

# ANNUAL REPORT

# 2021-2022

**AUDITED FINANCIAL STATEMENTS**

**KEMPSEY.NSW.GOV.AU**



# Kempsey Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

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*Lead and work with our community to build an inspired,  
connected Macleay Valley*





**KEMPSEY**  
Shire Council



**2021-2022**  
**ANNUAL REPORT**  
**AUDITED FINANCIAL STATEMENTS**

# Kempsey Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2022

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### Overview

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

22 Tozer Street  
WEST KEMPSEY NSW 2440

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

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

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

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

# Kempsey Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2022

### Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 September 2022.



Leo Hauville  
**Mayor**  
28 October 2022



Kerri Riddington  
**Councillor**  
28 October 2022



Craig Milburn  
**General Manager**  
28 October 2022



Stephen Mitchell  
**Responsible Accounting Officer**  
28 October 2022

## Kempsey Shire Council

## Income Statement

for the year ended 30 June 2022

<b>Original unaudited budget 2022 \$ '000</b>		Notes	<b>Actual 2022 \$ '000</b>	<b>Restated Actual 2021 <sup>1</sup> \$ '000</b>
	<b>Income from continuing operations</b>			
45,512	Rates and annual charges	B2-1	<b>45,871</b>	43,428
18,079	User charges and fees	B2-2	<b>17,915</b>	17,313
1,650	Other revenues	B2-3	<b>2,300</b>	2,193
12,954	Grants and contributions provided for operating purposes	B2-4	<b>14,844</b>	14,377
46,868	Grants and contributions provided for capital purposes	B2-4	<b>34,532</b>	21,767
816	Interest and investment income	B2-5	<b>786</b>	608
125,879	<b>Total income from continuing operations</b>		<b>116,248</b>	99,686
	<b>Expenses from continuing operations</b>			
26,838	Employee benefits and on-costs	B3-1	<b>26,520</b>	25,378
23,413	Materials and services	B3-2	<b>26,014</b>	22,838
2,345	Borrowing costs	B3-3	<b>1,895</b>	2,145
24,631	Depreciation, amortisation and impairment of non-financial assets	B3-4	<b>24,012</b>	23,102
3,304	Other expenses	B3-5	<b>2,796</b>	2,470
–	Net loss from the disposal of assets	B4-1	<b>4,123</b>	2,755
80,531	<b>Total expenses from continuing operations</b>		<b>85,360</b>	78,688
<b>45,348</b>	<b>Operating result from continuing operations</b>		<b>30,888</b>	20,998
<b>45,348</b>	<b>Net operating result for the year attributable to Council</b>		<b>30,888</b>	20,998
(1,520)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(3,644)</b>	(769)

(1) See note G4-1 for details regarding restatement as a result of prior period error.

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

## Kempsey Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2022

	Notes	<b>Actual 2022 \$ '000</b>	<b>Restated Actual 2021 <sup>1</sup> \$ '000</b>
<b>Net operating result for the year – from Income Statement</b>		<b>30,888</b>	<b>20,998</b>
<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	C1-6	<b>58,996</b>	3,364
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>58,996</b>	3,364
<b>Total other comprehensive income for the year</b>		<b>58,996</b>	3,364
<b>Total comprehensive income for the year attributable to Council</b>		<b>89,884</b>	24,362

(1) See note G4-1 for details regarding restatement as a result of prior period error.

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

## Kempsey Shire Council

## Statement of Financial Position

as at 30 June 2022

		<b>Actual</b>	<i>Restated</i>	<i>Restated</i>
		<b>2022</b>	<i>Actual</i>	<i>Actual</i>
	Notes	<b>\$ '000</b>	<i>2021 <sup>1</sup></i>	<i>1 July 2020 <sup>1</sup></i>
			<i>\$ '000</i>	<i>\$ '000</i>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	36,712	35,767	18,083
Investments	C1-2	68,008	52,220	36,985
Receivables	C1-4	25,726	21,217	9,713
Inventories		530	508	507
Contract assets and contract cost assets	C1-5	2,240	4,337	2,314
Other		430	412	130
<b>Total current assets</b>		<b>133,646</b>	<u>114,461</u>	<u>67,732</u>
<b>Non-current assets</b>				
Receivables	C1-4	18	54	106
Infrastructure, property, plant and equipment (IPPE)	C1-6	1,191,116	1,105,698	1,094,165
Intangible assets	C1-7	1,378	1,723	–
Right of use assets		39	41	82
<b>Total non-current assets</b>		<b>1,192,551</b>	<u>1,107,516</u>	<u>1,094,353</u>
<b>Total assets</b>		<b>1,326,197</b>	<u>1,221,977</u>	<u>1,162,085</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C2-1	10,704	9,779	6,365
Contract liabilities	C2-2	26,545	12,989	3,149
Lease liabilities		15	31	39
Borrowings	C2-3	4,391	4,635	3,329
Employee benefit provisions	C2-4	5,593	6,692	7,158
<b>Total current liabilities</b>		<b>47,248</b>	<u>34,126</u>	<u>20,040</u>
<b>Non-current liabilities</b>				
Payables	C2-1	–	–	446
Lease liabilities		43	40	71
Borrowings	C2-3	51,769	56,160	34,571
Employee benefit provisions	C2-4	1,094	1,180	886
Provisions	C2-5	6,934	1,246	1,208
<b>Total non-current liabilities</b>		<b>59,840</b>	<u>58,626</u>	<u>37,182</u>
<b>Total liabilities</b>		<b>107,088</b>	<u>92,752</u>	<u>57,222</u>
<b>Net assets</b>		<b>1,219,109</b>	<u>1,129,225</u>	<u>1,104,863</u>
<b>EQUITY</b>				
Accumulated surplus		526,981	496,093	475,095
IPPE revaluation reserve	C1-6	692,128	633,132	629,768
<b>Total equity</b>		<b>1,219,109</b>	<u>1,129,225</u>	<u>1,104,863</u>

(1) See note G4-1 for details regarding restatement of prior period error

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



## Kempsey Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021 <sup>1</sup>		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity <sup>1</sup>
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		491,901	633,132	1,125,033	470,792	629,768	1,100,560
Correction of prior period errors	G4-1	4,192	–	4,192	4,303	–	4,303
<b>Restated opening balance</b>		<b>496,093</b>	<b>633,132</b>	<b>1,129,225</b>	<b>475,095</b>	<b>629,768</b>	<b>1,104,863</b>
Net operating result for the year		30,888	–	30,888	21,109	–	21,109
Correction of prior period errors	G4-1	–	–	–	(111)	–	(111)
<b>Restated net operating result for the period</b>		<b>30,888</b>	<b>–</b>	<b>30,888</b>	<b>20,998</b>	<b>–</b>	<b>20,998</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	58,996	58,996	–	3,364	3,364
<b>Other comprehensive income</b>		<b>–</b>	<b>58,996</b>	<b>58,996</b>	<b>–</b>	<b>3,364</b>	<b>3,364</b>
<b>Total comprehensive income</b>		<b>30,888</b>	<b>58,996</b>	<b>89,884</b>	<b>20,998</b>	<b>3,364</b>	<b>24,362</b>
<b>Closing balance at 30 June</b>		<b>526,981</b>	<b>692,128</b>	<b>1,219,109</b>	<b>496,093</b>	<b>633,132</b>	<b>1,129,225</b>

(1) See note G4-1 for details regarding restatement as a result of prior period error

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

## Kempsey Shire Council

## Statement of Cash Flows

for the year ended 30 June 2022

<b>Original unaudited budget 2022 \$ '000</b>		Notes	<b>Actual 2022 \$ '000</b>	<b>Actual 2021 \$ '000</b>
	<b>Cash flows from operating activities</b>			
	<b>Receipts:</b>			
45,352	Rates and annual charges		45,397	44,654
18,050	User charges and fees		18,553	17,571
862	Interest received		646	648
61,870	Grants and contributions		56,665	40,601
–	Bonds, deposits and retentions received		–	894
1,402	Other		8,479	1,233
	<b>Payments:</b>			
(26,827)	Payments to employees		(27,705)	(25,909)
(19,830)	Payments for materials and services		(24,877)	(32,169)
(2,408)	Borrowing costs		(1,862)	(2,002)
–	Bonds, deposits and retentions refunded		(163)	–
(7,955)	Other		(3,938)	(2,679)
70,516	<b>Net cash flows from operating activities</b>	G1-1	<b>71,195</b>	<b>42,842</b>
	<b>Cash flows from investing activities</b>			
	<b>Receipts:</b>			
8,716	Sale of investments		–	15,433
898	Proceeds from sale of IPPE		8,663	835
	<b>Payments:</b>			
(1,673)	Purchase of investments		(3,288)	(30,668)
–	Acquisition of term deposits		(12,500)	–
(88,780)	Payments for IPPE		(58,424)	(33,547)
–	Deferred debtors and advances made		(52)	(67)
(80,839)	<b>Net cash flows from investing activities</b>		<b>(65,601)</b>	<b>(48,014)</b>
	<b>Cash flows from financing activities</b>			
	<b>Receipts:</b>			
3,000	Proceeds from borrowings		–	26,500
	<b>Payments:</b>			
(4,691)	Repayment of borrowings		(4,635)	(3,605)
–	Principal component of lease payments		(14)	(39)
(1,691)	<b>Net cash flows from financing activities</b>		<b>(4,649)</b>	<b>22,856</b>
(12,014)	<b>Net change in cash and cash equivalents</b>		<b>945</b>	<b>17,684</b>
20,737	Cash and cash equivalents at beginning of year		<b>35,767</b>	18,083
8,723	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>36,712</b>	<b>35,767</b>

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

# Kempsey Shire Council

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# Kempsey 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 20 September 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

#### **Historical cost convention**

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

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated asset remediation provisions – refer Note C2-5
- (iii) employee benefit provisions – refer Note C2-4

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

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

#### **COVID-19 impact**

A significant event of the 2021-22 financial year that affected Council's operations, as reflected in the financial statements has been the novel coronavirus (COVID-19) pandemic.

##### *Impact of COVID-19 on User charges and fees*

There was no material impact on overall levels of user charges and fees as presented in Note B2-2.

##### *Impact of COVID-19 on Rates and annual charges receivables*

There has been no material impact on the collection of outstanding Rates and Annual Charges Receivables as presented in Note C1-4.

##### *Going concern*

Council has considered its updated Operational Plan 2022 – 2023 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key

## A1-1 Basis of preparation (continued)

sources of estimate uncertainty. Despite the impact of COVID-19 on the 2020/21 financial year and the uncertain time required for some areas of Council's operations to fully recover from COVID-19, as at the date of preparing and signing Council's financial statements. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

### Monies and other assets received by Council

#### The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

#### The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

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

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Council has immaterial dependance on volunteer services received and therefore does not recognise these contributions in the income statement.

Areas where volunteer services are utilised include Library services, Visitor Information Centres and Community events.

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

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

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

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

## A1-1 Basis of preparation (continued)

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### **New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2022.

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

## B Financial Performance

### B1 Functions or activities

#### B1-1 Functions or activities – income, expenses and assets <sup>1</sup>

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.

	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
<b>Functions or activities</b>										
Governance	34,066	26,742	8,574	10,181	25,492	16,561	11,154	4,494	24,994	137,832
Healthy	59,158	50,463	47,091	40,746	12,067	9,717	20,181	14,438	701,730	404,694
Wealthy	19,806	17,025	21,901	19,729	(2,095)	(2,704)	14,979	11,873	414,046	593,236
Safe	2,239	3,870	1,834	2,829	405	1,041	2,156	3,799	–	–
Connected	979	1,586	5,960	5,203	(4,981)	(3,617)	906	1,540	185,401	82,023
Other	–	–	–	–	–	–	–	–	26	4,192
<b>Total functions and activities</b>	<b>116,248</b>	<b>99,686</b>	<b>85,360</b>	<b>78,688</b>	<b>30,888</b>	<b>20,998</b>	<b>49,376</b>	<b>36,144</b>	<b>1,326,197</b>	<b>1,221,977</b>

(1) Refer note G4-1 for details regarding restatement as a result of prior period error



## 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:

### Governance

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, as well as financial and administrative services, human resources, public relations and information technology.

### Healthy

Water, sewerage, strategic planning, development control, environmental control and projects, domestic waste management and rubbish tips, noxious weeds, ranger services, community services and lifestyle management, public cemeteries, sporting fields and pools, animal control, drainage and building control.

### Wealthy

Roads, bridges, footpaths and cycleways, kerb and guttering, road and traffic signs, traffic facilities, bus shelters, quarries, caravan parks, saleyards, airport, library, tourism and economic development.

### Safe

Bushfire and emergency services, community safety and crime prevention, flood plain mitigation and management, beach patrols and street lighting.

### Connected

Cultural, aboriginal and youth services, art galleries, civic maintenance, community centres and community buildings, car parking, parks and reserves, boat ramps, wharves and jetties and public privies.

## B2 Sources of income

### B2-1 Rates and annual charges

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Ordinary rates</b>		
Residential	16,525	15,875
Farmland	3,116	3,117
Business	2,121	2,128
Less: pensioner rebates	(713)	(720)
<b>Rates levied to ratepayers</b>	<b>21,049</b>	<b>20,400</b>
Pensioner rate subsidies received	383	393
<b>Total ordinary rates</b>	<b>21,432</b>	<b>20,793</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	5,085	4,804
Stormwater management services	203	202
Water supply services	5,335	5,018
Sewerage services	13,182	12,040
Waste management services (non-domestic)	446	415
On-site sewerage management charge	475	462
Less: pensioner rebates (mandatory)	(663)	(686)
<b>Annual charges levied</b>	<b>24,063</b>	<b>22,255</b>
Pensioner subsidies received:		
– Water	148	150
– Sewerage	110	112
– Domestic waste management	118	118
<b>Total annual charges</b>	<b>24,439</b>	<b>22,635</b>
<b>Total rates and annual charges</b>	<b>45,871</b>	<b>43,428</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 that are not subsidised by the NSW Government.

