 653             | –                   | 353             | –                   |
| Other                                      | –               | 65                  | –               | 65                  |
| Prepaid rates                              | 212             | –                   | 194             | –                   |
| <b>Total payables</b>                      | <b>3,894</b>    | <b>65</b>           | <b>3,747</b>    | <b>65</b>           |

#### Accounting policy

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

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

### C3-2 Contract Liabilities

| \$ '000  | Notes | 2023<br>Current | 2023<br>Non-current | 2022<br>Current<br>Restated | 2022<br>Non-current |
|--|-------|-----------------|---------------------|-----------------------------|---------------------|
| <b>Grants and contributions received in advance:</b>                                   |       |                 |                     |                             |                     |
| Unexpended capital grants (to construct Council controlled assets)                     | (i)   | 6,725           | –                   | 9,642                       | –                   |
| Unexpended operating grants (received prior to performance obligation being satisfied) | (ii)  | 204             | –                   | 49                          | –                   |
| <b>Total grants received in advance</b>  |       | <b>6,929</b>    | <b>–</b>            | <b>9,691</b>                | <b>–</b>            |
| <b>User fees and charges received in advance:</b>                                      |       |                 |                     |                             |                     |
| Other  |       | 101             | –                   | 79                          | –                   |
| <b>Total user fees and charges received in advance</b>                                 |       | <b>101</b>      | <b>–</b>            | <b>79</b>                   | <b>–</b>            |
| <b>Total contract liabilities</b>  |       | <b>7,030</b>    | <b>–</b>            | <b>9,770</b>                | <b>–</b>            |

#### 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<br>Restated |
|---------|------|------------------|
|         |      |                  |

### C3-2 Contract Liabilities (continued)

| \$ '000  | 2023         | 2022<br>Restated |
|--|--------------|------------------|
| <b>Grants and contributions received in advance:</b>   |              |                  |
| Capital grants (to construct Council controlled assets)  | 6,465        | 4,629            |
| Operating grants (received prior to performance obligation being satisfied)  | 23           | 32               |
| <b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b> | <b>6,488</b> | <b>4,661</b>     |

#### Significant changes in contract liabilities

The increase in contract liabilities reflects the receipt of significant grant funding for infrastructure projects relating to roads, bridges, recreation and building assets.

#### 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<br>Current | 2023<br>Non-current | 2022<br>Current | 2022<br>Non-current |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| Loans – secured <sup>1</sup> | 258             | 3,599               | 250             | 3,857               |
| <b>Total borrowings</b>      | <b>258</b>      | <b>3,599</b>        | <b>250</b>      | <b>3,857</b>        |

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

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

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

| \$ '000  | 2022            |              | Non-cash movements |                    |  |                         | 2023            |
|--|-----------------|--------------|--------------------|--------------------|--|-------------------------|-----------------|
|  | Opening Balance | Cash flows   | Acquisition        | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| Loans – secured                                    | 4,107           | (250)        | -                  | -                  | -  | -                       | 3,857           |
| <b>Total liabilities from financing activities</b> | <b>4,107</b>    | <b>(250)</b> | <b>-</b>           | <b>-</b>           | <b>-</b>                                       | <b>-</b>                | <b>3,857</b>    |

| \$ '000  | 2021            |              | Non-cash movements |                    |  |                         | 2022            |
|--|-----------------|--------------|--------------------|--------------------|--|-------------------------|-----------------|
|  | Opening Balance | Cash flows   | Acquisition        | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| Loans – secured                                    | 4,348           | (241)        | -                  | -                  | -  | -                       | 4,107           |
| <b>Total liabilities from financing activities</b> | <b>4,348</b>    | <b>(241)</b> | <b>-</b>           | <b>-</b>           | <b>-</b>                                       | <b>-</b>                | <b>4,107</b>    |

#### (b) Financing arrangements

| \$ '000                             | 2023      | 2022      |
|-------------------------------------|-----------|-----------|
| <b>Total facilities</b>             |           |           |
| Credit cards/purchase cards         | 85        | 85        |
| <b>Total financing arrangements</b> | <b>85</b> | <b>85</b> |
| <b>Undrawn facilities</b>           |           |           |
| – Credit cards/purchase cards       | 70        | 68        |

continued on next page ...

### C3-3 Borrowings (continued)

| \$ '000                                     | 2023      | 2022      |
|---|-----------|-----------|
| <b>Total undrawn financing arrangements</b> | <b>70</b> | <b>68</b> |

#### Additional financing arrangements information

##### Breaches and defaults

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

##### Accounting policy

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

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

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

### C3-4 Employee benefit provisions

| \$ '000                                  | 2023         |             | 2022         |             |
|--|--------------|-------------|--------------|-------------|
|  | Current      | Non-current | Current      | Non-current |
| Annual leave                             | 926          | –           | 841          | –           |
| Long service leave                       | 854          | 366         | 854          | 365         |
| <b>Total employee benefit provisions</b> | <b>1,780</b> | <b>366</b>  | <b>1,695</b> | <b>365</b>  |

| \$ '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 | 899        | 887        |
|                                 | <b>899</b> | <b>887</b> |

#### Accounting policy

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

#### Short-term obligations

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

#### Other long-term employee benefit obligations

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

#### On-costs

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

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

### C3-5 Provisions

| \$ '000  | 2023     |               | 2022     |               |
|--|----------|---------------|----------|---------------|
|  | Current  | Non-Current   | Current  | Non-Current   |
| <b>Other provisions</b>                          |          |               |          |               |
| Other  | 3        | –             | 3        | –             |
| <b>Sub-total – other provisions</b>              | <b>3</b> | <b>–</b>      | <b>3</b> | <b>–</b>      |
| <b>Asset remediation/restoration:</b>            |          |               |          |               |
| Asset remediation/restoration (future works)     | –        | 29,546        | –        | 26,914        |
| <b>Sub-total – asset remediation/restoration</b> | <b>–</b> | <b>29,546</b> | <b>–</b> | <b>26,914</b> |
| <b>Total provisions</b>                          | <b>3</b> | <b>29,546</b> | <b>3</b> | <b>26,914</b> |

## C3-5 Provisions (continued)

| \$ '000                               | Other provisions  |               |
|---------------------------------------|-------------------|---------------|
|                                       | Asset remediation | Total         |
| <b>2023</b>                           |                   |               |
| At beginning of year - restated       | 26,914            | 26,914        |
| Unwinding of discount                 | 377               | 377           |
| Remeasurement effects                 | 2,255             | 2,255         |
| Total other provisions at end of year | <b>29,546</b>     | <b>29,546</b> |
| <b>2022</b>                           |                   |               |
| At beginning of year - restated       | 22,108            | 22,108        |
| Unwinding of discount                 | 486               | 486           |
| Remeasurement effects                 | 4,320             | 4,320         |
| Total other provisions at end of year | <b>26,914</b>     | <b>26,914</b> |

### Nature and purpose of provisions

#### Asset remediation

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

#### Accounting policy

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

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

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

#### Asset remediation – tips and quarries

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **IPPE Revaluation reserve**

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



## D Council structure

### D1 Interests in other entities

#### D1-1 Interests in joint arrangements

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##### **Accounting policy**

Council no longer includes in the consolidated financial statements the assets, liabilities and results of Arrow Collaborative Services Limited. Council's ownership and voting rights are below 20%. Council has assessed the fair value of investment in the entity in accordance with AASB 13 Fair Value Measurement and determined that its investment in the joint venture is immaterial.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

#### Risk management

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.

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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

#### (a) Market risk – interest rate and price risk

| \$ '000   | 2023 | 2022 |
|---|------|------|
| <p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p> |      |      |
| Impact of a 1% movement in interest rates   |      |      |
| – Equity / Income Statement   | 8    | 245  |
| Impact of a 10% movement in price of investments  |      |      |
| – Equity / Income Statement   | 75   | 375  |

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

### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

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<br>overdue | overdue rates and annual charges |           | Total |
|-----------------------|--------------------|----------------------------------|-----------|-------|
|                       |                    | < 5 years                        | ≥ 5 years |       |
| <b>2023</b>           |                    |                                  |           |       |
| Gross carrying amount | 547                | 191                              | 47        | 785   |
| <b>2022</b>           |                    |                                  |           |       |
| Gross carrying amount | 181                | 490                              | 84        | 755   |

##### 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<br>overdue | Overdue debts |              |              |           | Total |
|------------------------|--------------------|---------------|--------------|--------------|-----------|-------|
|                        |                    | 0 - 30 days   | 31 - 60 days | 61 - 90 days | > 91 days |       |
| <b>2023</b>            |                    |               |              |              |           |       |
| Gross carrying amount  | 3,349              | 1,036         | –            | –            | 81        | 4,466 |
| Expected loss rate (%) | 0.00%              | 0.00%         | 0.00%        | 0.00%        | 100.00%   | 1.81% |
| <b>ECL provision</b>   | –                  | –             | –            | –            | 81        | 81    |
| <b>2022</b>            |                    |               |              |              |           |       |
| Gross carrying amount  | 3,779              | 100           | –            | –            | 73        | 3,952 |
| Expected loss rate (%) | 0.00%              | 0.00%         | 0.00%        | 0.00%        | 71.00%    | 1.31% |
| <b>ECL provision</b>   | –                  | –             | –            | –            | 52        | 52    |

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

### (c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(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<br>average<br>interest<br>rate | Subject<br>to no<br>maturity | payable in:<br>≤ 1 Year | 1 - 5<br>Years | > 5 Years    | Total cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|---|------------------------------|-------------------------|----------------|--------------|------------------------|------------------------------|
| <b>2023</b>                        |   |                              |                         |                |              |                        |                              |
| Payables                           | 0.00%                                   | 653                          | 3,161                   | 65             | –            | 3,879                  | 3,959                        |
| Borrowings                         | 3.11%                                   | –                            | 258                     | 1,351          | 2,248        | 3,857                  | 3,857                        |
| <b>Total financial liabilities</b> |   | <b>653</b>                   | <b>3,419</b>            | <b>1,416</b>   | <b>2,248</b> | <b>7,736</b>           | <b>7,816</b>                 |
| <b>2022</b>                        |   |                              |                         |                |              |                        |                              |
| Payables                           | 0.00%                                   | 353                          | 3,459                   | –              | –            | 3,812                  | 3,812                        |
| Borrowings                         | 3.13%                                   | –                            | 250                     | 1,346          | 2,511        | 4,107                  | 4,107                        |
| <b>Total financial liabilities</b> |   | <b>353</b>                   | <b>3,709</b>            | <b>1,346</b>   | <b>2,511</b> | <b>7,919</b>           | <b>7,919</b>                 |

## E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

**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).

|  | Notes | Fair value measurement hierarchy |          |                                       |               |   |                |                |                |  |
|--|-------|----------------------------------|----------|---------------------------------------|---------------|---|----------------|----------------|----------------|--|
|  |       | Date of latest valuation         |          | Level 2 Significant observable inputs |               | Level 3 Significant unobservable inputs |                | Total          |                |  |
|  |       | 2023                             | 2022     | 2023                                  | 2022          | 2023                                    | 2022           | 2023           | 2022           |  |
| <b>\$ '000</b>   |       |                                  |          |                                       |               |   | Restated       |                | Restated       |  |
| <b>Recurring fair value measurements</b>                   |       |                                  |          |                                       |               |   |                |                |                |  |
| <b>Infrastructure, property, plant and equipment</b>       | C1-7  |                                  |          |                                       |               |   |                |                |                |  |
| Operational land   |       | 30/06/18                         | 30/06/18 | 12,003                                | 9,223         | –                                       | –              | 12,003         | 9,223          |  |
| Community land   |       | 30/06/21                         | 30/06/21 | –                                     | –             | 10,406                                  | 5,430          | 10,406         | 5,430          |  |
| Buildings  |       | 30/06/18                         | 30/06/18 | –                                     | –             | 18,672                                  | 14,409         | 18,672         | 14,409         |  |
| Other structures   |       | 30/06/18                         | 30/06/18 | –                                     | –             | 1,004                                   | 918            | 1,004          | 918            |  |
| Roads  |       | 30/06/19                         | 30/06/19 | –                                     | –             | 158,031                                 | 139,409        | 158,031        | 139,409        |  |
| Bridges  |       | 30/06/19                         | 30/06/19 | –                                     | –             | 59,619                                  | 48,105         | 59,619         | 48,105         |  |
| Footpaths  |       | 30/06/22                         | 30/06/22 | –                                     | –             | 1,714                                   | 1,583          | 1,714          | 1,583          |  |
| Bulk earthworks  |       | 30/06/19                         | 30/06/19 | –                                     | –             | 201,146                                 | 188,070        | 201,146        | 188,070        |  |
| Stormwater drainage  |       | 30/06/20                         | 30/06/20 | –                                     | –             | 33,907                                  | 31,311         | 33,907         | 31,311         |  |
| Other assets   |       | 30/06/20                         | 30/06/20 | –                                     | –             | 352                                     | 194            | 352            | 194            |  |
| Restoration assets   |       | 30/06/21                         | 30/06/21 | –                                     | –             | 8,046                                   | 7,509          | 8,046          | 7,509          |  |
| Plant and Equipment  |       | 30/06/20                         | 30/06/20 | 3,947                                 | 4,060         | –                                       | –              | 3,947          | 4,060          |  |
| Swimming pools   |       | 30/06/18                         | 30/06/18 | –                                     | –             | 408                                     | 281            | 408            | 281            |  |
| Open space / recreational assets                           |       | 30/06/18                         | 30/06/18 | –                                     | –             | 4,149                                   | 3,567          | 4,149          | 3,567          |  |
| <b>Total infrastructure, property, plant and equipment</b> |       |                                  |          | <b>15,950</b>                         | <b>13,283</b> | <b>497,454</b>                          | <b>440,786</b> | <b>513,404</b> | <b>454,069</b> |  |

## E2-1 Fair value measurement (continued)

### Valuation techniques

#### Current Replacement Costs (CRC)

Current Replacement Cost is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits.

#### Residual Value (RV)

The Residual Value of an asset is the estimated amount that would be obtained today from disposal of the asset after deducting the estimated costs of disposal.

#### Condition Assessment

Condition assessment of the various assets has been undertaken IPWEA guidelines and Council requirements using the skills of consultants, experienced engineering and operational staff. All assets, with the exception of unsealed roads, have been rated using a 1 to 5 rating system where a rating of 1 represents "as new" condition and a rating of 5 represents "very poor" condition requiring renewal of the asset. Unsealed Roads have been rated utilising a 1 to 3 rating system where a rating of 1 represents "as new" condition and a rating of 3 represents "very poor" condition requiring renewal of the asset.

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

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

### Infrastructure, property, plant and equipment (IPPE)

#### Plant & equipment, office equipment and furniture & fittings

Plant & equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. The purchase cost of these assets is taken as their fair value. There has been no change in the valuation process during the period.

#### Operational land

The valuation of Council's operational land was undertaken as at 30 June 2018 by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL,P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609).

The land value has been assessed by direct comparison on a rate per square metre, and has been valued in accordance with the Dungog Shire Council Draft LEP 2013. The valuations were based on the Draft LEP 2013 as the "market place" would also have due regard to the proposed zoning. Sale prices of comparable land parcels were considered where appropriate. The most significant unobservable input into the valuation of operational land is the price per square metre. These assets have been classified as using Level 2 valuation inputs due to the professional judgement required and valued using the Market Approach – the approach uses prices generated by market transactions involving identical or similar assets. There have been no changes in the valuation process during the period.

#### Community Land

Land values based on the 2021 valuation made by the Valuer-General were used to value Council's community land, where the Valuer-General did not provide a land value, an average unit rate based on similar properties was used taking into regard the highest or best use for the land. As these rates are not considered to be observable market evidence they have been classified as Level 3 valuation inputs. There has been no change in the valuation process during the period.

#### Buildings

Council's buildings were valued using the summation (cost) approach by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL, P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609) as at 30 June 2018.

Having regard to the specialised nature of the majority of the improvements, Council's buildings were valued by the summation approach, whereby the depreciated replacement cost of the improvements is added to the land value.

The replacement cost of each building was estimated taking into account different components within the building, their use and useful lives. The unit rate could be supported by market evidence making it a level 2 input, however, inputs such as estimates of residual use, and patterns of consumption required significant professional judgement and impact significantly on the final determination of fair value. As such, these assets have been valued using Level 3 unobservable inputs. There have been no changes in the valuation process during the period.

## E2-1 Fair value measurement (continued)

### Roads

The valuation of the Council's Road assets was carried out as of 30 June 2019. This was completed by a third-party Information Management Group (IMG) and Council engineers.

Roads have been classified into regional, rural local sealed, rural local unsealed, urban local sealed and urban local unsealed roads categories for condition rating and valuation purposes.

### Sealed Roads - All

Data collection - data collection for sealed roads was undertaken by external consultants utilising video and in-vehicle roughness count technologies. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - road assets have been componentised in accordance with required guidelines. Sealed roads have been broken down into three (3) components being earthworks (non-depreciable), pavement and seal. The pavement and seal have been separated due to different life expectations for these two components. Costs are based upon existing road dimensions.

Condition - condition assessment was undertaken by external consultants utilising video and in-vehicle roughness count technologies. The roads have been segmented and the pavement condition information detailed for each segment. Condition indicators were collected as follows:-

- Regional Roads:-
  - o Roughness - NAASRA standards used
  - o Pavement defects - by area
  - o Surface defects - by area
  - o Cracking - all cracking types recorded by area
- Local Sealed Roads (Rural and Urban):-
  - o Pavement defects - by area
  - o Surface defects - by area
  - o Cracking - all cracking types recorded by area

From the above condition indicators, a 1 to 5 rating system was utilised to identify the condition of the asset.

Percentage life remaining - the rating of the road was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

| Rating | Factor applied | Percentage Depreciated | % Life Remaining |
|--------|----------------|------------------------|------------------|
| 1      | 0              | 0 %                    | 100 %            |
| 2      | 4              | 16 %                   | 84 %             |
| 3      | 9              | 36 %                   | 64 %             |
| 4      | 16             | 64 %                   | 36 %             |
| 5      | 25             | 100 %                  | 0 %              |

Useful life - traffic volumes and geographical location play little part in the life of a road asset as it is assumed that the asset was designed for the traffic loadings to be carried. Useful lives have therefore been determined based upon experience, observed lives of assets and industry standards as follows:

- Earthworks - no useful life has been applied as earthworks do not depreciate over time.
- Pavement - the useful life of a sealed pavement was adopted as 60 years based upon the following:
  - 0 year - Year of construction
  - 15 years - Reseal
  - 30 years - Rehabilitation
  - 45 years - Reseal
  - 60 years - Full reconstruction
- Seal - The useful life of the seal was based on 20 years as per industry standard;

Current Replacement Cost (CRC) - the CRC has been determined as follows:

- Earthworks - CRC is based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today's dollars;

## E2-1 Fair value measurement (continued)

- Pavement - CRC has been based upon the cost to rehabilitate these roads utilising the average of three (3) recent projects undertaken by Council;
  - Seal - CRC has been based upon current contracted sealing costs through Dungog Shire Council's involvement with the regional procurement tenders.
- Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of sealed roads, it was determined that the following residual values apply:
- Earthworks - have an indefinite life/residual value and will therefore not be depreciated;
  - Pavements - whilst pavements may have some residual value in terms of the possibility of the in-situ material being re-used in the rehabilitation of the pavement. It has, however, been determined that existing pavements would need to be treated (stabilised) or replaced at the end of their useful lives and the cost of such would more or less negate the value of that pavement component. Therefore, the residual value has been determined to have no material value in the calculation of depreciation;
  - Seals - These have no financial implications on the application of the next seal. Therefore there is no residual value.

Depreciation - all sealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Unsealed Roads - All

Data collection - data collection for sealed roads was undertaken by external consultants utilising video and in-vehicle roughness count technologies. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - the road asset has been componentised in accordance with required guidelines. As there is no "surface" on unsealed roads, the unsealed road asset has been broken down into two (2) components being earthworks (non-depreciable) and pavement. Costs are based upon existing road dimensions.