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

## B2-2 User charges and fees

	Timing	2022 Actual \$ '000	2021 Actual \$ '000
<b>User charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	7,599	6,721
Sewerage services	1	1,239	1,180
Waste management services (non-domestic)	1	2,423	2,304
<b>User charges</b>		<b>11,261</b>	<b>10,205</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services	2	97	11
Planning and building regulation	2	518	349
Private works – section 67	1	484	367
Regulatory/ statutory fees	2	222	283
Section 10.7 certificates (EP&A Act)	2	107	90
Section 603 certificates	2	75	77
<b>Total fees and charges – statutory/regulatory</b>		<b>1,503</b>	<b>1,177</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	2	16	23
Cemeteries	2	284	305
Lease rentals	2	10	15
Leaseback fees – Council vehicles	2	229	224
Library and art gallery	2	3	7
Saleyards	2	2	446
Sundry sales	2	–	7
Water connection fees	2	217	130
Caravan parks and camping grounds	2	3,598	4,033
Sewerage services	2	375	396
Water supply	2	52	78
Other	2	365	267
<b>Total fees and charges – other</b>		<b>5,151</b>	<b>5,931</b>
<b>Total other user charges and fees</b>		<b>6,654</b>	<b>7,108</b>
<b>Total user charges and fees</b>		<b>17,915</b>	<b>17,313</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		11,745	10,572
User charges and fees recognised at a point in time (2)		6,170	6,741
<b>Total user charges and fees</b>		<b>17,915</b>	<b>17,313</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.

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

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

## B2-3 Other revenues

	<i>Timing</i>	<b>2022 Actual \$ '000</b>	<b>2021 Actual \$ '000</b>
Bushfire Recovery	2	–	461
Commissions and agency fees	2	29	28
Development Control	2	–	113
Diesel rebate	2	144	157
Fines – other	2	2	3
Fines – parking	2	173	226
Insurance claims recoveries	2	6	64
Legal fees recovery – rates and charges (extra charges)	2	17	5
Long service leave contributions	2	55	12
OH&S incentive rebate	2	132	85
Recycling income (non-domestic)	2	274	269
Rental income – investment property	2	16	–
Rental income – other council properties	2	604	223
Sales – general	2	199	197
State waste rebate	2	–	150
Other	2	649	200
<b>Total other revenue</b>		<b>2,300</b>	<b>2,193</b>
<b>Timing of revenue recognition for other revenue</b>			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,300	2,193
<b>Total other revenue</b>		<b>2,300</b>	<b>2,193</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

		<b>Operating 2022 Actual \$ '000</b>	<b>Operating 2021 Actual \$ '000</b>	<b>Capital 2022 Actual \$ '000</b>	<b>Capital 2021 Actual \$ '000</b>
	<i>Timing</i>				
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	2	3,493	2,947	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance <sup>1</sup>	2	5,371	3,156	–	–
<b>Other</b>					
Other grants	2	89	–	153	–
<b>Amount recognised as income during current year</b>		<b>8,953</b>	<b>6,103</b>	<b>153</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
<b>Pensioners' rates subsidies:</b>					
Water supplies	2	–	–	359	97
Sewerage services	1	–	–	1,938	299
Bushfire and emergency services	2	889	366	859	157
Economic development	2	36	2	–	–
Employment and training programs	2	295	36	–	–
Environmental programs	2	221	131	–	–
Heritage and cultural	2	–	3	–	–
Library	2	37	37	471	48
Library – per capita	2	79	76	–	–
LIRS subsidy	2	57	75	–	–
Library – special projects	2	–	–	100	–
Noxious weeds	2	732	576	–	–
Public halls	1	–	–	112	–
Recreation and culture	1	–	5	6,507	3,692
Aerodrome	1	–	–	(44)	60
Caravan parks and camping grounds	1	–	–	37	–
Community services	1	211	1,288	–	4
Emergency services	2	–	515	–	90
Flood mitigation	2	262	200	–	94
Waste levy	2	71	71	–	–
Street lighting	2	81	81	–	–
Transport (roads to recovery)	2	11	1,528	–	–
Transport (other roads and bridges funding)	1	717	1,127	13,982	9,192
Other specific grants	2	296	–	1,006	281
<b>Previously contributions:</b>					
Community services	2	–	–	223	–
Roads and bridges	2	–	147	–	–
Transport for NSW contributions (regional roads, block grant)	2	1,776	1,830	–	–
Sewerage (excl. section 64 contributions)	2	–	–	664	–
Other contributions	2	–	3	25	30
Water supplies (excl. section 64 contributions)	2	120	177	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>5,891</b>	<b>8,274</b>	<b>26,239</b>	<b>14,044</b>
<b>Non-cash contributions</b>					
Dedications	2	–	–	1,656	486
Roads and bridges	2	–	–	2,792	2,103

continued on next page ...

## B2-4 Grants and contributions (continued)

		<b>Operating 2022 Actual \$ '000</b>	<b>Operating 2021 Actual \$ '000</b>	<b>Capital 2022 Actual \$ '000</b>	<b>Capital 2021 Actual \$ '000</b>
	<i>Timing</i>				
Other	1	–	–	–	407
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>4,448</b>	<b>2,996</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>5,891</b>	<b>8,274</b>	<b>30,687</b>	<b>17,040</b>
<b>Total grants and non-developer contributions</b>		<b>14,844</b>	<b>14,377</b>	<b>30,840</b>	<b>17,040</b>
<b>Comprising:</b>					
– Commonwealth funding		<b>9,293</b>	7,651	<b>2,795</b>	1,217
– State funding		<b>4,962</b>	6,399	<b>25,916</b>	12,796
– Other funding		<b>589</b>	327	<b>2,129</b>	3,027
		<b>14,844</b>	<b>14,377</b>	<b>30,840</b>	<b>17,040</b>

(1) \$5.37M of the 2022-2023 Financial Assistance Grant from Commonwealth Government was received in April 2022 and therefore reported as 2021-2022 income although it relates to 2022-2023 financial year

## B2-4 Grants and contributions (continued)

## Developer contributions

	Notes	Timing	Operating 2022 Actual \$ '000	Operating 2021 Actual \$ '000	Capital 2022 Actual \$ '000	Capital 2021 Actual \$ '000
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	–	–	1,652	1,498
S 64 – water supply contributions		2	–	–	1,218	1,290
S 64 – sewerage service contributions		2	–	–	822	959
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>3,692</b>	<b>3,747</b>
<b>Non-cash contributions</b>						
S 64 – water supply contributions		2	–	–	–	980
<b>Total developer contributions non-cash</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>980</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>3,692</b>	<b>4,727</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>3,692</b>	<b>4,727</b>
<b>Total grants and contributions</b>			<b>14,844</b>	<b>14,377</b>	<b>34,532</b>	<b>21,767</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			928	2,420	22,532	13,654
Grants and contributions recognised at a point in time (2)			13,916	11,957	12,000	8,113
<b>Total grants and contributions</b>			<b>14,844</b>	<b>14,377</b>	<b>34,532</b>	<b>21,767</b>

## 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:

	Operating 2022 Actual \$ '000	Operating 2021 Actual \$ '000	Capital 2022 Actual \$ '000	Capital 2021 Actual \$ '000
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	2,668	2,075	2,801	3,325
<b>Add:</b> Funds received and not recognised as revenue in the current year	1,899	1,855	15,501	1,903
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(1,991)	(1,262)	(2,259)	(2,427)
<b>Unspent funds at 30 June</b>	<b>2,576</b>	<b>2,668</b>	<b>16,043</b>	<b>2,801</b>
<b>Contributions</b>				
Unspent funds at 1 July	–	–	15,549	11,722
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	3,688	3,827
	–	–	–	–

## B2-4 Grants and contributions (continued)

	<b>Operating 2022 Actual \$ '000</b>	<b>Operating 2021 Actual \$ '000</b>	<b>Capital 2022 Actual \$ '000</b>	<b>Capital 2021 Actual \$ '000</b>
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	-	-
<b>Unspent contributions at 30 June</b>	<b>-</b>	<b>-</b>	<b>19,237</b>	<b>15,549</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. 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.



## B2-4 Grants and contributions (continued)

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### **Developer contributions**

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

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

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

### **Other grants and contributions**

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

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

## B2-5 Interest and investment income

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	294	119
– Cash and investments	492	489
<b>Total interest and investment income (losses)</b>	<b>786</b>	<b>608</b>

### Accounting policy

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

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

## B3 Costs of providing services

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

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Salaries and wages	23,100	21,396
Travel expenses	15	10
Employee leave entitlements (ELE)	3,470	3,804
ELE on-costs	40	16
Superannuation	2,785	2,506
Workers' compensation insurance	508	676
Fringe benefit tax (FBT)	74	70
Payroll tax	186	172
Training costs (other than salaries and wages)	423	346
Protective clothing	97	113
Other	37	40
<b>Total employee costs</b>	<b>30,735</b>	<b>29,149</b>
Less: capitalised costs	(4,215)	(3,771)
<b>Total employee costs expensed</b>	<b>26,520</b>	<b>25,378</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

	2022 <i>Actual</i> \$ '000	2021 <i>Actual</i> \$ '000
Raw materials and consumables	6,538	5,769
Contractor and consultancy costs	13,624	12,080
Audit Fees	105	94
Councillor and Mayoral fees and associated expenses	227	230
Advertising	231	130
Bank charges	105	103
Computer software charges	999	738
Election expenses	206	–
Electricity and heating	1,194	1,281
Insurance	1,131	1,046
Office expenses (including computer expenses)	9	–
Postage	77	49
Printing and stationery	143	132
Street lighting	469	447
Subscriptions and publications	199	42
Telephone and communications	394	249
Valuation fees	89	97
Other expenses	131	86
Legal expenses: planning and development	50	39
Legal expenses: debt recovery	15	–
Legal expenses: other	94	106
Expenses from short-term leases	–	24
Expenses from leases of low value assets	–	94
Variable lease expense relating to usage	(16)	–
Other	–	2
<b>Total materials and services</b>	<b>26,014</b>	<b>22,838</b>
<b>Total materials and services</b>	<b>26,014</b>	<b>22,838</b>

### Accounting policy

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

## B3-3 Borrowing costs

	2022 <i>Actual</i> \$ '000	2021 <i>Actual</i> \$ '000
<b>(i) Interest bearing liability costs</b>		
Interest on leases	2	–
Interest on loans	2,281	2,174
<b>Total interest bearing liability costs</b>	<b>2,283</b>	<b>2,174</b>
<b>Total interest bearing liability costs expensed</b>	<b>2,283</b>	<b>2,174</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	52	67
Discount adjustments relating to movements in provisions (other than ELE)	(440)	(96)
<b>Total other borrowing costs</b>	<b>(388)</b>	<b>(29)</b>
<b>Total borrowing costs expensed</b>	<b>1,895</b>	<b>2,145</b>

### Accounting policy

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required

### B3-3 Borrowing costs (continued)

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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

	Notes	2022 \$ '000	2021 <sup>1</sup> \$ '000
<b>Depreciation and amortisation</b>			
Plant and equipment	C1-6	1,283	1,303
Office equipment	C1-6	182	173
Furniture and fittings	C1-6	21	21
Land improvements (depreciable)	C1-6	554	512
<b>Infrastructure:</b>			
– Buildings – non-specialised	C1-6	1,198	1,153
– Buildings – specialised		927	884
– Other structures		45	44
– Roads		6,227	6,164
– Bridges		1,036	1,007
– Footpaths		340	332
– Stormwater drainage		1,194	1,183
– Water supply network		5,773	5,658
– Sewerage network		4,088	3,766
– Swimming pools		100	96
– Other open space/recreational assets		550	465
Right of use assets		3	40
<b>Other assets:</b>			
– Other	C1-6	46	46
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C1-6	80	214
– Quarry assets	C1-6	20	41
<b>Total gross depreciation and amortisation costs</b>		<b>23,667</b>	<b>23,102</b>
Total depreciation and amortisation costs		<b>23,667</b>	<b>23,102</b>
<b>Impairment / revaluation decrement of IPPE</b>			
Intangible assets	C1-7	345	–
<b>Total gross IPPE impairment / revaluation decrement costs</b>		<b>345</b>	<b>–</b>
Total IPPE impairment / revaluation decrement costs charged to Income Statement		<b>345</b>	<b>–</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>24,012</b>	<b>23,102</b>

(1) Refer Note G4-1 for details regarding restatement as a result of prior period error

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

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### 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 no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets 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 the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

## B3-5 Other expenses

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Impairment of receivables</b>		
Other	59	–
<b>Total impairment of receivables</b>	<b>59</b>	<b>–</b>
<b>Other</b>		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	42	41
– NSW fire brigade levy	96	73
– NSW rural fire service levy	378	402
– Waste levy	1,653	1,314
– Other contributions/levies	468	536
Donations, contributions and assistance to other organisations (Section 356)	100	104
<b>Total other</b>	<b>2,737</b>	<b>2,470</b>
<b>Total other expenses</b>	<b>2,796</b>	<b>2,470</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

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Gain (or loss) on disposal of property (excl. investment property)</b>		
Proceeds from disposal – property	84	–
<b>Gain (or loss) on disposal</b>	<b>84</b>	<b>–</b>
<b>Gain (or loss) on disposal of plant and equipment</b>		
Proceeds from disposal – plant and equipment	8,579	835
Less: carrying amount of plant and equipment assets sold/written off	(2,003)	(388)
<b>Gain (or loss) on disposal</b>	<b>6,576</b>	<b>447</b>
<b>Gain (or loss) on disposal of infrastructure</b>		
Less: carrying amount of infrastructure assets sold/written off	(10,783)	(3,202)
<b>Gain (or loss) on disposal</b>	<b>(10,783)</b>	<b>(3,202)</b>
<b>Net gain (or loss) from disposal of assets</b>	<b>(4,123)</b>	<b>(2,755)</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 29/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

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

<b>Other revenues</b>	1,650	2,300	650	39%	<b>F</b>
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Major items contributing to this result are:

- \$172k increase in tourist parks income
- \$116k increase in saleyards income
- \$114k additional landfill recycling sales income

<b>Operating grants and contributions</b>	12,954	14,844	1,890	15%	<b>F</b>
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There has been significant grant activity across a broad range of activities. Major contributors are:

- \$2.449m early payment of Financial Assistance Grant from the Federal Government
- \$1m Local Government emergency recovery support payment for February 2022 flooding event
- \$1.1m Payment for January, February and March 2021 flooding.
- \$658k funding from EPA for cleanup activities.