Condition - The roads have been segmented and assessment undertaken by experienced Council engineering and operational staff. As the surface condition of unsealed roads is highly changeable due to weather and climatic conditions, the condition was then based upon the depth of gravel on individual sections. From these indicators, a 1 to 3 rating system was utilised to identify the condition of the asset.

Percentage life remaining - as the rating of the road was based upon depth of gravel and it is expected that this depth will deteriorate consistently over time, the percentage of life remaining was based upon a straight line depreciation model. This process may be reviewed for future revaluations.

Useful life - Useful lives have been determined based upon experience, observed lives of assets and industry standards as follows:

- Earthworks - no useful life has been applied as earthworks do not depreciate over time.
  - Pavement - the useful life of the unsealed pavement was adopted as 20 years based upon experience and observed lives of assets.
- Current Replacement Cost (CRC) - the CRC has been determined as follows:
- Earthworks - CRC has been based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today's dollars;
  - Pavement - CRC has been based upon the minimum gravel depths as determined by Council standards as set out in Council's "Road Strategy", normal Council practice and current costings for the construction of the pavement in today's dollars.

Residual values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of unsealed roads, it was determined that the following residual values apply:

- Earthworks - have an indefinite life/residual value and will therefore not be depreciated;
- Pavements - in the case of unsealed road pavements, full depreciation or end of useful life is determined when there is no residual gravel on the pavement. By definition, there is no material available to be re-used therefore there is no residual value for the determination of depreciation.



## E2-1 Fair value measurement (continued)

Depreciation - all unsealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Bridges

In accordance with the definitions used by the Grants Commission, a structure with an opening of greater than 6m in deck length is assessed as a bridge. Bridges have been broken down into timber structures (full or part timber construction) and non-timber structures (primarily concrete or concrete/steel structures) for condition rating and valuation purposes.

### Timber Bridges

Data collection - data collection for timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - timber bridge assets have been componentised into two (2) components being substructure and superstructure. The substructure and superstructure have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall bridge condition.

Percentage life remaining - the rating of the timber bridge was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

| Rating | Percentage Depreciated | % Life Remaining |
|--------|------------------------|------------------|
| 1      | 0 %                    | 100 %            |
| 2      | 16 %                   | 84 %             |
| 3      | 36 %                   | 64 %             |
| 4      | 64 %                   | 36 %             |
| 5      | 100 %                  | 0 %              |

Useful life - useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a timber bridge has been adopted as 50 years.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets and industry standards.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of timber bridges, there would be no residual components that would have any value in the replacement of the asset with a concrete structure. Therefore there is no residual value applied.

Depreciation - all timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Non-Timber Bridges

Data collection - data collection for non-timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - non-timber bridge assets have not been componentised any further than it being a single asset.

## E2-1 Fair value measurement (continued)

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage life remaining - as non-timber bridges deteriorate at a different rate to timber bridges, the following exponential decay curve was utilised to calculate the percentage of life remaining:

| Rating | Percentage Depreciated | % Life Remaining |
|--------|------------------------|------------------|
| 1      | 0 %                    | 100 %            |
| 2      | 16 %                   | 84 %             |
| 3      | 36 %                   | 64 %             |
| 4      | 64 %                   | 36 %             |
| 5      | 100 %                  | 0 %              |

Useful life - useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a non-timber bridge has been adopted as 80 years.

Current Replacement Cost (CRC) - the CRC has been determined based upon the Rawlinson's Australian Construction Handbook, recent bridge tenders received by Council and industry standards.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of non-timber bridges, there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all non-timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data limitations – inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

### Rural stormwater drainage & causeways

Drainage structures on the rural road network have been broken down into culvert structures and causeways.

#### Culvert Structures

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions. There is a limitation in the data due to only 23% of unsealed rural roads, 48% of sealed rural roads and 96% of regional roads stormwater network being inspected and the data from this applied across the entire rural stormwater network.

Componentisation - the culvert asset has been componentised into two (2) components being the culvert pipe or box section and the headwall component. These have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each structure. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall culvert structure condition.

Percentage life remaining - the rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

| Rating | Percentage Depreciated | % Life Remaining |
|--------|------------------------|------------------|
| 1      | 0 %                    | 100 %            |
| 2      | 16 %                   | 84 %             |
| 3      | 36 %                   | 64 %             |
| 4      | 64 %                   | 36 %             |
| 5      | 100 %                  | 0 %              |

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

## E2-1 Fair value measurement (continued)

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all concrete culvert structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Causeways

Data collection - data collection for causeways was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - the causeway asset has been componentised into two (2) components being the culvert pipe or box section (if existing) and the causeway component. These have been separated to allow for differential condition rating of these two components.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage life remaining - the rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:

| Rating | Percentage Depreciated | % Life Remaining |
|--------|------------------------|------------------|
| 1      | 0 %                    | 100 %            |
| 2      | 16 %                   | 84 %             |
| 3      | 36 %                   | 64 %             |
| 4      | 64 %                   | 36 %             |
| 5      | 100 %                  | 0 %              |

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete causeway structures, there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all causeway structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Urban stormwater drainage

Council's urban drainage assets were revalued for the financial year ended 30 June 2020 by Council's Engineering Department.

Data collection - data collection was undertaken via works as executed construction plans and checked via field observation by Council staff to determine dimensions and age.

Componentisation - the asset has been componentised into individual components within the asset class.

Condition - condition assessment was undertaken by age due to the high accuracy of construction plans, which are spot-checked via field observation by Council Engineering staff. Condition information was then derived for each structure. A 1 to 5 rating system was subsequently utilised to determine the condition of drainage structure.

Percentage life remaining - the rating of the asset was then utilised to determine the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets, industry standards and modelling per Dr. Peter Coombes.

Current Replacement Cost (CRC) - the CRC has been determined based upon experience, observed lives of assets, industry standards and NSW Reference Rate Manual 2014 with CPI adjustment.

## E2-1 Fair value measurement (continued)

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - all drainage structures have been assessed as to their condition based on age and field checks. The remaining life of the asset has then been determined based on that condition assessment. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Footpath, kerb & gutter and guardrail

Ancillary items on the road network have been broken down into footpaths, kerb & gutter and guardrail assets.

#### Footpaths and Kerb & Gutter

Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - footpaths, bike paths and kerb & gutter have been segmented to different locations and identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each asset. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the asset was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Whilst there may be a residual earthworks value, this would be negated by the cost to remove the existing fully depreciated asset. Therefore there is no residual value applied.

Depreciation - all of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

#### Guardrail

Data Collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - guardrail sections have been identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the guardrail was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of guardrail, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - all guardrail assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### Park assets (non-building) & other structures

## E2-1 Fair value measurement (continued)

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Data collection - data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - asset have been identified as individual assets.

Condition - condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage life remaining - the rating of the asset was then used to calculate the percentage of life remaining.

Useful life - useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - the CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual values - in practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - all of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

### **Landfill and quarry assets**

See note C3-5 for background and breakdown of these assets.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation of roadside quarries, battering of high walls, safety fencing and other associated restoration works.

There is extensive professional judgement which impacts significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there is uncertainty regarding the design, specification and dimensions of these assets.

Inputs include discount rates, cost escalation, cost timing and regulation changes.

## E2-1 Fair value measurement (continued)

### Fair value measurements using significant unobservable inputs (level 3)

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

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

|  | Valuation technique/s | Unobservable inputs  |
|--|-----------------------|--|
| <b>Infrastructure, property, plant and equipment</b> |                       |  |
| Building specialised                                 | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Other structures                                     | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Roads  | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Bridges  | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Bulk earthworks                                      | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Footpaths  | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Stormwater drainage                                  | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Other assets   | Cost approach         | <ul style="list-style-type: none"> <li>•Gross replacement cost</li> <li>•Asset condition</li> <li>•Remaining useful life</li> <li>•Residual value</li> </ul> |
| Restoration assets                                   | Cost approach         | Environmental legislation, timing of expected cash outflows, asset condition   |

## E2-1 Fair value measurement (continued)

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

| \$ '000                                     | Community Land |                  | Building specialised |        | Other structures |      | Roads          |         |
|---|----------------|------------------|----------------------|--------|------------------|------|----------------|---------|
|   | 2023           | 2022<br>Restated | 2023                 | 2022   | 2023             | 2022 | 2023           | 2022    |
| <b>Opening balance</b>                      | <b>5,430</b>   | 4,190            | <b>14,409</b>        | 7,811  | <b>918</b>       | 870  | <b>139,409</b> | 117,215 |
| <b>Total gains or losses for the period</b> |                |                  |                      |        |                  |      |                |         |
| <b>Other movements</b>                      |                |                  |                      |        |                  |      |                |         |
| Purchases (GBV)                             | 82             | 482              | 1,406                | 288    | 42               | –    | 6,189          | 6,077   |
| Disposals (WDV)                             | –              | –                | –                    | (12)   | –                | –    | (1,663)        | (484)   |
| Depreciation and impairment                 | –              | –                | (719)                | (583)  | (98)             | (56) | (3,196)        | (3,142) |
| Revaluation                                 | 4,894          | 758              | 3,203                | 4,889  | 142              | 104  | 13,445         | 18,793  |
| Transfer from WIP                           | –              | –                | 373                  | 2,016  | –                | –    | 3,847          | 950     |
| <b>Closing balance</b>                      | <b>10,406</b>  | 5,430            | <b>18,672</b>        | 14,409 | <b>1,004</b>     | 918  | <b>158,031</b> | 139,409 |