<b>Capital grants and contributions</b>	46,868	34,532	(12,336)	(26)%	<b>U</b>
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Performance against original budget has been significantly impacted by timing and the application of accounting standards and increased grant activity resulting in approximately \$16m transferred from revenue to contract liabilities

#### Expenses

<b>Materials and services</b>	23,413	26,014	(2,601)	(11)%	<b>U</b>
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The majority of this variance relates to activities related to flooding events and general increase in grant funded activities.

<b>Borrowing costs</b>	2,345	1,895	450	19%	<b>F</b>
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This favourable result is a result of planned borrowings for major projects being deferred.

<b>Other expenses</b>	3,304	2,796	508	15%	<b>F</b>
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This variance is the result of additional software licensing.

<b>Net losses from disposal of assets</b>	-	4,123	(4,123)	∞	<b>U</b>
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Disposal of assets being renewed has not been budgeted.

#### Statement of cash flows

<b>Cash flows from investing activities</b>	(80,839)	(65,601)	15,238	(19)%	<b>F</b>
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This variance is attributable to additional funds on hand as a result of grant funded activities.

<b>Cash flows from financing activities</b>	(1,691)	(4,649)	(2,958)	175%	<b>U</b>
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This is the result of deferring borrowings.

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

	2022 <i>Actual</i> \$ '000	2021 <i>Actual</i> \$ '000
<b>Cash assets</b>		
Cash on hand and at bank	14,935	7,575
Cash equivalent assets		
– Deposits at call	17,277	28,192
– Short-term deposits	4,500	–
<b>Total cash and cash equivalents</b>	<b>36,712</b>	<b>35,767</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	36,712	35,767
<b>Balance as per the Statement of Cash Flows</b>	<b>36,712</b>	<b>35,767</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

	2022 <i>Current</i> <i>Actual</i> \$ '000	2021 <i>Current</i> <i>Actual</i> \$ '000
<b>Financial assets at fair value through the profit and loss</b>		
Managed funds	1,071	13,670
<b>Total</b>	<b>1,071</b>	<b>13,670</b>
<b>Debt securities at amortised cost</b>		
Long term deposits	33,000	20,500
NCD's, FRN's (with maturities > 3 months)	33,937	18,050
<b>Total</b>	<b>66,937</b>	<b>38,550</b>
<b>Total financial investments</b>	<b>68,008</b>	<b>52,220</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>104,720</b>	<b>87,987</b>

#### Accounting policy

##### Equity securities designated as at FVOCI

The investments shown designated as equity securities as at FVOCI represent investments that the NSW Council intends to hold for long-term strategic purposes.

No strategic investments were disposed of during 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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).

## C1-2 Financial investments (continued)

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### Financial assets

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

### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

### Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

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

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

### Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in Term Deposits and managed funds in the Statement of Financial Position.

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

	2022 <i>Actual</i> \$ '000	2021 <i>Actual</i> \$ '000
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### (a) Externally restricted cash, cash equivalents and investments

<b>Total cash, cash equivalents and investments</b>	<b>104,720</b>	87,987
Less: Externally restricted cash, cash equivalents and investments	<b>(95,226)</b>	(67,303)
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>9,494</b>	20,684

#### External restrictions

##### External restrictions – included in liabilities

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

Transport for NSW advances	<b>9,648</b>	671
Specific purpose unexpended grants – general fund	<b>18,608</b>	4,504
Specific purpose unexpended grants – water fund	–	93
Specific purpose unexpended grants – sewer fund	<b>11</b>	201
<b>External restrictions – included in liabilities</b>	<b>28,267</b>	5,469

##### External restrictions – other

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

Contributions – ancillary works	<b>38</b>	38
Developer contributions – general	<b>6,840</b>	5,156
Developer contributions – sewer fund	<b>4,716</b>	3,874
Developer contributions – water fund	<b>7,777</b>	6,519
Domestic waste management	<b>2,488</b>	3,214
Environmental Levy	<b>3,301</b>	3,004
Holiday Parks Reserve	<b>5,439</b>	6,161
On-site sewerage management reserve	<b>664</b>	664
Sewer fund	<b>14,690</b>	12,305
Sewerage uncompleted works reserve	–	795
Stormwater Levy	<b>754</b>	551
Deposits, retentions and bonds	<b>1,617</b>	1,781
Water fund	<b>18,635</b>	16,672
Water uncompleted works reserve	–	1,100
<b>External restrictions – other</b>	<b>66,959</b>	61,834
<b>Total external restrictions</b>	<b>95,226</b>	67,303

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.

	2022 <i>Actual</i> \$ '000	2021 <i>Actual</i> \$ '000
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### (b) Internal allocations

<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>9,494</b>	20,684
Less: Internally restricted cash, cash equivalents and investments	<b>(8,119)</b>	(10,889)
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>1,375</b>	9,795

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

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>

#### Internal allocations

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

Cemetery headstone restoration reserve	114	114
Corporate	5,371	3,156
General fleet	2,634	4,721
General fund uncompleted works reserve	–	2,898
<b>Total internal allocations</b>	<b>8,119</b>	<b>10,889</b>

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

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>

#### (c) Unrestricted and unallocated

<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>1,375</b>	<b>9,795</b>
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## C1-4 Receivables

	2022 Current Actual \$ '000	2022 Non-current Actual \$ '000	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000
Rates and annual charges	4,828	–	3,979	–
User charges and fees	3,257	–	3,895	–
Accrued revenues				
– Interest on investments	218	–	78	–
– Other income accruals	1,414	–	246	–
Amounts due from other councils	5,301	–	6,032	–
Government grants and subsidies	5,594	18	1,642	54
Net GST receivable	655	–	886	–
Amounts due from other levels of government	4,513	–	4,513	–
<b>Total</b>	<b>25,780</b>	<b>18</b>	<b>21,271</b>	<b>54</b>
<b>Less: provision for impairment</b>				
Other debtors	(54)	–	(54)	–
<b>Total provision for impairment – receivables</b>	<b>(54)</b>	<b>–</b>	<b>(54)</b>	<b>–</b>
<b>Total net receivables</b>	<b>25,726</b>	<b>18</b>	<b>21,217</b>	<b>54</b>

### Accounting policy

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

### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 3 years past due, whichever occurs first.

Receivables with a contractual amount of \$39.8k written off during the reporting period are still subject to enforcement activity

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

## C1-4 Receivables (continued)

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Rates and annual charges outstanding are secured against the property.



## C1-5 Contract assets and Contract cost assets

	<b>2022</b> <b>Current</b> <b>Actual</b> <b>\$ '000</b>	<b>2022</b> <b>Non-current</b> <b>Actual</b> <b>\$ '000</b>	<b>2021</b> <b>Current</b> <b>Actual</b> <b>\$ '000</b>	<b>2021</b> <b>Non-current</b> <b>Actual</b> <b>\$ '000</b>
Contract assets	2,240	–	4,337	–
<b>Total contract assets and contract cost assets</b>	<b>2,240</b>	<b>–</b>	<b>4,337</b>	<b>–</b>

### Contract assets

Other	2,240	–	4,337	–
<b>Total contract assets</b>	<b>2,240</b>	<b>–</b>	<b>4,337</b>	<b>–</b>

### Significant changes in contract assets

There has been significant expenditure recognised in 21/22 for Natural Disaster Funding that was incurred in 20/21 year as a result of AGRN960 March 2021 Floods, this expenditure claim has now been endorsed by Public Works Advisory we have yet to see formal income. Other programs which we have incurred significant expenditure 21/22, however have not meet milestone to trigger payments include, Bridge Renewal Program Round 5, Emergency water Treatment Plant at Steuart McIntyre Dam, Community Recovery officer and Kempsey Council Landfill Program.

### Accounting policy

#### Contract assets

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

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

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

#### Contract cost asset – costs to fulfil a contract

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

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

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

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

## C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021 <sup>2</sup>			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount <sup>2</sup> \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Reinstatement costs for impaired assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	17,095	–	17,095	22,767	1,681	–	–	–	(7,195)	–	–	–	34,348	–	34,348
Plant and equipment	18,190	(8,652)	9,538	4,880	240	–	(2,003)	(1,283)	22	–	–	–	19,906	(8,512)	11,394
Office equipment	3,485	(2,641)	844	422	–	–	–	(182)	22	–	–	–	1,855	(749)	1,106
Furniture and fittings	349	(228)	121	1	–	–	–	(21)	–	–	–	–	243	(142)	101
<b>Land:</b>															
– Crown land	27,059	–	27,059	–	–	–	–	–	–	–	–	10,851	37,910	–	37,910
– Operational land	21,578	–	21,578	–	–	–	(208)	–	–	–	–	12,747	34,117	–	34,117
– Community land	10,426	–	10,426	–	–	–	–	–	–	–	–	2,114	12,540	–	12,540
Land improvements	49,795	(11,713)	38,082	19	240	–	(6)	(554)	–	–	–	–	50,542	(12,761)	37,781
<b>Infrastructure:</b>															
– Buildings – non-specialised	42,312	(24,488)	17,824	127	19	–	(22)	(1,198)	10	–	–	11,208	59,218	(31,250)	27,968
– Buildings – specialised	29,990	(17,725)	12,265	158	66	–	(142)	(927)	212	(157)	–	598	30,158	(18,085)	12,073
– Other structures	1,410	(573)	837	17	18	–	–	(45)	–	60	–	36	1,972	(1,049)	923
– Roads	351,141	(120,414)	230,727	3,206	4,847	554	(1,399)	(6,227)	3,284	(540)	–	8,099	372,694	(130,143)	242,551
– Bridges	95,106	(37,115)	57,991	798	3,731	–	(185)	(1,036)	5	–	–	2,106	102,695	(39,285)	63,410
– Footpaths	25,035	(11,286)	13,749	201	208	–	(56)	(340)	40	540	–	563	26,894	(11,989)	14,905
– Bulk earthworks (non-depreciable)	235,842	–	235,842	48	1,159	–	–	–	–	–	–	8,130	245,179	–	245,179
– Stormwater drainage	135,414	(45,698)	89,716	94	1,166	–	(1,512)	(1,194)	–	–	–	7,883	142,707	(46,554)	96,153
– Water supply network	297,531	(104,176)	193,355	1,428	592	–	(739)	(5,773)	504	–	(12,773)	–	293,838	(117,244)	176,594
– Sewerage network	233,627	(119,366)	114,261	861	513	–	(47)	(4,088)	149	–	–	5,389	233,075	(116,037)	117,038
– Swimming pools	3,470	(2,424)	1,046	–	–	–	–	(100)	–	157	–	1,659	6,201	(3,439)	2,762
– Other open space/recreational assets	24,451	(12,343)	12,108	145	379	–	(307)	(550)	2,947	(60)	–	386	27,816	(12,768)	15,048
<b>Other assets:</b>															
– Other	1,308	(850)	458	65	–	–	(65)	(46)	–	–	–	–	1,243	(831)	412
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>															
– Tip assets	800	(219)	581	–	–	–	–	(80)	–	6,178	–	–	6,978	(299)	6,679
– Quarry assets	279	(84)	195	–	–	–	–	(20)	–	(51)	–	–	228	(104)	124
<b>Total infrastructure, property, plant and equipment</b>	<b>1,625,693</b>	<b>(519,995)</b>	<b>1,105,698</b>	<b>35,237</b>	<b>14,859</b>	<b>554</b>	<b>(6,691)</b>	<b>(23,664)</b>	<b>–</b>	<b>6,127</b>	<b>(12,773)</b>	<b>71,769</b>	<b>1,742,357</b>	<b>(551,241)</b>	<b>1,191,116</b>

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

(2) See note G4-1 for details regarding restatement as a result of prior period error.