| \$ '000                                     | Bridges       |        | Bulk earthworks |         | Footpaths    |       | Stormwater drainage |        |
|---|---------------|--------|-----------------|---------|--------------|-------|---------------------|--------|
|   | 2023          | 2022   | 2023            | 2022    | 2023         | 2022  | 2023                | 2022   |
| <b>Opening balance</b>                      | <b>48,105</b> | 41,723 | <b>188,070</b>  | 170,666 | <b>1,583</b> | 1,020 | <b>31,311</b>       | 27,023 |
| <b>Total gains or losses for the period</b> |               |        |                 |         |              |       |                     |        |
| <b>Other movements</b>                      |               |        |                 |         |              |       |                     |        |
| Purchases (GBV)                             | 5,708         | 1,384  | 1,408           | 913     | –            | 59    | 314                 | 915    |
| Disposals (WDV)                             | (870)         | (174)  | –               | –       | –            | –     | –                   | –      |
| Depreciation and impairment                 | (963)         | (619)  | –               | –       | (34)         | (34)  | (516)               | (458)  |
| Revaluation                                 | 4,759         | 5,760  | 11,105          | 16,128  | 165          | 538   | 2,180               | 3,616  |
| Transfer from WIP                           | 2,880         | 31     | 563             | 363     | –            | –     | 618                 | 215    |
| <b>Closing balance</b>                      | <b>59,619</b> | 48,105 | <b>201,146</b>  | 188,070 | <b>1,714</b> | 1,583 | <b>33,907</b>       | 31,311 |

| \$ '000                                     | Other assets |      | Restoration assets |       | Swimming pools |      | open space / recreational assets |       |
|---|--------------|------|--------------------|-------|----------------|------|----------------------------------|-------|
|   | 2023         | 2022 | 2023               | 2022  | 2023           | 2022 | 2023                             | 2022  |
| <b>Opening balance</b>                      | <b>194</b>   | 161  | <b>7,509</b>       | 4,432 | <b>281</b>     | 171  | <b>3,567</b>                     | 2,428 |
| <b>Total gains or losses for the period</b> |              |      |                    |       |                |      |                                  |       |
| <b>Other movements</b>                      |              |      |                    |       |                |      |                                  |       |
| Purchases (GBV)                             | 215          | 72   | –                  | –     | 9              | 6    | 385                              | 313   |
| Disposals (WDV)                             | –            | –    | –                  | –     | –              | –    | (16)                             | –     |
| Depreciation and impairment                 | (57)         | (39) | (559)              | (324) | (81)           | (30) | (474)                            | (387) |
| Revaluation                                 | –            | –    | 1,096              | 3,401 | 199            | 134  | 654                              | 401   |
| Transfer from WIP                           | –            | –    | –                  | –     | –              | –    | 33                               | 812   |
| <b>Closing balance</b>                      | <b>352</b>   | 194  | <b>8,046</b>       | 7,509 | <b>408</b>     | 281  | <b>4,149</b>                     | 3,567 |

## E2-1 Fair value measurement (continued)

| \$ '000                     | Total          |                  |
|-----------------------------|----------------|------------------|
|                             | 2023           | 2022<br>Restated |
| <b>Opening balance</b>      | <b>440,786</b> | <b>377,710</b>   |
| Purchases (GBV)             | 15,758         | 10,509           |
| Disposals (WDV)             | (2,549)        | (670)            |
| Depreciation and impairment | (6,697)        | (5,672)          |
| Revaluation                 | 41,842         | 54,522           |
| Transfer from WIP           | 8,314          | 4,387            |
| <b>Closing balance</b>      | <b>497,454</b> | <b>440,786</b>   |

### 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;<br>Nil for 180 Point Members* |
| Division C | 2.5% salaries   |
| Division D | 1.64 times member contributions   |

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million for 1 January 2020 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 Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding 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 \$40,226.48. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$32,562. Council's expected contribution to the plan for the next annual reporting period is \$46,244.76.

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 other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 0.18%.

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<br>2.5% per annum thereafter |

\* 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 Fund's 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)

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### 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.

### 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         |
|--------------------------|--------------|--------------|
| <b>Compensation:</b>     |              |              |
| Short-term benefits      | 958          | 1,056        |
| Post-employment benefits | 92           | 107          |
| Termination benefits     | 169          | –            |
| <b>Total</b>             | <b>1,219</b> | <b>1,163</b> |

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

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

| Nature of the transaction      | Transactions during the year | Outstanding balances including commitments | Terms and conditions | Impairment provision on outstanding balances | Impairment expense |
|--------------------------------|------------------------------|--|----------------------|--|--------------------|
| \$ '000                        |                              |  |                      |  |                    |
| 2022                           |                              |  |                      |  |                    |
| Concrete products <sup>1</sup> | 83                           | –  |                      | –  | –                  |

(1) Council purchased concrete and associated products during the year from two companies that had close family members of Dungog Shire Council's KMP as key owners. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement processes.

## 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  | 16         | 16         |
| Councillors' fees  | 79         | 70         |
| Other Councillors' expenses (including Mayor)  | 20         | 25         |
| <b>Total</b>   | <b>115</b> | <b>111</b> |

## F2 Other relationships

### F2-1 Audit fees

| \$ '000 | 2023 | 2022 |
|---------|------|------|
|---------|------|------|

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

#### Auditors of the Council - NSW Auditor-General:

##### (i) Audit and other assurance services

|   |            |           |
|---|------------|-----------|
| Audit and review of financial statements - Financial year end of 30 June 2023 | 110        | -         |
| Audit and review of financial statements - Financial year end of 30 June 2022 | 30         | 60        |
| <b>Remuneration for audit and other assurance services</b>                    | <b>140</b> | <b>60</b> |
| <b>Total Auditor-General remuneration</b>                                     | <b>140</b> | <b>60</b> |
| <b>Total audit fees</b>   | <b>140</b> | <b>60</b> |

## G Other matters

### G1-1 Statement of Cash Flows information

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

| \$ '000  | 2023          | 2022<br>Restated |
|--|---------------|------------------|
| <b>Net operating result from Income Statement</b>                          | <b>13,350</b> | 12,390           |
| <b>Add / (less) non-cash items:</b>  |               |                  |
| Depreciation and amortisation  | 7,262         | 6,134            |
| (Gain) / loss on disposal of assets  | 2,509         | 203              |
| Losses/(gains) recognised on fair value re-measurements through the P&L:   |               |                  |
| – Rehabilitation provision decrement                                       | –             | (919)            |
| Unwinding of discount rates on reinstatement provisions                    | 377           | 486              |
| <b>Movements in operating assets and liabilities and other cash items:</b> |               |                  |
| (Increase) / decrease of receivables                                       | 73            | 607              |
| Increase / (decrease) in provision for impairment of receivables           | (76)          | 7                |
| (Increase) / decrease of inventories                                       | (209)         | (3)              |
| (Increase) / decrease of other current assets                              | (215)         | (20)             |
| (Increase) / decrease of contract asset                                    | (617)         | (1,612)          |
| Increase / (decrease) in payables  | (391)         | 344              |
| Increase / (decrease) in accrued interest payable                          | 2             | (4)              |
| Increase / (decrease) in other accrued expenses payable                    | 218           | (330)            |
| Increase / (decrease) in other liabilities                                 | 318           | 238              |
| Increase / (decrease) in contract liabilities                              | (2,740)       | 2,147            |
| Increase / (decrease) in employee benefit provision                        | 86            | (324)            |
| Increase / (decrease) in other provisions                                  | 2,255         | 4,806            |
| <b>Net cash flows from operating activities</b>                            | <b>22,202</b> | <b>24,150</b>    |

## G2-1 Commitments

### Capital commitments (exclusive of GST)

| \$ '000  | 2023         | 2022         |
|--|--------------|--------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |              |              |
| <b>Property, plant and equipment</b>   |              |              |
| Other  | 5,838        | 2,835        |
| <b>Total commitments</b>   | <b>5,838</b> | <b>2,835</b> |
| <b>These expenditures are payable as follows:</b>  |              |              |
| Within the next year   | 5,838        | 2,835        |
| <b>Total payable</b>   | <b>5,838</b> | <b>2,835</b> |
| <b>Sources for funding of capital commitments:</b>   |              |              |
| Unrestricted general funds   | 393          | 236          |
| Future grants and contributions  | 5,445        | 2,599        |
| <b>Total sources of funding</b>  | <b>5,838</b> | <b>2,835</b> |

### Details of capital commitments

Major projects that Council has material commitments for at 30 June 2023 and anticipated to be spent during 2023-2024 include:

- Bridgeworks - Dusodie Bridge
- Bridgeworks - Mates Creek Bridge
- Bridgeworks - Weldon Rumbel's Bridge
- Bridgeworks - Jordan's Bridge
- Bridgeworks - Reeves Bridge
- Bridgeworks - Ashards Bridge
- Bridgeworks - Packham's Bridge
- Bridgeworks - Hick's Bridge
- Bridgeworks - Osmonds Bridge
- Bridgeworks - Kingfisher Creek Bridge



## G3-1 Events occurring after the reporting date

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

## G4 Changes from prior year statements

### G4-1 Correction of errors

Prior period errors have been identified during the years ended 30 June 2021 and 30 June 2022 relating to revenue recognition surrounding grant funding and also the treatment of the cost of an asset acquisition as operating expenditure.

In 2021 grant income was not correctly recognised according to the satisfactory completion of performance obligations under grant agreements which resulted in an understatement of grant income of \$0.32m. Contract assets were understated by \$0.85m and contract liabilities by \$0.53m.

In 2022 grant income was not correctly recognised according to the satisfactory completion of performance obligations under grant agreements which resulted in an understatement of grant income of \$2.16m. Contract assets were understated by \$1.43m and contract liabilities overstated by \$1.05m, of which \$0.32m related to the acquisition of a property asset, as described below.

Council also incorrectly recognised the cost of the acquisition of a property asset in 2022 as an operating expense. This resulted in an overstatement of operating expenditure of \$0.482m and an understatement of infrastructure assets of the same amount.

The errors identified above have been corrected by:

- restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to accumulated surplus at that date, for prior period errors relating to revenue recognition surrounding grant funding
- restating the balances for the year ended 30 June 2022, for the prior period error relating to the asset acquisition.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

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

#### Statement of Financial Position

| \$ '000                          | Original<br>Balance<br>1 July, 2021 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>1 July, 2021 |
|----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Contract assets                  | 270                                 | 851                               | 1,121                               |
| <b>Total current assets</b>      | <b>22,779</b>                       | <b>851</b>                        | <b>23,630</b>                       |
| <b>Total assets</b>              | <b>421,870</b>                      | <b>851</b>                        | <b>422,721</b>                      |
| Contract liabilities             | 5,228                               | 530                               | 5,758                               |
| <b>Total current liabilities</b> | <b>11,255</b>                       | <b>530</b>                        | <b>11,785</b>                       |
| <b>Total liabilities</b>         | <b>37,635</b>                       | <b>530</b>                        | <b>38,165</b>                       |
| <b>Net assets</b>                | <b>384,235</b>                      | <b>321</b>                        | <b>384,556</b>                      |
| Accumulated surplus              | 129,135                             | 321                               | 129,456                             |
| <b>Total equity</b>              | <b>384,235</b>                      | <b>321</b>                        | <b>384,556</b>                      |

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

#### Statement of Financial Position

| \$ '000         | Original<br>Balance<br>30 June, 2022 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2022 |
|-----------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Contract assets | 1,304                                | 1,428                             | 2,732                                |

## G4-1 Correction of errors (continued)

| \$ '000                                   | Original<br>Balance<br>30 June, 2022 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2022 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| <b>Total current assets</b>               | 27,414                               | 1,428                             | 28,842                               |
| Infrastructure property plant & equipment | 466,114                              | 482                               | 466,596                              |
| <b>Total non-current assets</b>           | 466,915                              | 482                               | 467,397                              |
| <b>Total assets</b>                       | <b>494,329</b>                       | <b>1,910</b>                      | <b>496,239</b>                       |
| Contract liabilities                      | 10,819                               | (1,049)                           | 9,770                                |
| <b>Total current liabilities</b>          | 16,514                               | (1,049)                           | 15,465                               |
| <b>Total liabilities</b>                  | <b>47,715</b>                        | <b>(1,049)</b>                    | <b>46,666</b>                        |
| <b>Net assets</b>                         | 446,614                              | 2,959                             | 449,573                              |
| Accumulated surplus                       | 138,887                              | 2,959                             | 141,846                              |
| <b>Total equity</b>                       | <b>446,614</b>                       | <b>2,959</b>                      | <b>449,573</b>                       |

## Income Statement

| \$ '000   | Original<br>Balance<br>30 June, 2022 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2022 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Grants and contributions provided for capital purposes  | 14,484                               | 2,156                             | 16,640                               |
| <b>Total income from continuing operations</b>  | <b>33,802</b>                        | <b>2,156</b>                      | <b>35,958</b>                        |
| Materials & services  | 10,562                               | (482)                             | 10,080                               |
| <b>Total expenses from continuing operations</b>  | <b>24,050</b>                        | <b>(482)</b>                      | <b>23,568</b>                        |
| <b>Net operating result for the year</b>  | <b>9,752</b>                         | <b>2,638</b>                      | <b>12,390</b>                        |
| Net operating result for the year before grants and contributions provided for capital purposes | (4,732)                              | 482                               | (4,250)                              |

## Statement of Comprehensive Income

| \$ '000  | Original<br>Balance<br>30 June, 2022 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2022 |
|--|--------------------------------------|-----------------------------------|--------------------------------------|
| <b>Net operating result for the year</b>                               | <b>9,752</b>                         | <b>2,638</b>                      | <b>12,390</b>                        |
| <b>Total comprehensive income for the year attributable to Council</b> | <b>62,379</b>                        | <b>2,638</b>                      | <b>65,017</b>                        |

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

### G5-1 Summary of developer contributions

| \$ '000  | Opening balance at 1 July 2022 | Contributions received during the year |               |                | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------|--|---------------|----------------|---------------------------------------|------------------|---------------------|--|---|
|  |                                | Cash                                   | Non-cash Land | Non-cash Other |                                       |                  |                     |  |   |
| Roads  | 388                            | -                                      | -             | -              | 13                                    | -                | -                   | 401                                      | -   |
| Traffic facilities                               | 7                              | -                                      | -             | -              | -                                     | -                | -                   | 7  | -   |
| Open space                                       | 5,543                          | -                                      | -             | -              | 192                                   | (322)            | -                   | 5,413                                    | -   |
| Community facilities                             | 139                            | -                                      | -             | -              | 5                                     | -                | -                   | 144                                      | -   |
| Other  | 1,297                          | 841                                    | -             | -              | 59                                    | (540)            | -                   | 1,657                                    | -   |
| Bushfire   | 52                             | -                                      | -             | -              | 2                                     | -                | -                   | 54                                       | -   |
| <b>S7.11 contributions – under a plan</b>        | <b>7,426</b>                   | <b>841</b>                             | <b>-</b>      | <b>-</b>       | <b>271</b>                            | <b>(862)</b>     | <b>-</b>            | <b>7,676</b>                             | <b>-</b>  |
| <b>Total S7.11 and S7.12 revenue under plans</b> | <b>7,426</b>                   | <b>841</b>                             | <b>-</b>      | <b>-</b>       | <b>271</b>                            | <b>(862)</b>     | <b>-</b>            | <b>7,676</b>                             | <b>-</b>  |
| S7.11 not under plans                            | 124                            | 136                                    | -             | -              | 9                                     | -                | -                   | 269                                      | -   |
| <b>Total contributions</b>                       | <b>7,550</b>                   | <b>977</b>                             | <b>-</b>      | <b>-</b>       | <b>280</b>                            | <b>(862)</b>     | <b>-</b>            | <b>7,945</b>                             | <b>-</b>  |

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

## G5-2 Developer contributions by plan

| \$ '000                           | Opening balance at 1 July 2022 | Contributions received during the year |               |                |           | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|-----------------------------------|--------------------------------|--|---------------|----------------|-----------|---------------------------------------|------------------|---------------------|--|---|
|                                   |                                | Cash                                   | Non-cash Land | Non-cash Other |           |                                       |                  |                     |  |   |
| <b>CONTRIBUTION PLAN NUMBER 2</b> |                                |  |               |                |           |                                       |                  |                     |  |   |
| Roads                             | 11                             | -                                      | -             | -              | -         | -                                     | -                | -                   | 11                                       | -   |
| Traffic facilities                | 7                              | -                                      | -             | -              | -         | -                                     | -                | -                   | 7  | -   |
| Open space                        | 18                             | -                                      | -             | -              | 1         | -                                     | -                | -                   | 19                                       | -   |
| Community facilities              | 33                             | -                                      | -             | -              | 1         | -                                     | -                | -                   | 34                                       | -   |
| Bushfire                          | 22                             | -                                      | -             | -              | 1         | -                                     | -                | -                   | 23                                       | -   |
| <b>Total</b>                      | <b>91</b>                      | <b>-</b>                               | <b>-</b>      | <b>-</b>       | <b>3</b>  | <b>-</b>                              | <b>-</b>         | <b>-</b>            | <b>94</b>                                | <b>-</b>  |
| <b>CONTRIBUTION PLAN NUMBER 3</b> |                                |  |               |                |           |                                       |                  |                     |  |   |
| Roads                             | 377                            | -                                      | -             | -              | 13        | -                                     | -                | -                   | 390                                      | -   |
| Open space                        | 31                             | -                                      | -             | -              | -         | -                                     | -                | -                   | 31                                       | -   |
| Community facilities              | 106                            | -                                      | -             | -              | 4         | -                                     | -                | -                   | 110                                      | -   |
| Bushfire                          | 30                             | -                                      | -             | -              | 1         | -                                     | -                | -                   | 31                                       | -   |
| Other                             | 2                              | -                                      | -             | -              | -         | -                                     | -                | -                   | 2  | -   |
| <b>Total</b>                      | <b>546</b>                     | <b>-</b>                               | <b>-</b>      | <b>-</b>       | <b>18</b> | <b>-</b>                              | <b>-</b>         | <b>-</b>            | <b>564</b>                               | <b>-</b>  |

## G5-2 Developer contributions by plan (continued)

| \$ '000                           | Opening balance at 1 July 2022 | Contributions received during the year |               |                |            | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2023 | Cumulative balance of internal borrowings (to)/from |
|-----------------------------------|--------------------------------|--|---------------|----------------|------------|---------------------------------------|------------------|---------------------|--|---|
|                                   |                                | Cash                                   | Non-cash Land | Non-cash Other |            |                                       |                  |                     |  |   |
| <b>CONTRIBUTION PLAN NUMBER 4</b> |                                |  |               |                |            |                                       |                  |                     |  |   |
| Other                             | 196                            | -                                      | -             | -              | 8          | -                                     | -                | 204                 | -  |   |
| Sports fields                     | 1,720                          | -                                      | -             | -              | 59         | (102)                                 | -                | 1,677               | -  |   |
| Parklands                         | 83                             | -                                      | -             | -              | 3          | -                                     | -                | 86                  | -  |   |
| Swimming pools                    | 447                            | -                                      | -             | -              | 17         | -                                     | -                | 464                 | -  |   |
| Indoor sports                     | 465                            | -                                      | -             | -              | 17         | -                                     | -                | 482                 | -  |   |
| Local community centre            | 164                            | -                                      | -             | -              | 6          | -                                     | -                | 170                 | -  |   |
| District community centre         | 113                            | -                                      | -             | -              | 4          | -                                     | -                | 117                 | -  |   |
| Youth venue                       | 86                             | -                                      | -             | -              | 3          | -                                     | -                | 89                  | -  |   |
| Arts and crafts centre            | 24                             | -                                      | -             | -              | 1          | -                                     | -                | 25                  | -  |   |
| Aged facilities                   | 80                             | -                                      | -             | -              | 3          | -                                     | -                | 83                  | -  |   |
| Library                           | 249                            | -                                      | -             | -              | 1          | (220)                                 | -                | 30                  | -  |   |
| Pre school                        | 305                            | -                                      | -             | -              | 11         | -                                     | -                | 316                 | -  |   |
| Rural sub-arterial roads          | 287                            | -                                      | -             | -              | 11         | -                                     | -                | 298                 | -  |   |
| Rural local roads                 | 406                            | -                                      | -             | -              | 15         | -                                     | -                | 421                 | -  |   |
| Traffic management                | 34                             | -                                      | -             | -              | 1          | -                                     | -                | 35                  | -  |   |
| Bikeways facilities               | 93                             | -                                      | -             | -              | 4          | -                                     | -                | 97                  | -  |   |
| Fire service                      | 481                            | -                                      | -             | -              | 18         | -                                     | -                | 499                 | -  |   |
| Section 94 administration         | 252                            | -                                      | -             | -              | 9          | -                                     | -                | 261                 | -  |   |
| Unsealed roads and bridges        | 9                              | -                                      | -             | -              | -          | -                                     | -                | 9                   | -  |   |
| <b>Total</b>                      | <b>5,494</b>                   | <b>-</b>                               | <b>-</b>      | <b>-</b>       | <b>191</b> | <b>(322)</b>                          | <b>-</b>         | <b>5,363</b>        | <b>-</b>                                 |   |
| <b>CONTRIBUTION PLAN NUMBER 5</b> |                                |  |               |                |            |                                       |                  |                     |  |   |
| Roads                             | 976                            | 661                                    | -             | -              | 49         | (290)                                 | -                | 1,396               | -  |   |
| Open space                        | 290                            | 167                                    | -             | -              | 8          | (250)                                 | -                | 215                 | -  |   |
| Other                             | 29                             | 13                                     | -             | -              | 2          | -                                     | -                | 44                  | -  |   |
| <b>Total</b>                      | <b>1,295</b>                   | <b>841</b>                             | <b>-</b>      | <b>-</b>       | <b>59</b>  | <b>(540)</b>                          | <b>-</b>         | <b>1,655</b>        | <b>-</b>                                 |   |