## C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021 <sup>2</sup>		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount <sup>2</sup> \$ '000
<b>Capital work in progress</b>	13,380	–	13,380	580	13,503	–	–	(10,368)	–	–	17,095	–	17,095
Plant and equipment	16,729	(7,934)	8,795	2,434	–	(388)	(1,303)	–	–	–	18,190	(8,652)	9,538
Office equipment	3,126	(2,470)	656	361	–	–	(173)	–	–	–	3,485	(2,641)	844
Furniture and fittings	282	(207)	75	67	–	–	(21)	–	–	–	349	(228)	121
<b>Land:</b>													
– Operational land	21,578	–	21,578	–	–	–	–	–	–	–	21,578	–	21,578
– Community land	9,359	–	9,359	1	–	–	–	–	–	1,066	10,426	–	10,426
– Crown land	27,059	–	27,059	–	–	–	–	–	–	–	27,059	–	27,059
Land improvements	44,998	(7,037)	37,961	–	56	–	(512)	2	(613)	1,189	49,795	(11,713)	38,082
<b>Infrastructure:</b>													
– Buildings – non-specialised	39,761	(24,675)	15,086	609	1,934	(950)	(1,153)	2,296	–	–	42,312	(24,488)	17,824
– Buildings – specialised	28,528	(16,856)	11,672	123	459	(7)	(884)	902	–	–	29,990	(17,725)	12,265
– Other structures	–	–	–	–	–	–	(44)	–	881	–	1,410	(573)	837
– Roads	348,441	(115,248)	233,193	3,298	3,393	(1,490)	(6,164)	736	–	(2,240)	351,141	(120,414)	230,727
– Bridges	94,118	(36,193)	57,925	174	658	(47)	(1,007)	372	–	(84)	95,106	(37,115)	57,991
– Footpaths	24,748	(10,990)	13,758	142	187	(32)	(332)	26	–	–	25,035	(11,286)	13,749
– Bulk earthworks (non-depreciable)	235,078	–	235,078	–	764	–	–	–	–	–	235,842	–	235,842
– Stormwater drainage	134,559	(44,564)	89,995	406	466	(103)	(1,183)	135	–	–	135,414	(45,698)	89,716
– Water supply network	291,997	(97,991)	194,006	1,665	1,027	–	(5,658)	553	–	1,761	297,531	(104,176)	193,355
– Sewerage network	227,321	(114,820)	112,501	311	1,774	(101)	(3,766)	2,629	–	913	233,627	(119,366)	114,261
– Swimming pools	3,439	(2,328)	1,111	31	–	–	(96)	–	–	–	3,470	(2,424)	1,046
– Other open space/recreational assets	17,938	(8,365)	9,573	397	979	(3)	(465)	1,137	(268)	759	24,451	(12,343)	12,108
<b>Other assets:</b>													
– Other	1,302	(804)	498	–	148	–	(46)	1,580	–	–	1,308	(850)	458
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>													
– Tip assets	801	(133)	668	–	127	–	(214)	–	–	–	800	(219)	581
– Quarry assets	278	(42)	236	–	–	–	(41)	–	–	–	279	(84)	195
<b>Total infrastructure, property, plant and equipment</b>	<b>1,584,820</b>	<b>(490,657)</b>	<b>1,094,163</b>	<b>10,599</b>	<b>25,475</b>	<b>(3,121)</b>	<b>(23,062)</b>	<b>–</b>	<b>–</b>	<b>3,364</b>	<b>1,625,693</b>	<b>(519,995)</b>	<b>1,105,698</b>

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

(2) See Note G4-1 for details regarding restatement as a result of prior period error.

## C1-6 Infrastructure, property, plant and equipment (continued)

### Accounting policy

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

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

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

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).

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Buildings</b>	<b>Years</b>
Office equipment	5 to 10	Buildings	12 to 150
Office furniture	4 to 10		
Computer equipment	3 to 10		
Vehicles	5 to 13		
Heavy plant/road making equipment	5 to 13		
Other plant and equipment	3 to 10		
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	15 to 200	Drains	80 to 100
Water mains	10 to 100	Flood mitigation systems	70 to 80
Sewer mains	40 to 120	Flood Drains	Infinite
Treatment works	15 to 100		
Pumps and telemetry	15 to 30		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	60 to 225	Swimming pools	80
Unsealed roads	7 to 90	Land improvements	10 to 180
Bridge	40 to 100	Other open space/recreational assets	10 to 180
Footpaths	40 to 85	Other structures	20 to 80

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

### Land under roads

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

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

## C1-6 Infrastructure, property, plant and equipment (continued)

### 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.

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".

Only land and building Rural Fire Service assets are recognised as assets of the Council in these financial statements as it is Council's position it does not control firefighting plant and equipment.

## C1-7 Intangible assets

Intangible assets are as follows:

	2022 <i>Actual</i> \$ '000	2021 <i>Actual</i> \$ '000
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	1,723	–
<b>Net book value – opening balance</b>	<b>1,723</b>	–
<b>Movements for the year</b>		
Other movements	(345)	1,723
<b>Closing values at 30 June</b>		
Gross book value	1,723	1,723
Accumulated amortisation	(345)	–
<b>Total software – net book value</b>	<b>1,378</b>	<b>1,723</b>
<b>Total intangible assets – net book value</b>	<b>1,378</b>	<b>1,723</b>

### Accounting policy

#### IT development, software and software implementation

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

## C2 Liabilities of Council

### C2-1 Payables

	2022 Current Actual \$ '000	2022 Non-current Actual \$ '000	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000
– Interest on leases	1	–	–	–
Goods and services – operating expenditure	6,416	–	5,257	–
Accrued expenses:				
– Borrowings	206	–	226	–
– Other expenditure accruals	256	–	679	–
Security bonds, deposits and retentions	1,617	–	1,780	–
Prepaid rates	2,201	–	1,826	–
Other	7	–	11	–
<b>Total payables</b>	<b>10,704</b>	<b>–</b>	<b>9,779</b>	<b>–</b>

#### Current payables not anticipated to be settled within the next twelve months

	2022 Actual \$ '000	2021 Actual \$ '000
	1,293	1,503
<b>Total payables</b>	<b>1,293</b>	<b>1,503</b>

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

Payables – security bonds, deposits and retentions

	1,293	1,503
<b>Total payables</b>	<b>1,293</b>	<b>1,503</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.

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

#### Payables

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

### C2-2 Contract Liabilities

	2022 Current Actual \$ '000	2022 Non-current Actual \$ '000	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000
Notes				

#### Grants and contributions received in advance:

Unexpended capital grants (to construct Council controlled assets)	(i) 26,140	–	12,741	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii) 405	–	248	–
<b>Total grants received in advance</b>	<b>26,545</b>	<b>–</b>	<b>12,989</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>26,545</b>	<b>–</b>	<b>12,989</b>	<b>–</b>

#### Notes

(i) Council has received funding to construct assets including roads, bridges, halls, play equipment, library, Plan Van and

## C2-2 Contract Liabilities (continued)

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

	2022 <i>Actual</i> \$ '000	2021 <i>Actual</i> \$ '000
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	172	1,336
Operating grants (received prior to performance obligation being satisfied)	–	1,074
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>172</b>	<b>2,410</b>

### 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.

## C2-3 Borrowings

	2022 <i>Current Actual</i> \$ '000	2022 <i>Non-current Actual</i> \$ '000	2021 <i>Current Actual</i> \$ '000	2021 <i>Non-current Actual</i> \$ '000
Bank overdraft	–	–	–	–
Loans – secured <sup>1</sup>	4,391	51,769	4,635	56,160
<b>Total borrowings</b>	<b>4,391</b>	<b>51,769</b>	<b>4,635</b>	<b>56,160</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

	2021		Non-cash movements				2022
	<i>Opening Balance</i> \$ '000	<i>Cash flows</i> \$ '000	<i>Acquisition</i> \$ '000	<i>Fair value changes</i> \$ '000	<i>Acquisition due to change in accounting policy</i> \$ '000	<i>Other non-cash movement</i> \$ '000	<i>Closing balance</i> \$ '000
Loans – secured	60,795	(4,635)	–	–	–	–	56,160
Lease liability	71	(13)	–	–	–	–	58
<b>Total liabilities from financing activities</b>	<b>60,866</b>	<b>(4,648)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>56,218</b>

	2020		Non-cash movements				2021
	<i>Opening Balance</i> \$ '000	<i>Cash flows</i> \$ '000	<i>Acquisition</i> \$ '000	<i>Fair value changes</i> \$ '000	<i>Acquisition due to change in accounting policy</i> \$ '000	<i>Other non-cash movement</i> \$ '000	<i>Closing balance</i> \$ '000
Loans – secured	37,900	(3,605)	26,500	–	–	–	60,795
Lease liability	110	(39)	–	–	–	–	71

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## C2-3 Borrowings (continued)

<b>Total liabilities from financing activities</b>	38,010	(3,644)	26,500	–	–	–	60,866
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**(b) Financing arrangements**

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	–	–
Credit cards/purchase cards	450	250
<b>Total financing arrangements</b>	<b>450</b>	<b>250</b>
<b>Drawn facilities</b>		
– Bank overdraft facilities	–	–
– Credit cards/purchase cards	6	–
<b>Total drawn financing arrangements</b>	<b>6</b>	<b>–</b>
<b>Undrawn facilities</b>		
– Credit cards/purchase cards	444	250
<b>Total undrawn financing arrangements</b>	<b>444</b>	<b>250</b>
<b>Additional financing arrangements information</b>		
<b>Breaches and defaults</b>		
During the current and prior year, there were no defaults or breaches on any of the loans.		

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

**Accounting policy**

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

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or 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.



## C2-4 Employee benefit provisions

	<b>2022</b> <b>Current</b> <b>Actual</b> <b>\$ '000</b>	<b>2022</b> <b>Non-current</b> <b>Actual</b> <b>\$ '000</b>	<b>2021</b> <b>Current</b> <b>Actual</b> <b>\$ '000</b>	<b>2021</b> <b>Non-current</b> <b>Actual</b> <b>\$ '000</b>
Annual leave	1,855	–	2,028	–
Sick leave	355	–	1,015	–
Long service leave	3,383	1,094	3,649	1,180
<b>Total employee benefit provisions</b>	<b>5,593</b>	<b>1,094</b>	<b>6,692</b>	<b>1,180</b>

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

	<b>2022</b> <b>Actual</b> <b>\$ '000</b>	<b>2021</b> <b>Actual</b> <b>\$ '000</b>
Provisions – employees benefits	4,416	4,432
	<b>4,416</b>	<b>4,432</b>

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

Provisions – employees benefits	4,416	4,432
	<b>4,416</b>	<b>4,432</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.

## C2-5 Provisions

	<b>2022</b> <b>Current</b> <b>Actual</b> <b>\$ '000</b>	<b>2022</b> <b>Non-Current</b> <b>Actual</b> <b>\$ '000</b>	<b>2021</b> <b>Current</b> <b>Actual</b> <b>\$ '000</b>	<b>2021</b> <b>Non-Current</b> <b>Actual</b> <b>\$ '000</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	6,934	–	1,246
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>6,934</b>	<b>–</b>	<b>1,246</b>
<b>Total provisions</b>	<b>–</b>	<b>6,934</b>	<b>–</b>	<b>1,246</b>

### Asset remediation/restoration:

Asset remediation/restoration (future works)	–	6,934	–	1,246
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>6,934</b>	<b>–</b>	<b>1,246</b>
<b>Total provisions</b>	<b>–</b>	<b>6,934</b>	<b>–</b>	<b>1,246</b>

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## C2-5 Provisions (continued)

### Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
<b>2022</b>		
At beginning of year	1,246	1,246
Other	5,688	5,688
Total other provisions at end of year	6,934	6,934
<b>2021</b>		
At beginning of year	1,208	1,208
Unwinding of discount	38	38
Total other provisions at end of year	1,246	1,246

### 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 council 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.

## C3 Reserves

### C3-1 Nature and purpose of reserves

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#### **IPPE Revaluation reserve**

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

## D Council structure

### D1 Results by fund

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

#### D1-1 Income Statement by fund

	<i>General</i> 2022 \$ '000	<i>Water</i> 2022 \$ '000	<i>Sewer</i> 2022 \$ '000
<b>Income from continuing operations</b>			
Rates and annual charges	27,414	5,294	13,163
User charges and fees	7,877	8,457	1,581
Interest and investment revenue	638	83	65
Other revenues	1,915	147	238
Grants and contributions provided for operating purposes	14,466	268	110
Grants and contributions provided for capital purposes	27,876	2,299	4,357
<b>Total income from continuing operations</b>	<b>80,186</b>	<b>16,548</b>	<b>19,514</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	21,060	2,813	2,647
Materials and services	16,533	4,649	5,166
Borrowing costs	17	1,079	799
Depreciation, amortisation and impairment	14,107	5,802	4,103
Other expenses	2,796	–	–
Net losses from the disposal of assets	3,335	740	48
Calculated Taxation Equivalents	–	–	–
<b>Total expenses from continuing operations</b>	<b>57,848</b>	<b>15,083</b>	<b>12,763</b>
<b>Operating result from continuing operations</b>	<b>22,338</b>	<b>1,465</b>	<b>6,751</b>
<b>Net operating result for the year</b>	<b>22,338</b>	<b>1,465</b>	<b>6,751</b>
<b>Net operating result attributable to each council fund</b>	<b>22,338</b>	<b>1,465</b>	<b>6,751</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(5,538)</b>	<b>(834)</b>	<b>2,394</b>

## D1-2 Statement of Financial Position by fund

	<b>General 2022 \$ '000</b>	<b>Water 2022 \$ '000</b>	<b>Sewer 2022 \$ '000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14,837	13,013	8,862
Investments	44,054	13,399	10,555
Receivables	19,599	3,151	2,976
Inventories	520	5	5
Contract assets and contract cost assets	2,240	–	–
Other	430	–	–
<b>Total current assets</b>	<b>81,680</b>	<b>29,568</b>	<b>22,398</b>
<b>Non-current assets</b>			
Receivables	18	–	–
Infrastructure, property, plant and equipment	883,127	183,055	124,934
Intangible assets	1,378	–	–
Right of use assets	39	–	–
<b>Total non-current assets</b>	<b>884,562</b>	<b>183,055</b>	<b>124,934</b>
<b>Total assets</b>	<b>966,242</b>	<b>212,623</b>	<b>147,332</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10,535	102	67
Contract liabilities	26,534	–	11
Lease liabilities	15	–	–
Borrowings	1,440	1,678	1,273
Employee benefit provision	5,593	–	–
<b>Total current liabilities</b>	<b>44,117</b>	<b>1,780</b>	<b>1,351</b>
<b>Non-current liabilities</b>			
Lease liabilities	43	–	–
Borrowings	15,720	23,654	12,395
Employee benefit provision	1,094	–	–
Provisions	6,934	–	–
<b>Total non-current liabilities</b>	<b>23,791</b>	<b>23,654</b>	<b>12,395</b>
<b>Total liabilities</b>	<b>67,908</b>	<b>25,434</b>	<b>13,746</b>
<b>Net assets</b>	<b>898,334</b>	<b>187,189</b>	<b>133,586</b>
<b>EQUITY</b>			
Accumulated surplus	402,958	63,049	60,974
Revaluation reserves	495,376	124,140	72,612
<b>Council equity interest</b>	<b>898,334</b>	<b>187,189</b>	<b>133,586</b>
<b>Total equity</b>	<b>898,334</b>	<b>187,189</b>	<b>133,586</b>

## D2 Interests in other entities

### D2-1 Interests in joint arrangements

#### (i) Joint operations

	<i>Principal activity</i>	<i>Place of business</i>	<i>Interest in ownership</i>		<i>Interest in voting</i>	
			2022	2021	2022	2021
<b>(a) Council is involved in the following joint operations (JO's)</b>						
<b>Maria River Road upgrade</b>	Upgrade of Maria River Road, a joint operation between Port Macquarie-Hastings Council and Kempsey Shire Council with a total project cost of \$17.01m	Port Macquarie NSW	<b>52%</b>	52%	<b>48%</b>	48%

#### Accounting policy

Council has determined that it has only a joint operation.