## G5-3 Contributions not under plans

| \$ '000                                       | Opening<br>balance at<br>1 July 2022 | Contributions received during the year |                  |                   |          | Interest and<br>investment<br>income earned | Amounts<br>expended | Internal<br>borrowings | Held as<br>restricted<br>asset at 30 June 2023 | Cumulative<br>balance of internal<br>borrowings<br>(to)/from |
|---|--------------------------------------|--|------------------|-------------------|----------|---|---------------------|------------------------|--|--|
|   |                                      | Cash                                   | Non-cash<br>Land | Non-cash<br>Other |          |   |                     |                        |  |  |
| <b>S7.11 CONTRIBUTIONS – NOT UNDER A PLAN</b> |                                      |  |                  |                   |          |   |                     |                        |  |  |
| Roads   | 115                                  | 136                                    | –                | –                 | 9        | –   | –                   | 260                    | –  |  |
| Open space                                    | 9                                    | –                                      | –                | –                 | –        | –   | –                   | 9                      | –  |  |
| <b>Total</b>                                  | <b>124</b>                           | <b>136</b>                             | <b>–</b>         | <b>–</b>          | <b>9</b> | <b>–</b>                                    | <b>–</b>            | <b>269</b>             | <b>–</b>                                       |  |

## G6 Statement of performance measures

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

| \$ '000  | Amounts        | Indicator           | Indicators       |                  | Benchmark     |
|--|----------------|---------------------|------------------|------------------|---------------|
|  | 2023           | 2023                | Restated<br>2022 | Restated<br>2021 |               |
| <b>1. Operating performance ratio</b>  |                |                     |                  |                  |               |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>(6,142)</b> | <b>(25.16)%</b>     | (20.95)%         | (9.23)%          | > 0.00%       |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>24,410</b>  |                     |                  |                  |               |
| <b>2. Own source operating revenue ratio</b>   |                |                     |                  |                  |               |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>14,831</b>  | <b>31.99%</b>       | 35.34%           | 47.66%           | > 60.00%      |
| Total continuing operating revenue <sup>1</sup>  | <b>46,364</b>  |                     |                  |                  |               |
| <b>3. Unrestricted current ratio</b>   |                |                     |                  |                  |               |
| Current assets less all external restrictions  | <b>10,589</b>  | <b>2.06x</b>        | 2.13x            | 4.68x            | > 1.50x       |
| Current liabilities less specific purpose liabilities  | <b>5,137</b>   |                     |                  |                  |               |
| <b>4. Debt service cover ratio</b>   |                |                     |                  |                  |               |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>1,618</b>   | <b>2.16x</b>        | 3.17x            | 3.00x            | > 2.00x       |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <b>748</b>     |                     |                  |                  |               |
| <b>5. Rates and annual charges outstanding percentage</b>  |                |                     |                  |                  |               |
| Rates and annual charges outstanding   | <b>882</b>     | <b>7.25%</b>        | 6.91%            | 6.22%            | < 10.00%      |
| Rates and annual charges collectable   | <b>12,159</b>  |                     |                  |                  |               |
| <b>6. Cash expense cover ratio</b>   |                |                     |                  |                  |               |
| Current year's cash and cash equivalents plus all term deposits  | <b>21,005</b>  | <b>11.33 months</b> | 16.47 months     | 17.45 months     | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities  | <b>1,854</b>   |                     |                  |                  |               |

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

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

End of the audited financial statements

## H Additional Council disclosures (unaudited)

### H1-1 Council information and contact details

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**Principal place of business:**

198 Dowling Street  
Dungog NSW 2420

**Contact details**

**Mailing Address:**

PO Box 95  
Dungog NSW 2420

**Telephone:** 02 4995 7777

**Facsimile:** 02 4995 7750

**Opening hours:**

8:45am - 4:30pm  
Monday to Friday

**Internet:** [www.dungog.nsw.gov.au](http://www.dungog.nsw.gov.au)

**Email:** [shirecouncil@dungog.nsw.gov.au](mailto:shirecouncil@dungog.nsw.gov.au)

**Officers**

**General Manager**

Gareth Curtis

**Responsible Accounting Officer**

Shaun Chandler

**Auditors**

Auditor General NSW

**Elected members**

**Mayor**

John Connors

**Other information**

**ABN:** 62 610 350 256





## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Dungog Shire Council

To the Councillors of Dungog Shire Council

### Qualified Opinion

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

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

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

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

### Basis for Qualified Opinion

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

As disclosed in Note C1-7 '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 15 September 2009
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

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

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 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 Schedule - Permissible income for general rates.

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Lawrissa Chan  
Delegate of the Auditor-General for New South Wales

9 February 2024  
SYDNEY



Councillor John Connors  
Mayor  
Dungog Shire Council  
PO Box 95  
DUNGOG NSW 2420

Contact: Lawrissa Chan  
Phone no: 02 9275 7255  
Our ref: R008-16585809-44701

9 February 2024

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Dungog 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 an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 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 15 September 2009
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

## **Control deficiencies identified in Council's Information Technology (IT) and Cyber Security environment**

Our review of Council's IT environment identify the following deficiencies:

- lack of review of user access logs (including privileged access)
- password parameters not meeting best practice complexity requirements
- absence of IT risk register
- lack of policies covering IT security, change management and user access and monitoring.

We also identified deficiencies relating to council's cyber security framework, policies and procedures.

## **Lack of segregation of duties over the processing of manual journals**





Manual journals can be prepared and posted to the system by the same employee without an independent review.

## **Quality and timeliness of financial reporting**

The quality of work papers supporting the financial statements requires substantial improvement. Key work papers for multiple areas of the financial statements did not initially reconcile to the financial statements, which significantly delayed the audit. There were numerous misstatements, including two prior period errors and disclosure changes made to the financial statements. This has been an on-going audit issue since 2019–20.

## INCOME STATEMENT

### Operating result

|  | 2023  | 2022* | Variance  |
|--|-------|-------|---|
|  | \$m   | \$m   | %   |
| Rates and annual charges revenue                             | 11.4  | 10.3  |  10.7  |
| Grants and contributions revenue                             | 31.5  | 23.3  |  35.2  |
| Operating result from continuing operations                  | 13.4  | 12.4  |  8.1   |
| Net operating result before capital grants and contributions | (8.6) | (4.3) |  100.0 |

\* The 2022 comparatives have been restated to correct a prior period error relating to revenue recognition surrounding grant funding and also the incorrect treatment of the cost of an asset acquisition as operating expenditure. Note G4 of the financial statements provides details of the prior period error.

Rates and annual charges revenue (\$11.4 million) increased by \$1.1 million (10.7 per cent) in 2022–23 due to Council's approved special rate variation of 10 per cent.

Grants and contributions revenue (\$31.5 million) increased by \$8.2 million (35.2 per cent) in 2022–23 due to revenue from transport (other roads and bridges) funding of \$2.3 million and transport for NSW contributions (regional roads, block grant) of \$2.8 million.

The Council's operating result from continuing operations (\$13.4 million including depreciation, amortisation and impairment expense of \$7.3 million) was \$1.0 million higher than the 2021–22 result. This was mainly due to an increase in grants and contributions.

The net operating result before capital grants and contributions (deficit of \$8.6 million) was \$4.3 million lower than the 2021–22 result. This was mainly due to the increase in materials and services expenditure.

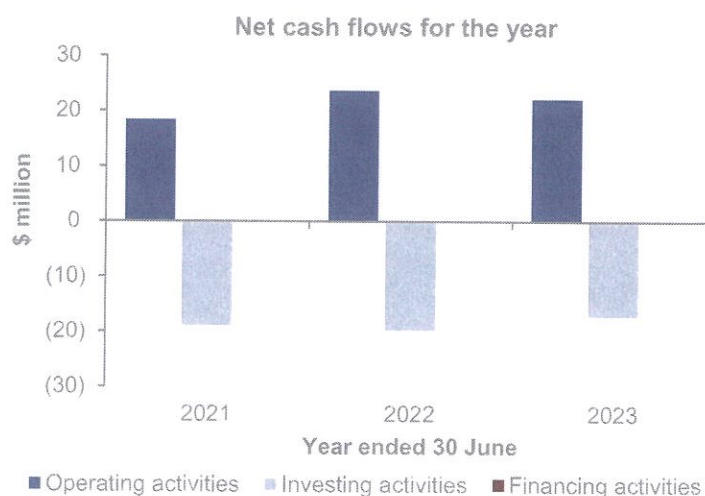
## STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of council during the year.

Council's cash and cash equivalents at 30 June 2023 was \$11.0 million (2022: \$6.2 million).

Net cashflows from operating and financing activities have remained steady compared with the prior year.