#### Joint operations

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

## E Risks and accounting uncertainties

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

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

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

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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.

	<i>Carrying value</i> 2022 \$ '000	<i>Carrying value</i> 2021 \$ '000	<i>Fair value</i> 2022 \$ '000	<i>Fair value</i> 2021 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	36,712	35,767	32,212	35,767
Receivables	25,744	21,271	27,930	21,271
Investments				
– Debt securities at amortised cost	66,937	38,550	71,437	38,550
<b>Fair value through profit and loss</b>				
Investments				
– Held for trading	1,071	13,670	1,071	13,670
<b>Total financial assets</b>	<b>130,464</b>	<b>109,258</b>	<b>132,650</b>	<b>109,258</b>
<b>Financial liabilities</b>				
Payables	10,704	9,779	10,703	9,779
Loans/advances	56,160	60,795	56,160	62,643
Lease liabilities	–	71	–	71
<b>Total financial liabilities</b>	<b>66,864</b>	<b>70,645</b>	<b>66,863</b>	<b>72,493</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **at fair value through profit and loss** or (ii) **at fair value through other comprehensive income** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investment portfolio with the assistance of independent advisors.

Council has an investment policy which complies with s625 of the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.

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

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

	2022	2021
	\$ '000	\$ '000

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement	898	790
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Impact of a 10% movement in price of investments

– Equity / Income Statement	3,501	3,172
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### (b) Credit risk

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

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

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

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

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

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

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.



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

### 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.

	Not yet overdue rates and annual charges			Total \$ '000
	Not yet overdue \$ '000	< 5 years \$ '000	≥ 5 years \$ '000	
<b>2022</b>				
Gross carrying amount	3,271	1,557	–	4,828
<b>2021</b>				
Gross carrying amount	1,829	2,150	–	3,979

#### 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.

	Not yet overdue \$ '000	Overdue debts				Total \$ '000
		0 - 30 days \$ '000	31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
<b>2022</b>						
Gross carrying amount	21,902	927	116	6	259	23,210
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
<b>2021</b>						
Gross carrying amount	19,204	1,471	365	59	584	21,683
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

## 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 and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in:</i>			<i>Total contractu al cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
			<i>≤ 1 Year \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>&gt; 5 Years \$ '000</i>		
<b>2022</b>							
Payables	0.00%	1,617	8,624	–	–	10,241	10,704
Borrowings	3.86%	–	439	1,981	58,375	60,795	56,160
<b>Total financial liabilities</b>		<b>1,617</b>	<b>9,063</b>	<b>1,981</b>	<b>58,375</b>	<b>71,036</b>	<b>66,864</b>
<b>2021</b>							
Payables	0.00%	1,780	6,173	–	–	7,953	9,779
Borrowings	3.92%	–	6,937	30,264	39,770	76,971	60,795
<b>Total financial liabilities</b>		<b>1,780</b>	<b>13,110</b>	<b>30,264</b>	<b>39,770</b>	<b>84,924</b>	<b>70,574</b>

## E2-1 Fair value measurement

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

- Financial assets
- Infrastructure, property, plant and equipment

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).

The table below shows the assigned level for each asset and liability held at fair value by Council.

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2022	2021	2022	2021 <sup>1</sup>	2022	2021
<b>Recurring fair value measurements</b>							
<b>Financial assets</b>							
Financial investments	C1-2						
At fair value through profit or loss		1,071	13,670	–	–	1,071	13,670
<b>Total financial assets</b>		<b>1,071</b>	<b>13,670</b>	<b>–</b>	<b>–</b>	<b>1,071</b>	<b>13,670</b>
<b>Infrastructure, property, plant and equipment</b>							
	C1-6						
Plant and equipment		–	–	11,394	9,538	11,394	9,538
Office equipment		–	–	1,106	844	1,106	844
Furniture and fittings		–	–	101	121	101	121
Crown Land		–	–	37,910	27,059	37,910	27,059
Operational land		–	–	34,117	21,578	34,117	21,578
Community land		–	–	12,540	10,426	12,540	10,426
Land Improvements		–	–	37,781	38,082	37,781	38,082
Buildings – non specialised		–	–	27,968	17,824	27,968	17,824
Buildings – specialised		–	–	12,073	12,265	12,073	12,265
Other Structures		–	–	923	837	923	837
Roads, bridges, footpaths, bulk earthwork		–	–	566,045	538,309	566,045	538,309
Stormwater drainage		–	–	96,153	89,716	96,153	89,716
Water supply network		–	–	176,594	193,355	176,594	193,355
Sewerage network		–	–	117,038	114,261	117,038	114,261
Swimming pools		–	–	2,762	1,046	2,762	1,046
Other open space/recreational assets		–	–	15,048	12,108	15,048	12,108
Other		–	–	412	458	412	458
Tip Assets		–	–	6,679	581	6,679	581
Quarry assets		–	–	124	195	124	195
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>1,156,768</b>	<b>1,088,603</b>	<b>1,156,768</b>	<b>1,088,603</b>

(1) See note G4-1 for details regarding restatement as a result of prior period error

### Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## E2-1 Fair value measurement (continued)

### Valuation techniques

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

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

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

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

	<i>Plant and equipment</i>		<i>Office equipment</i>		<i>Furniture and fittings</i>		<i>Crown Land</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
<b>Opening balance</b>	<b>9,538</b>	8,795	<b>844</b>	656	<b>121</b>	75	<b>27,059</b>	27,059
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	<b>10,851</b>	–
<b>Other movements</b>								
Purchases (GBV)	<b>5,142</b>	2,434	<b>444</b>	361	<b>1</b>	67	–	–
Disposals (WDV)	<b>(2,003)</b>	(388)	–	–	–	–	–	–
Depreciation and impairment	<b>(1,283)</b>	(1,303)	<b>(182)</b>	(173)	<b>(21)</b>	(21)	–	–
<b>Closing balance</b>	<b>11,394</b>	9,538	<b>1,106</b>	844	<b>101</b>	121	<b>37,910</b>	27,059

	<i>Operational land</i>		<i>Community Land</i>		<i>Land improvement</i>		<i>Buildings non specialised</i> <sup>1</sup>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
<b>Opening balance</b>	<b>21,578</b>	21,578	<b>10,426</b>	9,359	<b>38,082</b>	37,961	<b>17,824</b>	15,086
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	<b>12,747</b>	–	<b>2,114</b>	1,066	–	1,189	<b>11,208</b>	–
<b>Other movements</b>								
Transfers from/(to) another asset class	–	–	–	–	–	(612)	–	–
Purchases (GBV)	–	–	–	1	<b>259</b>	56	<b>156</b>	4,840
Disposals (WDV)	<b>(208)</b>	–	–	–	<b>(6)</b>	–	<b>(22)</b>	(950)
Depreciation and impairment	–	–	–	–	<b>(554)</b>	(512)	<b>(1,198)</b>	(1,152)
<b>Closing balance</b>	<b>34,117</b>	21,578	<b>12,540</b>	10,426	<b>37,781</b>	38,082	<b>27,968</b>	17,824

(1) See note G4-1 for details regarding restatement as a result of prior period error

## E2-1 Fair value measurement (continued)

	<i>Building specialised</i>		<i>Other Structures</i>		<i>Roads bridges</i>		<i>Stormwater drainage</i>	
	<i>2022</i>	<i>2021 <sup>1</sup></i>	<i>2022</i>	<i>2021</i>	<i>footpaths</i>	<i>earthworks</i>	<i>2022</i>	<i>2021</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
<b>Opening balance</b>	<b>12,265</b>	11,672	<b>837</b>	–	<b>538,309</b>	539,954	<b>89,716</b>	89,995
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	<b>598</b>	–	<b>36</b>	–	<b>18,898</b>	–	<b>7,883</b>	–
<b>Other movements</b>								
Transfers from/(to) another asset class	<b>(157)</b>	–	<b>60</b>	881	<b>–</b>	–	<b>–</b>	–
Purchases (GBV)	<b>436</b>	1,484	<b>35</b>	–	<b>18,081</b>	9,751	<b>1,260</b>	1,007
Disposals (WDV)	<b>(142)</b>	(7)	<b>–</b>	–	<b>(1,640)</b>	(1,569)	<b>(1,512)</b>	(103)
Depreciation and impairment	<b>(927)</b>	(884)	<b>(45)</b>	(44)	<b>(7,603)</b>	(9,827)	<b>(1,194)</b>	(1,183)
<b>Closing balance</b>	<b>12,073</b>	12,265	<b>923</b>	837	<b>566,045</b>	538,309	<b>96,153</b>	89,716

	<i>Water supply network</i>		<i>Sewerage network <sup>1</sup></i>		<i>Swimming pools</i>		<i>Open space/recreational</i>	
	<i>2022</i>	<i>2021 <sup>1</sup></i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021 <sup>1</sup></i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
<b>Opening balance</b>	<b>193,355</b>	194,006	<b>114,261</b>	112,501	<b>1,046</b>	1,111	<b>12,108</b>	9,573
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	<b>(12,773)</b>	1,761	<b>5,389</b>	1,021	<b>1,659</b>	–	<b>386</b>	759
<b>Other movements</b>								
Transfers from/(to) another asset class	<b>–</b>	553	<b>–</b>	2,629	<b>157</b>	–	<b>(60)</b>	868
Purchases (GBV)	<b>2,524</b>	2,692	<b>1,523</b>	2,085	<b>–</b>	31	<b>3,471</b>	1,376
Disposals (WDV)	<b>(739)</b>	–	<b>(47)</b>	(101)	<b>–</b>	–	<b>(307)</b>	(3)
Depreciation and impairment	<b>(5,773)</b>	(5,657)	<b>(4,088)</b>	(3,874)	<b>(100)</b>	(96)	<b>(550)</b>	(465)
<b>Closing balance</b>	<b>176,594</b>	193,355	<b>117,038</b>	114,261	<b>2,762</b>	1,046	<b>15,048</b>	12,108

## E2-1 Fair value measurement (continued)

	Other		Tip assets		Quarry Assets		Total	
	2022 Actual \$ '000	2021 Actual \$ '000	2022 Actual \$ '000	2021 Actual \$ '000	2022 Actual \$ '000	2021 Actual \$ '000	2022 Actual \$ '000	2021 Actual \$ '000
<b>Opening balance</b>	<b>458</b>	1,308	<b>581</b>	668	<b>195</b>	236	<b>1,088,603</b>	<b>1,077,878</b>
Recognised in other comprehensive income – revaluation surplus	–	–	<b>6,178</b>	–	<b>(51)</b>	–	<b>65,123</b>	<b>5,796</b>
Transfers from/(to) another asset class	–	–	–	–	–	–	–	<b>(6,049)</b>
Purchases (GBV)	<b>65</b>	–	–	127	–	–	<b>33,397</b>	<b>40,395</b>
Disposals (WDV)	<b>(65)</b>	–	–	–	–	–	<b>(6,691)</b>	<b>(3,121)</b>
Depreciation and impairment	<b>(46)</b>	(850)	<b>(80)</b>	(214)	<b>(20)</b>	(41)	<b>(23,664)</b>	<b>(26,296)</b>
<b>Closing balance</b>	<b>412</b>	458	<b>6,679</b>	581	<b>124</b>	195	<b>1,156,768</b>	<b>1,088,603</b>

### Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

There were no transfers into and out of the level 3 fair valuation hierarchy.

### c. The valuation process for level 3 fair value measurements

#### Property, plant and equipment, furniture and fittings incorporates:

Major plant  
Fleet vehicles  
Minor plant  
Furniture and fittings  
Office equipment

All are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs include:

- Pattern of consumption
- Useful life
- Asset Condition
- Residual Value

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

#### Operational land

Council's 'Operational' Land by definition has no special restriction other than those that may apply to any piece of land.

Operational Land was revalued by an external valuer at 30 June 2022 using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer.

This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account the current market price in an active and liquid market of the same or similar asset.

The unobservable Level 3 inputs used include:

- Rate per square Metre

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period.

#### Community land

Council's 'Community' land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the *Environmental*

## E2-1 Fair value measurement (continued)

*Planning and Assessment Act 1979*). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Community land has been split into Community Land owned by Council and Crown Land that is managed by Council.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to Community Land, the Office of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local government Accounting Advisory Group, the Division has determined that community land may be valued as follows:

The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Market Approach' is used to value Community Land. There has been no change to the valuation process during the reporting period.

### **Land improvements – non depreciable and depreciable**

Council's Land Improvements incorporates fencing, landscaping, earthworks and playgrounds.

Council carries fair values of land using the following unobservable Level 3 inputs:

- Gross replacement cost
- Asset condition
- Non Depreciable
- Remaining useful life

Land improvements were valued at Fair value. There has been no change to the valuation process during the reporting period.

### **Buildings – non-specialised and specialised**

Council Buildings include libraries, public amenities, sporting club houses, depot buildings, workshops, community centres, rural fire service buildings and tourist caravan parks.

Valuations are carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking into account a range of factors. Buildings are physically inspected and values are provided based on extensive professional judgement, condition and consumption rates.

As such, these assets are classified as having being valued using the following unobservable Level 3 inputs:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful life of an asset

Council's buildings were revalued by an external valuer on 30 June 2022.

### **Roads, water and sewer networks.**

This asset class comprises the Roads, Bridges, Car Parks, Kerb & Guttering, Footpaths, Cycleways together with Water and Sewerage Networks.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. Valuations for the road, comprising surface, pavement, and formation were based on calculations carried out in 2021 utilising an internal engineering expertise utilising asset data sourced from pavement management survey and staff assessments. Water and Sewerage infrastructure was revalued at 30 June 2022 utilising a mix of internal engineering expertise and the use of external specialist valuers.

Council fair values road infrastructure using unobservable Level 3 inputs at a component level. Council fair values kerb and guttering and footpaths using unobservable Level 3 inputs at a non-componentised level.

## E2-1 Fair value measurement (continued)

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The 'Cost Approach' is used to value these assets by componentising the assets into significant parts and then rolling up these component values to provide an overall valuation for each significant assets (e.g. road, water treatment facility, dam, pump station, sewer treatment plant) within Council's Asset System. Kerb and guttering, footpaths, water mains and sewers are also valued using the "Cost Approach" however this is done on a non componentised basis.

The level of componentisation adopted by Council is in accordance with AASB 116 and OLG Circular 09-09.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset condition
- Remaining useful life
- Current replacement cost

### **Stormwater Drainage**

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls and flood mitigation levees, drains and gate structures.

Council carries fair values of drainage assets using unobservable Level 3 inputs which include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost

The 'Cost Approach' is used to value drainage assets. There has been no change to the valuation during the reporting period.

### **Other assets, swimming pools and other open space/recreational assets**

Council's Other Assets includes powerheads, waste systems, water tanks, landfill lids and recycling facilities.

Council carries fair values of Other Assets using Level 3 inputs. The unobservable Level 3 inputs include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost

The 'Cost Approach' is used to value other assets. There has been no change to the valuation process during the reporting period.

## 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

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 payment is available.

Council participates in a defined benefits superannuation scheme called the the Local Government Superannuation Scheme – Pool B (Scheme). Pooled Employers from a sub-group of the Scheme with over 150 employers supporting around 5,000 employees and ex-employees.

The Scheme is considered to be a defined benefit multi-employer plan 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.

##### *Description of the funding arrangements.*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard 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 standard employer contribution rates are:

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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.

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

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

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

## E3-1 Contingencies (continued)

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

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

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

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

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

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 FundsActuary, the final end of year review will be completed by December 2022.

### (ii) Statewide Limited

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

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

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

### (iii) StateCover Limited

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

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

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

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

### (iv) Other guarantees

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

## E3-1 Contingencies (continued)

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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.

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

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

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

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

### ASSETS NOT RECOGNISED

#### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/2008.

#### (ii) Infringement notices/fines

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

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

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

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

#### (iii) Mid North Coast Co-Op Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Mid North Coast Co-Op Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

#### (iii) Natural Disaster Claims

Council has lodged claims with the NSW Government- Transport for NSW and Public Works Advisory for funding under the Natural Disaster Assistance Scheme for \$1.9m and \$58k to assist with restoring damaged infrastructure and other assets expensed in the 2021 financial year. Council notes that these funding applications have subsequently been approved and the revenue recognised in the 2023 financial year.

## 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:

	2022 \$ '000	2021 \$ '000
<b>Compensation:</b>		
Short-term benefits	1,145	1,095
Post-employment benefits	79	74
Other long-term benefits	30	28
<b>Total</b>	<b>1,254</b>	<b>1,197</b>

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

Councillor is a serving board member of StateCover Mutual. StateCover Mutual are our workers compensation insurance provider.

Transactions of a minor/immaterial nature were made to companies associated with Council's KMP. The transactions related to:

- Maintenance work at Civic Centre and to plant
- Service awards

## F1-2 Councillor and Mayoral fees and associated expenses

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	45	44
Councillors' fees	178	181
Other Councillors' expenses (including Mayor)	4	5
<b>Total</b>	<b>227</b>	<b>230</b>

## F2 Other relationships

### F2-1 Audit fees

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>

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

#### Remuneration for audit and other assurance services

#### Total Auditor-General remuneration

#### Total audit fees

<b>105</b>	94
<b>105</b>	94
<b>105</b>	94
<b>105</b>	94

## G Other matters

### G1-1 Statement of Cash Flows information

#### (a) Reconciliation of net operating result to cash provided from operating activities

	2022 <i>Actual</i> \$ '000	2021 <sup>1</sup> <i>Actual</i> \$ '000
<b>Net operating result from Income Statement</b>	<b>30,888</b>	20,998
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	23,667	23,102
(Gain) / loss on disposal of assets	4,123	2,755
Non-cash capital grants and contributions	(4,448)	(2,996)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Interest-free advances made by Council (deferred debtors)	52	67
– Revaluation decrements / impairments of IPP&E direct to P&L	345	–
Unwinding of discount rates on reinstatement provisions	–	38
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(4,473)	(11,452)
(Increase) / decrease of inventories	(22)	(1)
(Increase) / decrease of other current assets	(18)	(282)
(Increase) / decrease of contract asset	2,097	(2,023)
Increase / (decrease) in payables	1,159	1,668
Increase / (decrease) in accrued interest payable	(19)	38
Increase / (decrease) in other accrued expenses payable	(423)	(163)
Increase / (decrease) in other liabilities	208	1,425
Increase / (decrease) in contract liabilities	13,556	9,840
Increase / (decrease) in employee benefit provision	(1,185)	(172)
Increase / (decrease) in other provisions	5,688	–
<b>Net cash flows from operating activities</b>	<b>71,195</b>	<b>42,842</b>

(1) See note G4-1 for details regarding restatement as a result of prior period error

#### (b) Non-cash investing and financing activities

Developer dedicated assets	1,656	2,996
<b>Total non-cash investing and financing activities</b>	<b>1,656</b>	<b>2,996</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$ '000</b>	<b>\$ '000</b>

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

#### Property, plant and equipment

Sewerage and water infrastructure	489	–
Land Improvements	2,604	4,160
Building - Specialised	540	4,571
Bridges	420	110
Roads	636	1,992
<b>Total commitments</b>	<b>4,689</b>	<b>10,833</b>

#### Details of capital commitments

Capital expenditure commitments relate to the Mid North Coast High Performance Centre, construction of Cell 4 at the Kempsey Shire Council Waste Management Centre, construction of the South Kempsey Pressure Sewer Scheme, remediation works at the Devil's Nook Road Cutting landslip, rehabilitation of the Apron & Taxiways at Kempsey Airport and the supply of bridges and culverts as part of the Fixing Country Bridges replacement program.



## G3-1 Events occurring after the reporting date

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

- At its meeting on 17 August 2021 (Item 9.1) Council resolved to enter into an agreement with the Slim Dusty Centre to transfer buildings, fixtures and fittings, excluding the Slim Dusty Museum fixtures, exhibits and memorabilia to Council for Nil cost. The fair value of these assets and the full impact on operating results is yet to be determined.
- The NSW Government has endorsed the Independent Panel on Road Classification Review and Regional Road Transfer recommendation that Armidale Road be transferred to State Government control. This will result in the removal of roads with a Written Down Value of \$40.5m being removed from Councils assets and transferred to the State Government with details and exact timing to be confirmed. Annual depreciation expenses will decrease \$543k per financial year as a result.

## G4 Changes from prior year statements

### G4-1 Correction of errors

The revaluation of Non-Specialised Buildings, Specialised Buildings, Water and Sewer assets in the 2021-2022 year has discovered previously omitted Non-Specialised Buildings, Specialised Buildings, Water and Sewer assets. These assets have been identified as a result of improved asset management practices and technological advances. The assets have now been recognised and have an impact of increasing the value of Infrastructure, Property, Plant and Equipment at:

- 1 July 2020 by \$4,301,930 (Non-Specialised Buildings \$1,486,201, Specialised Buildings \$1,142,107, Water assets \$1,208,484 and Sewer Assets \$465,138)
- 30 June 2021 by \$4,191,572 (Non-Specialised Buildings \$1,440,061, Specialised Buildings \$1,107,043, Water Assets \$1,191,866 and Sewer Assets \$452,602).

At 30 June 2021 there was an increase in depreciation expense of \$110,357 which was recognised in the income statement.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2020) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction of these errors. The impact on each line item are shown in the table below.

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

#### Statement of Financial Position

	<i>Original Balance 1 July, 2020 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 1 July, 2020 \$ '000</i>
Infrastructure, property, plant & equipment	1,089,862	4,303	1,094,165
<b>Total non-current assets</b>	<b>1,090,050</b>	<b>4,303</b>	<b>1,094,353</b>
<b>Total assets</b>	<b>1,157,782</b>	<b>4,303</b>	<b>1,162,085</b>
<b>Net assets</b>	<b>1,100,560</b>	<b>4,303</b>	<b>1,104,863</b>
Accumulated Surplus	470,792	4,303	475,095
<b>Total equity</b>	<b>1,100,560</b>	<b>4,303</b>	<b>1,104,863</b>

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

#### Statement of Financial Position

	<i>Original Balance 30 June, 2021 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2021 \$ '000</i>
Infrastructure, property, plant & equipment	1,101,506	4,192	1,105,698
<b>Total non-current assets</b>	<b>1,103,324</b>	<b>4,192</b>	<b>1,107,516</b>
<b>Total assets</b>	<b>1,217,785</b>	<b>4,192</b>	<b>1,221,977</b>

## G4-1 Correction of errors (continued)

	<i>Original Balance 30 June, 2021 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2021 \$ '000</i>
<b>Net assets</b>	1,125,033	4,192	1,129,225
Accumulated Surplus	491,901	4,192	496,093
<b>Total equity</b>	<b>1,125,033</b>	<b>4,192</b>	<b>1,129,225</b>

## Income Statement

	<i>Original Balance 30 June, 2021 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2021 \$ '000</i>
<b>Total income from continuing operations</b>	<b>99,686</b>	<b>–</b>	<b>99,686</b>
Depreciation and amortisation	22,991	111	23,102
<b>Total expenses from continuing operations</b>	<b>78,577</b>	<b>111</b>	<b>78,688</b>
<b>Net operating result for the year</b>	<b>21,109</b>	<b>(111)</b>	<b>20,998</b>

Net operating result for the year before grants and contributions provided for capital purposes is impacted by depreciation adjustments for 'found' assets

## Statement of Comprehensive Income

	<i>Original Balance 30 June, 2021 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2021 \$ '000</i>
<b>Net operating result for the year</b>	<b>21,109</b>	<b>(111)</b>	<b>20,998</b>
<b>Total comprehensive income for the year</b>	<b>24,473</b>	<b>(111)</b>	<b>24,362</b>

## G5 Statement of developer contributions as at 30 June 2022

### G5-1 Summary of developer contributions

	Opening balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	31	–	–	–	–	–	31	–
Roads	2,044	467	–	13	–	–	2,524	–
Parking	50	–	–	–	–	–	50	–
Community facilities	359	26	–	2	–	–	387	–
SWR plan	2,247	1,058	–	16	–	–	3,321	–
Public domain	233	30	–	1	–	–	264	–
Administration	192	70	–	1	–	–	263	–
<b>S7.11 contributions – under a plan</b>	<b>5,156</b>	<b>1,651</b>	<b>–</b>	<b>33</b>	<b>–</b>	<b>–</b>	<b>6,840</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>5,156</b>	<b>1,651</b>	<b>–</b>	<b>33</b>	<b>–</b>	<b>–</b>	<b>6,840</b>	<b>–</b>
S64 contributions	10,393	2,036	–	64	–	–	12,493	–
<b>Total contributions</b>	<b>15,549</b>	<b>3,687</b>	<b>–</b>	<b>97</b>	<b>–</b>	<b>–</b>	<b>19,333</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

	Opening balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
<b>CONTRIBUTION PLAN NUMBER 1</b>								
Drainage	31	–	–	–	–	–	31	–
Roads	2,044	467	–	13	–	–	2,524	–
Parking	50	–	–	–	–	–	50	–
Community facilities	359	26	–	2	–	–	387	–
SWR plan	2,247	1,058	–	16	–	–	3,321	–
Public domain	233	30	–	1	–	–	264	–
Administration	192	70	–	1	–	–	263	–
<b>Total</b>	<b>5,156</b>	<b>1,651</b>	<b>–</b>	<b>33</b>	<b>–</b>	<b>–</b>	<b>6,840</b>	<b>–</b>

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

### G5-3 Contributions not under plans

#### S64 contributions

S64 Water contributions	6,519	1,218	–	40	–	–	7,777	–
S64 Sewerage contributions	3,874	818	–	24	–	–	4,716	–
<b>Total</b>	<b>10,393</b>	<b>2,036</b>	<b>–</b>	<b>64</b>	<b>–</b>	<b>–</b>	<b>12,493</b>	<b>–</b>

## G6 Statement of performance measures

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

	Amounts	Indicator	Indicators		Benchmark
	Actual 2022	Actual 2022	Restated Actual 2021	Actual 2020	
<b>\$ '000</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>883</b>	<b>1.08%</b>	2.55%	(6.71)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>81,716</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>66,872</b>	<b>57.53%</b>	63.74%	67.23%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>116,248</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>32,283</b>	<b>3.18x</b>	2.61x	1.69x	> 1.50x
Current liabilities less specific purpose liabilities	<b>10,152</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>26,445</b>	<b>4.04x</b>	4.70x	3.75x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>6,544</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>4,828</b>	<b>9.63%</b>	8.25%	10.25%	< 10.00%
Rates and annual charges collectable	<b>50,161</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>69,712</b>	<b>13.24 months</b>	10.17 months	10.76 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	<b>5,266</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

## G6-2 Statement of performance measures by fund

\$ '000	General Indicators		Water Indicators		Sewer Indicators		Benchmark
	Actual	Restated	Actual	Restated	Actual	Restated	
	2022	2021	2022	2021	2022	2021	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(2.72)%	3.98%	(0.68)%	(16.70)%	16.15%	13.63%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	48.11%	55.00%	84.21%	81.32%	77.06%	88.20%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	3.18x	2.60x	12.24x	10.49x	13.19x	10.16x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	8.46x	11.22x	2.19x	2.52x	3.36x	3.45x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	9.41%	6.48%	21.61%	19.15%	5.33%	7.37%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	6.99 months	7.46 months	29.84 months	19.93 months	20.14 months	12.88 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

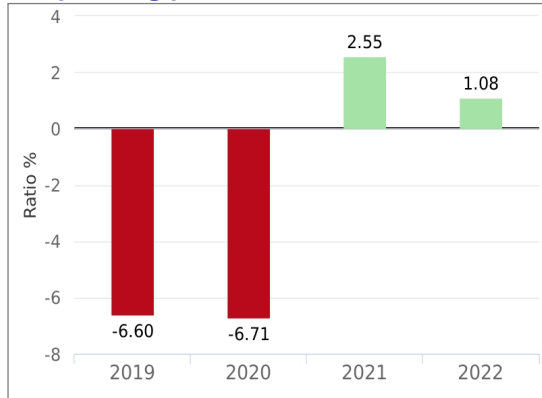
(1) - (2) Refer to Notes at Note G6-1 above.