Net cashflows used in investing activities has decreased by \$2.6 million as there were no purchases of investments in 2022–23.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments   | 2023        | 2022        | Commentary   |
|--|-------------|-------------|--|
|  | \$m         | \$m         |  |
| <b>Total cash, cash equivalents and investments</b>              | <b>21.8</b> | <b>24.5</b> | Externally restricted balances comprise mainly of developer contributions and specific purpose unexpended grants. The decrease in externally restricted funds is due to a reduction in specific purpose unexpended grants. |
| Restricted and allocated cash, cash equivalents and investments: |             |             | Internal allocations are determined by council policies or decisions, which are subject to change. The increase in internal allocations is mainly due to special projects.   |
| • External restrictions  | 16.5        | 18.5        |  |
| • Internal allocations   | 12.5        | 4.4         |  |

### Debt

At 30 June 2023, Council had \$3.9 million in secured loans (\$4.1 million in 2021–22).

Council has an accumulated drawdown facility limit of \$0.085 million as at 30 June 2023 (2022: \$0.085 million). As at 30 June 2023, \$0.070 million of the total facility remains unutilised.



# PERFORMANCE

## Performance measures

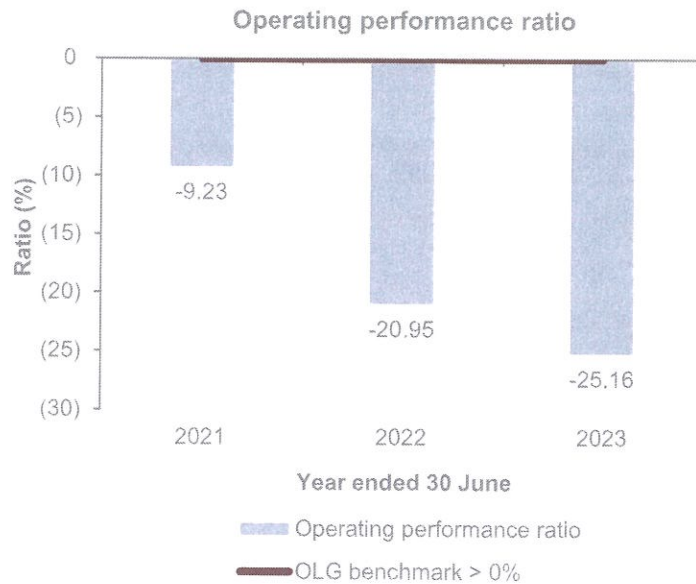
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

### Operating performance ratio

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

The 2022 and 2021 ratios were restated to correct a prior period error.

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.

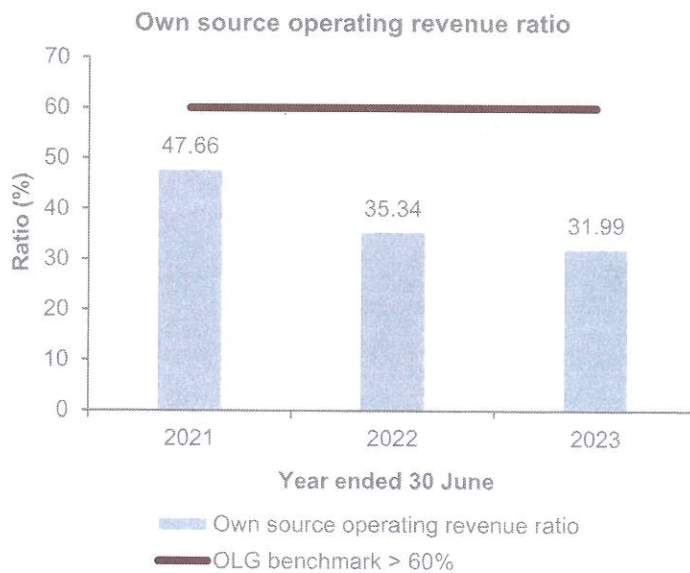


### Own source operating revenue ratio

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

The 2022 and 2021 ratios were restated to correct a prior period error.

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.

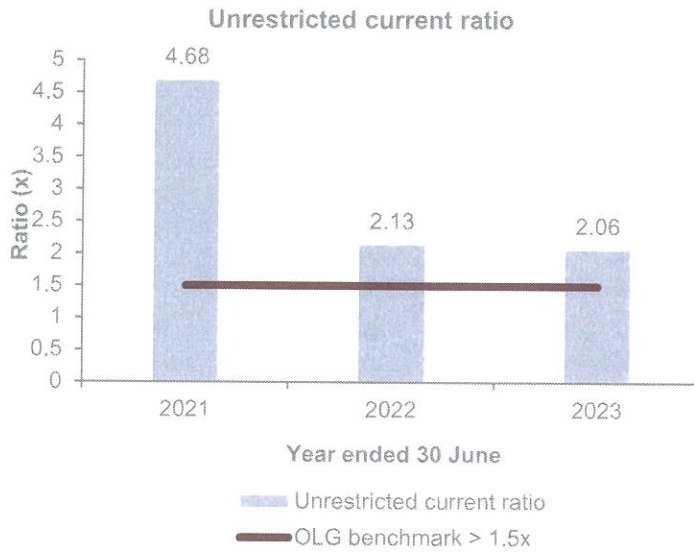


### Unrestricted current ratio

The Council met the benchmark for the current reporting period.

The 2022 and 2021 ratios were restated to correct a prior period error.

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

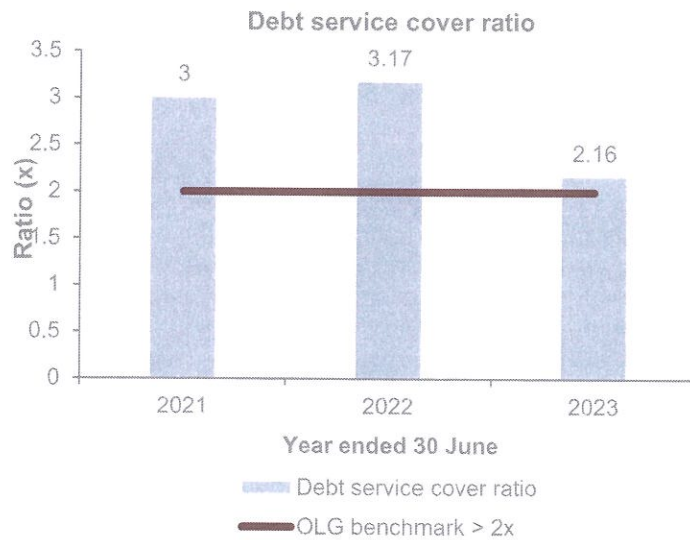


### Debt service cover ratio

The Council met the benchmark for the current reporting period.

The 2022 and 2021 ratios were restated to correct a prior period error.

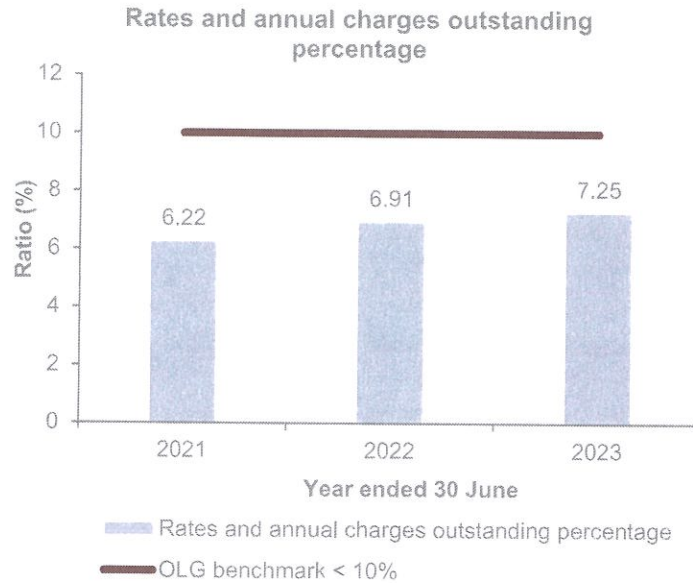
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

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

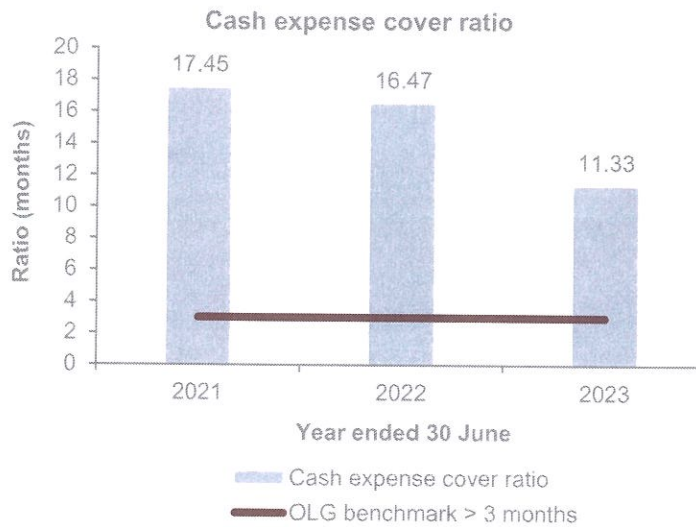


### Cash expense cover ratio

The Council met the benchmark for the current reporting period.

The 2022 and 2021 ratios were restated to correct a prior period error.

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 \$20.0 million of infrastructure, property, plant and equipment during the 2022–23 financial year. This was mainly spent on roads and bridges. A further \$3.8 million was spent on new assets.