**End of the audited financial statements**

## H Additional Council disclosures (audited)

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

#### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2021/22 result

2021/22 ratio 1.08%

Results for this ratio continue to be impacted by high levels of grant funding. Once grant funding is wound down it is expected this result will revert to negative results pending further work on financial sustainability.

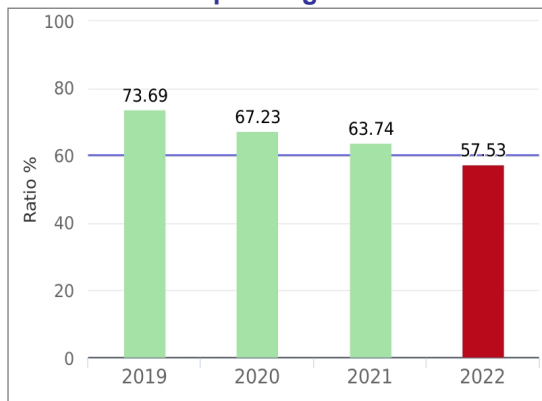
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

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

#### Commentary on 2021/22 result

2021/22 ratio 57.53%

This ratio is also being impacted by the high levels of grant funding.

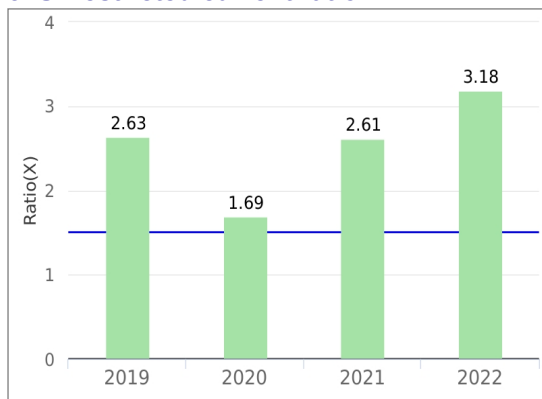
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2021/22 result

2021/22 ratio 3.18x

Results are satisfactory and above benchmark.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

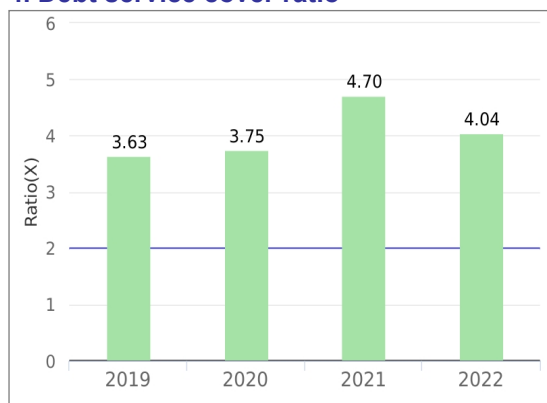
Ratio achieves benchmark

Ratio is outside benchmark



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

### 4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

**Commentary on 2021/22 result**

2021/22 ratio 4.04x

Results are satisfactory and above benchmark.

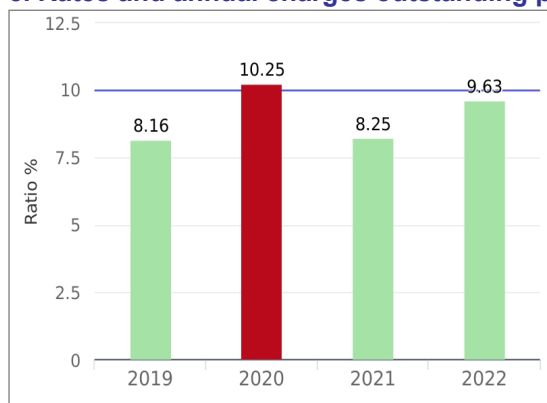
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



**Purpose of rates and annual charges outstanding percentage**

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

**Commentary on 2021/22 result**

2021/22 ratio 9.63%

Results are satisfactory and below benchmark.

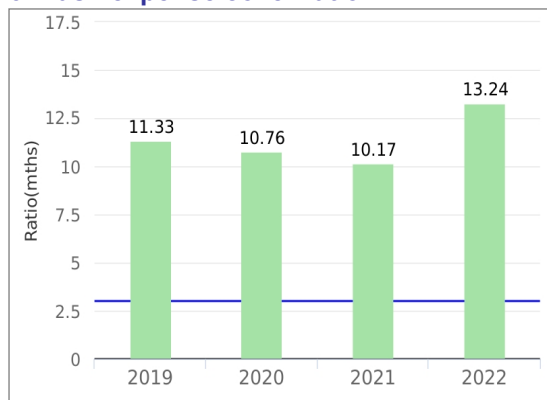
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

**Commentary on 2021/22 result**

2021/22 ratio 13.24 months

Council remains in a relatively strong position with this result.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## H1-2 Council information and contact details

---

**Principal place of business:**  
22 Tozer Street  
WEST KEMPSEY NSW 2440

### Contact details

**Mailing Address:**  
P O Box 3078  
WEST KEMPSEY NSW 2440

**Telephone:** 02 6566 3200  
**Facsimile:** 02 6566 3205

**Opening hours:**  
8:30am - 4:30pm  
Monday to Friday

**Internet:** [www.kempsey.nsw.gov.au](http://www.kempsey.nsw.gov.au)  
**Email:** [ksc@council.nsw.gov.au](mailto:ksc@council.nsw.gov.au)

### Officers

**General Manager**  
Craig Milburn

**Responsible Accounting Officer**  
Stephen Mitchell

### Elected members

**Mayor**  
Leo Hauville

### Other information

**ABN:** 70 705 618 663



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Kempsey Shire Council

To the Councillors of Kempsey Shire Council

### Qualified Opinion

I have audited the accompanying financial statements of Kempsey 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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

### Basis for Qualified Opinion

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

As disclosed in Note C1-6 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 12 August 2012
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G6-1 'Statement of performance measures – consolidated results' and Note G6-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Statements

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

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

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

My objectives are to:

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

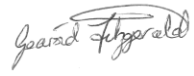
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

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

A handwritten signature in cursive script that reads "Gearoid Fitzgerald".

Gearoid Fitzgerald  
Delegate of the Auditor-General for New South Wales

28 October 2022  
SYDNEY



Cr Leo Hauville  
Kempsey Shire Council  
PO Box 78  
West Kempsey NSW 2440

Contact: Gearoid Fitzgerald  
Phone no: 02 9275 7392  
Our ref: D2222879/1746

28 October 2022

Dear Mayor

## **Report on the Conduct of the Audit for the year ended 30 June 2022 Kempsey Shire Council**

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

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

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

### **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

I identified the following significant audit issues and observations during my audit of the Council's financial statements.

#### **Modification to the opinion in the Independent Auditor's Report**

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

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

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

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

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events 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 12 August 2012.

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

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







Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2022 general purpose financial statements (GPFS) to be modified.

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

## INCOME STATEMENT

### Operating result

	2022	2021*	Variance
	\$m	\$m	%
Rates and annual charges revenue	45.9	43.4	 5.8
Grants and contributions revenue	49.4	36.1	 36.8
Materials and services	26.0	22.8	 14.0
Depreciation and amortisation expense	24.0	23.1	 3.9
Operating result from continuing operations	30.9	21.0	 47.1
Net operating result before capital grants and contributions	(3.6)	(0.8)	 350

\* The 2021 comparatives have been restated to correct a prior period error. Note G4-1 of the financial statements provides details of the prior period error.

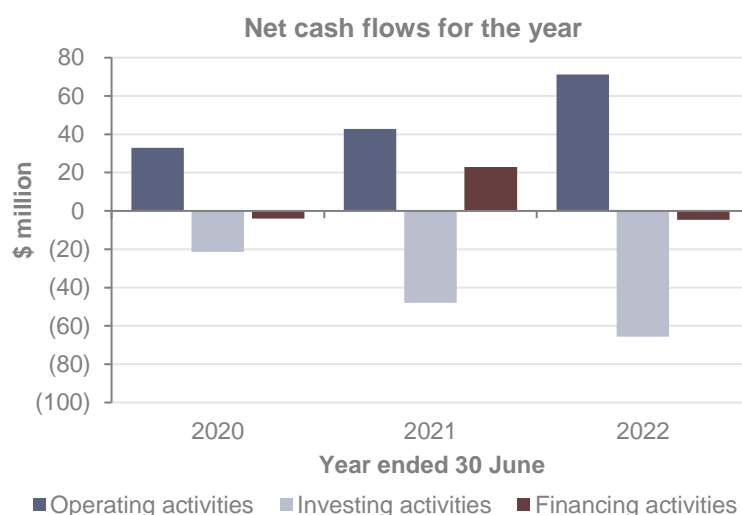


The Council's operating result from continuing operations (\$30.9 million including depreciation and amortisation expense of \$24.0 million) was \$9.9 million higher than the 2020–21 result. The increase is largely attributable to the following:

- Rates and annual charges revenue (\$45.9 million) increasing by \$2.4million (5.6 percent). The IPART approved rate peg was 2.0 percent in 2021-22, however Council had a special rate variation of 4.2 percent for an environment levy for 2021-22.
- Grants and contributions revenue (\$49.4 million) increasing by \$13.3 million (36.8 percent) due to:
  - Increased grants to fund roads and bridges repair / replacement; and
  - Increased grants to fund the improvement / construction of sport and recreation facilities
- Materials and services expenses (\$26.0 million) increasing by \$3.2 million (13.9 percent) due to increase in raw materials and consumables and contractor and consultancy costs required for maintenance costs as a result of weather events.

## STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$28.4 million. This was largely due to an increase in grants & contributions revenue.
- Net cash used in investing activities increased by \$17.6 million. This is largely due to an increase in capital expenditure and the purchase of term deposits.
- Net cash used in financing activities is due to ongoing repayment of existing borrowings and no new borrowings during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>104.7</b>	<b>88.0</b>	<ul style="list-style-type: none"> <li>• Externally restricted cash and investments has increased by \$27.9 million from the prior year. \$14.1 million of this increase relates to specific purpose unexpended grants</li> </ul>
Restricted and allocated cash, cash equivalents and investments:			<ul style="list-style-type: none"> <li>• Internally allocated cash and investments have decreased by \$2.8 million from prior year. This decrease is largely due to a decrease in General fund uncompleted works reserve.</li> </ul>
• External restrictions	95.2	67.3	
• Internal allocations	8.1	10.9	

# PERFORMANCE

## Performance measures

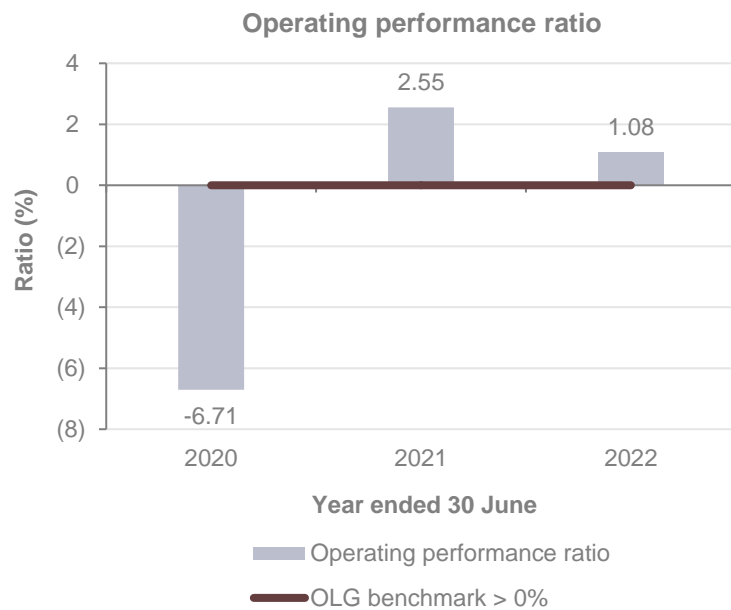
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

### Operating performance ratio

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

The 2021 ratio was restated to correct a prior period error.