## Legislative compliance

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

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



Lawrissa Chan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

# Dungog Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2023

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# Dungog Shire Council

## Special Schedules

for the year ended 30 June 2023

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### Contents

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#### **Special Schedules:**

|  |   |
|--|---|
| Permissible income for general rates               | 3 |
| Report on infrastructure assets as at 30 June 2023 | 6 |

## Dungog Shire Council

### Permissible income for general rates

| \$ '000   | Notes                   | Calculation<br>2022/23 | Calculation<br>2023/24 |
|---|-------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>1</sup></b> |                         |                        |                        |
| Last year notional general income yield                 | a                       | 8,403                  | 9,274                  |
| Plus or minus adjustments <sup>2</sup>                  | b                       | 29                     | 71                     |
| <b>Notional general income</b>                          | c = a + b               | <b>8,432</b>           | <b>9,345</b>           |
| <b>Permissible income calculation</b>                   |                         |                        |                        |
| Special variation percentage <sup>3</sup>               | d                       | 10.00%                 | 10.00%                 |
| Plus special variation amount                           | h = d x (c + g)         | 843                    | 934                    |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>9,275</b>           | <b>10,279</b>          |
| Plus (or minus) last year's carry forward total         | l                       | (1)                    | 2                      |
| <b>Sub-total</b>  | n = (l + m)             | <b>(1)</b>             | <b>2</b>               |
| <b>Total permissible income</b>                         | o = k + n               | <b>9,274</b>           | <b>10,281</b>          |
| Less notional general income yield                      | p                       | 9,274                  | 10,281                 |
| <b>Catch-up or (excess) result</b>                      | q = o - p               | -                      | -                      |
| <b>Carry forward to next year <sup>6</sup></b>          | t = q + r + s           | -                      | -                      |

#### Notes

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Dungog Shire Council

To the Councillors of Dungog Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Lawrissa Chan  
Delegate of the Auditor-General for New South Wales

9 February 2024  
SYDNEY

## Dungog Shire Council

## Report on infrastructure assets as at 30 June 2023

| Asset Class                             | Asset Category      | Estimated cost   |   | 2022/23<br>Required<br>maintenance <sup>a</sup> | 2022/23<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |              |              |              |             |
|---|---------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|--------------|-------------|
|   |                     | Estimated cost<br>to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2            | 3            | 4            | 5           |
|   |                     | \$ '000  | \$ '000   | \$ '000   | \$ '000                          | \$ '000                | \$ '000                            |  |              |              |              |             |
| <b>Buildings</b>                        | Buildings           | 2,722  | 13,158  | 681   | 303                              | 18,672                 | 45,430                             | 8.0%   | 13.0%        | 50.0%        | 23.0%        | 6.0%        |
|   | <b>Sub-total</b>    | <b>2,722</b>   | <b>13,158</b>   | <b>681</b>                                      | <b>303</b>                       | <b>18,672</b>          | <b>45,430</b>                      | <b>8.0%</b>  | <b>13.0%</b> | <b>50.0%</b> | <b>23.0%</b> | <b>6.0%</b> |
| <b>Other structures</b>                 | Other structures    | 169  | 411   | 32  | 61                               | 1,004                  | 2,112                              | 14.0%  | 20.0%        | 35.0%        | 23.0%        | 8.0%        |
|   | <b>Sub-total</b>    | <b>169</b>   | <b>411</b>  | <b>32</b>                                       | <b>61</b>                        | <b>1,004</b>           | <b>2,112</b>                       | <b>14.0%</b>   | <b>20.0%</b> | <b>35.0%</b> | <b>23.0%</b> | <b>8.0%</b> |
| <b>Roads</b>                            | Sealed roads        | 36,436   | 50,100  | 2,277   | 1,914                            | 148,691                | 223,921                            | 37.0%  | 24.0%        | 12.0%        | 10.0%        | 17.0%       |
|   | Unsealed roads      | 861  | 1,723   | 172   | 376                              | 9,340                  | 16,937                             | 2.0%   | 12.0%        | 76.0%        | 7.0%         | 3.0%        |
|   | Bridges             | 2,710  | 5,420   | 305   | 71                               | 59,619                 | 88,889                             | 27.0%  | 14.0%        | 52.0%        | 3.0%         | 4.0%        |
|   | Footpaths           | 397  | 730   | 32  | 36                               | 1,714                  | 3,123                              | 1.0%   | 39.0%        | 37.0%        | 21.0%        | 2.0%        |
|   | Bulk earthworks     | –  | –   | –   | –                                | 201,146                | 201,146                            | 100.0%   | 0.0%         | 0.0%         | 0.0%         | 0.0%        |
|   | <b>Sub-total</b>    | <b>40,404</b>  | <b>57,973</b>   | <b>2,786</b>                                    | <b>2,397</b>                     | <b>420,510</b>         | <b>534,016</b>                     | <b>57.7%</b>   | <b>13.0%</b> | <b>16.3%</b> | <b>5.0%</b>  | <b>8.0%</b> |
| <b>Stormwater drainage</b>              | Stormwater drainage | 934  | 2,803   | 234   | 83                               | 33,907                 | 45,610                             | 34.0%  | 15.0%        | 12.0%        | 33.0%        | 6.0%        |
|   | <b>Sub-total</b>    | <b>934</b>   | <b>2,803</b>  | <b>234</b>                                      | <b>83</b>                        | <b>33,907</b>          | <b>45,610</b>                      | <b>34.0%</b>   | <b>15.0%</b> | <b>12.0%</b> | <b>33.0%</b> | <b>6.0%</b> |
| <b>Open space / recreational assets</b> | Swimming pools      | 290  | 869   | 43  | 23                               | 408                    | 2,901                              | 0.0%   | 40.0%        | 0.0%         | 60.0%        | 0.0%        |
|   | Other               | 375  | 1,875   | 234   | 357                              | 4,149                  | 9,389                              | 0.0%   | 40.0%        | 20.0%        | 40.0%        | 0.0%        |
|   | <b>Sub-total</b>    | <b>665</b>   | <b>2,744</b>  | <b>277</b>                                      | <b>380</b>                       | <b>4,557</b>           | <b>12,290</b>                      | <b>0.0%</b>  | <b>40.0%</b> | <b>15.3%</b> | <b>44.7%</b> | <b>0.0%</b> |
| <b>Total – all assets</b>               |                     | <b>44,894</b>  | <b>77,089</b>   | <b>4,010</b>                                    | <b>3,224</b>                     | <b>478,650</b>         | <b>639,458</b>                     | <b>51.3%</b>   | <b>13.7%</b> | <b>18.4%</b> | <b>9.1%</b>  | <b>7.5%</b> |

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

## Infrastructure asset condition assessment 'key'

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

## Dungog Shire Council

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

as at 30 June 2023

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

|  | Amounts        | Indicator      | Indicators       |                  | Benchmark |
|--|----------------|----------------|------------------|------------------|-----------|
|  | 2023           | 2023           | Restated<br>2022 | Restated<br>2021 |           |
| <b>\$ '000</b>   |                |                |                  |                  |           |
| <b>Buildings and infrastructure renewals ratio</b>                       |                |                |                  |                  |           |
| Asset renewals <sup>1</sup>  | <b>13,792</b>  | <b>226.80%</b> | 405.82%          | 260.92%          | > 100.00% |
| Depreciation, amortisation and impairment                                | <b>6,081</b>   |                |                  |                  |           |
| <b>Infrastructure backlog ratio</b>                                      |                |                |                  |                  |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>44,894</b>  | <b>9.16%</b>   | 8.92%            | 10.01%           | < 2.00%   |
| Net carrying amount of infrastructure assets                             | <b>490,237</b> |                |                  |                  |           |
| <b>Asset maintenance ratio</b>   |                |                |                  |                  |           |
| Actual asset maintenance   | <b>3,224</b>   | <b>80.40%</b>  | 72.19%           | 73.09%           | > 100.00% |
| Required asset maintenance   | <b>4,010</b>   |                |                  |                  |           |
| <b>Cost to bring assets to agreed service level</b>                      |                |                |                  |                  |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>77,089</b>  | <b>12.06%</b>  | 12.16%           | 13.34%           |           |
| Gross replacement cost   | <b>639,458</b> |                |                  |                  |           |

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

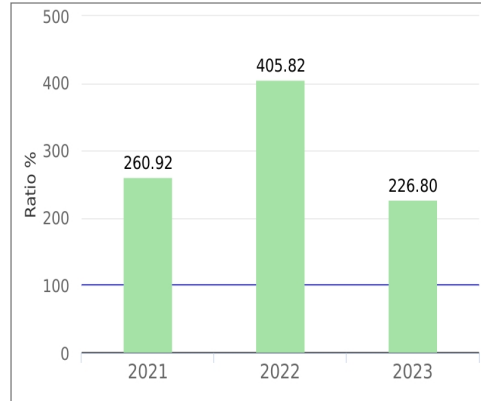
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Dungog Shire Council

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

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          | 226.80% |

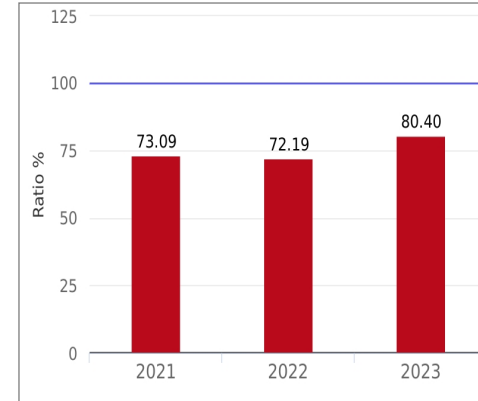
Benchmark: — > 100.00%

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          | 80.40% |

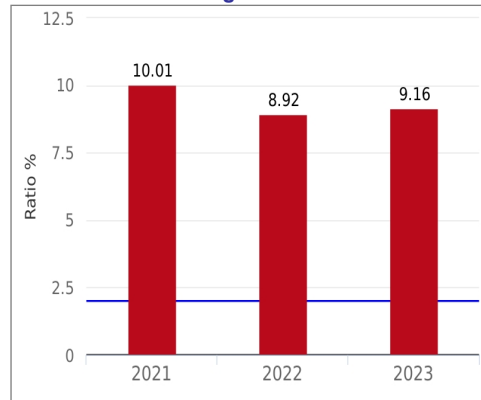
Benchmark: — > 100.00%

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          | 9.16% |

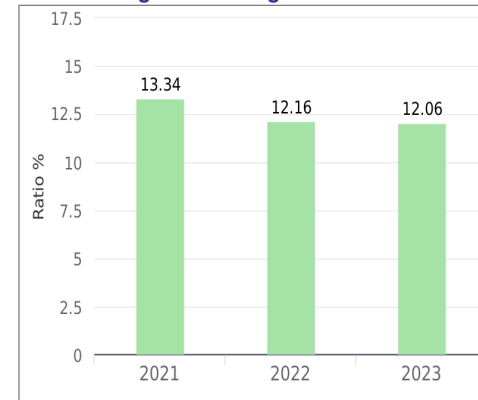
Benchmark: — < 2.00%

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          | 12.06% |