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



### Own source operating revenue ratio

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

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

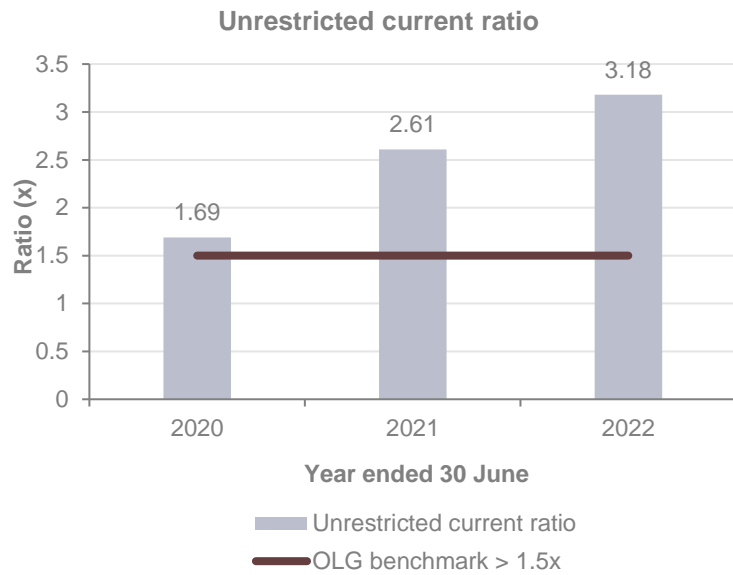
The ratio was negatively impacted by a high level of capital grants and contributions.



### Unrestricted current ratio

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

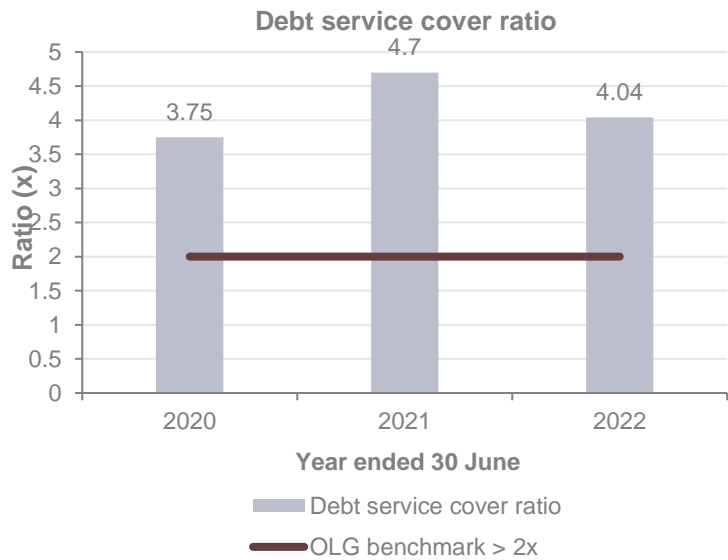
The Council exceeded the OLG benchmark for the current reporting period.



### Debt service cover ratio

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

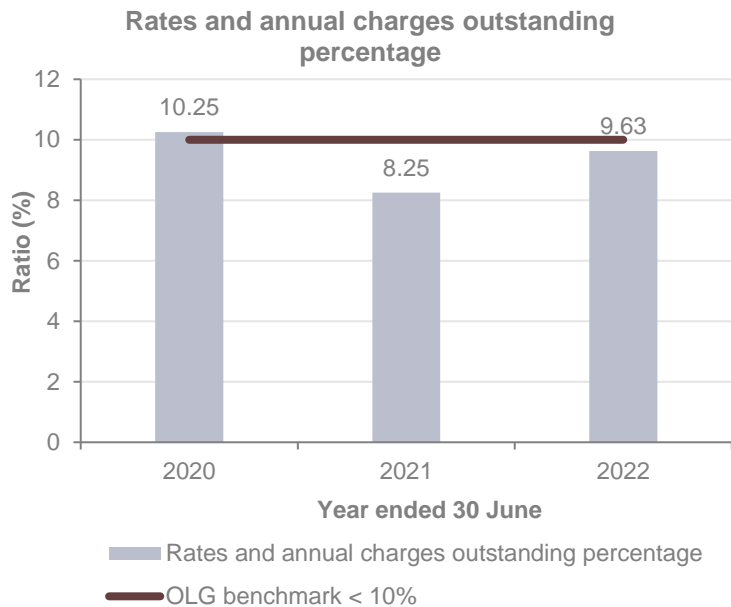
The Council exceeded the OLG benchmark for the current reporting period.



## Rates and annual charges outstanding percentage

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

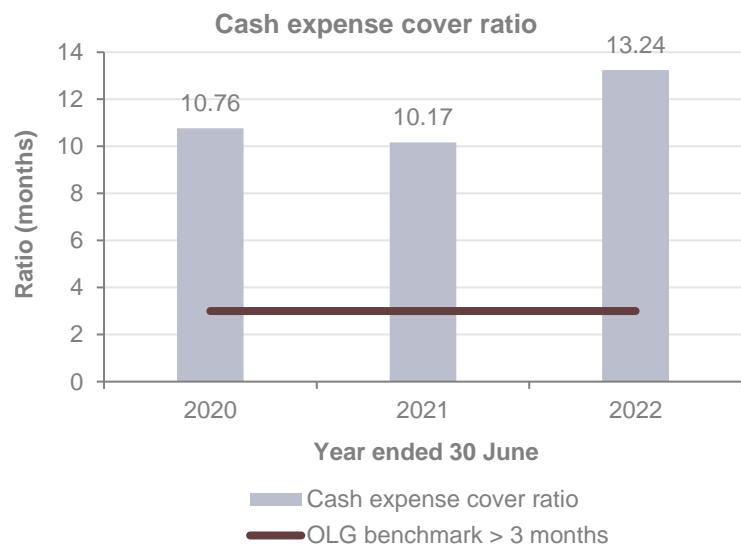
The Council met the OLG benchmark for the current reporting period.



## Cash expense cover ratio

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

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



## Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2021-22 year was \$35.2 million (\$10.6 million in 2020-21). In 2021-22, major renewal projects included:

- South Kempsey Pressure Sewer Scheme
- Timber Bridge replacement program
- Road renewals throughout the Shire

## OTHER MATTERS

### Legislative compliance

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

As explained in the 'Significant Issues and Observations' section of this Report, rural fire-fighting equipment was not recognised in the financial statements.

Aside from the matter outlined above, the Council's:

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



Gearoid Fitzgerald  
Delegate of the Auditor-General for New South Wales

cc: Mr Craig Milburn, General Manager  
Mr Stephen Coates, Chair of the Audit, Risk and Improvement Committee



**KEMPSEY**  
Shire Council



**2021-2022**  
**ANNUAL REPORT**  
**AUDITED FINANCIAL STATEMENTS**

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### Background

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

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

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

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

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

# Kempsey Shire Council

## Special Purpose Financial Statements for the year ended 30 June 2022

### Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 September 2022.



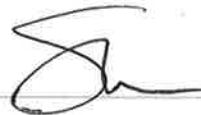
Leo Hauville  
Mayor  
28 October 2022



Kerri Riddington  
Councillor  
28 October 2022



Craig Milburn  
General Manager  
28 October 2022



Stephen Mitchell  
Responsible Accounting Officer  
28 October 2022



## Kempsey Shire Council

## Income Statement of water supply business activity

for the year ended 30 June 2022

	2022	2021 <sup>1</sup>
	<i>Actual</i>	<i>Restated</i>
	\$ '000	\$ '000
<b>Income from continuing operations</b>		
Access charges	5,294	4,954
User charges	7,893	7,091
Fees	269	208
Interest and investment income	83	76
Grants and contributions provided for operating purposes	268	502
Other income	147	159
<b>Total income from continuing operations</b>	<b>13,954</b>	<b>12,990</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,813	2,592
Borrowing costs	1,079	1,040
Materials and services	4,649	4,324
Depreciation, amortisation and impairment	5,802	5,698
Net loss from the disposal of assets	740	330
Calculated taxation equivalents	39	40
Debt guarantee fee (if applicable)	165	176
<b>Total expenses from continuing operations</b>	<b>15,287</b>	<b>14,200</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,333)</b>	<b>(1,210)</b>
Grants and contributions provided for capital purposes	2,299	2,367
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>966</b>	<b>1,157</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>966</b>	<b>1,157</b>
<b>Surplus (deficit) after tax</b>	<b>966</b>	<b>1,157</b>
<b>Plus accumulated surplus</b>	<b>61,918</b>	<b>60,585</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	39	40
– Debt guarantee fees	165	176
<b>Less:</b>		
– Tax equivalent dividend paid	(39)	(40)
<b>Closing accumulated surplus</b>	<b>63,049</b>	<b>61,918</b>
<b>Return on capital %</b>	<b>(0.1)%</b>	<b>(0.1)%</b>
<b>Subsidy from Council</b>	<b>6,954</b>	<b>3,103</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	966	1,157
Less: capital grants and contributions (excluding developer contributions)	(2,299)	(1,077)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>80</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>40</b>

(1) See prior period error note for details regarding restatement

## Kempsey Shire Council

## Income Statement of sewerage business activity

for the year ended 30 June 2022

	2022	2021 <sup>1</sup>
	<i>Actual</i>	<i>Restated</i>
	\$ '000	\$ '000
<b>Income from continuing operations</b>		
Access charges	13,163	12,161
User charges	1,039	992
Liquid trade waste charges	239	224
Fees	264	280
Interest and investment income	65	75
Grants and contributions provided for operating purposes	110	112
Other income	238	142
<b>Total income from continuing operations</b>	<b>15,118</b>	<b>13,986</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,647	2,529
Borrowing costs	799	875
Materials and services	5,166	4,047
Depreciation, amortisation and impairment	4,103	3,801
Net loss from the disposal of assets	48	101
Calculated taxation equivalents	28	29
Debt guarantee fee (if applicable)	68	75
<b>Total expenses from continuing operations</b>	<b>12,859</b>	<b>11,457</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,259</b>	<b>2,529</b>
Grants and contributions provided for capital purposes	4,357	1,744
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>6,616</b>	<b>4,273</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>6,616</b>	<b>4,273</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(565)	(661)
<b>Surplus (deficit) after tax</b>	<b>6,051</b>	<b>3,612</b>
<b>Plus accumulated surplus</b>	<b>54,290</b>	<b>49,942</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	28	29
– Debt guarantee fees	68	75
– Corporate taxation equivalent	565	661
<b>Less:</b>		
– Tax equivalent dividend paid	(28)	(29)
<b>Closing accumulated surplus</b>	<b>60,974</b>	<b>54,290</b>
<b>Return on capital %</b>	<b>2.4%</b>	<b>2.9%</b>
<b>Subsidy from Council</b>	<b>1,515</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	6,051	3,612
Less: capital grants and contributions (excluding developer contributions)	(4,357)	(785)
<b>Surplus for dividend calculation purposes</b>	<b>1,694</b>	<b>2,827</b>
<b>Potential dividend calculated from surplus</b>	<b>847</b>	<b>1,414</b>

(1) See prior period error note for details regarding restatement

## Kempsey Shire Council

## Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022	2021 <sup>1</sup>
	<i>Actual</i>	<i>Restated</i>
	\$ '000	\$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,013	17,283
Investments	13,399	7,101
Receivables	3,151	2,685
Inventories	5	29
<b>Total current assets</b>	<b>29,568</b>	<b>27,098</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	183,055	199,125
<b>Total non-current assets</b>	<b>183,055</b>	<b>199,125</b>
<b>Total assets</b>	<b>212,623</b>	<b>226,223</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	-	93
Payables	102	165
Borrowings	1,678	1,787
<b>Total current liabilities</b>	<b>1,780</b>	<b>2,045</b>
<b>Non-current liabilities</b>		
Borrowings	23,654	25,332
<b>Total non-current liabilities</b>	<b>23,654</b>	<b>25,332</b>
<b>Total liabilities</b>	<b>25,434</b>	<b>27,377</b>
<b>Net assets</b>	<b>187,189</b>	<b>198,846</b>
<b>EQUITY</b>		
Accumulated surplus	63,049	61,918
Revaluation reserves	124,140	136,928
<b>Total equity</b>	<b>187,189</b>	<b>198,846</b>

(1) See prior period error note for details regarding restatement

## Kempsey Shire Council

## Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022	2021 <sup>1</sup>
	<i>Actual</i>	<i>Restated</i>
	\$ '000	\$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,862	9,917
Investments	10,555	7,258
Receivables	2,976	1,360
Inventories	5	4
<b>Total current assets</b>	<b>22,398</b>	<b>18,539</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	124,934	118,278
<b>Total non-current assets</b>	<b>124,934</b>	<b>118,278</b>
<b>Total assets</b>	<b>147,332</b>	<b>136,817</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	11	200
Payables	67	75
Borrowings	1,273	1,348
<b>Total current liabilities</b>	<b>1,351</b>	<b>1,623</b>
<b>Non-current liabilities</b>		
Borrowings	12,395	13,668
<b>Total non-current liabilities</b>	<b>12,395</b>	<b>13,668</b>
<b>Total liabilities</b>	<b>13,746</b>	<b>15,291</b>
<b>Net assets</b>	<b>133,586</b>	<b>121,526</b>
<b>EQUITY</b>		
Accumulated surplus	60,974	54,290
Revaluation reserves	72,612	67,236
<b>Total equity</b>	<b>133,586</b>	<b>121,526</b>

(1) See prior period error note for details regarding restatement

## Kempsey Shire Council

### Prior Period error - Water Supply Business Activity

as at 30 June 2022

#### Nature of prior-period error

The revaluation of Water assets in the 2021-2022 year has discovered previously omitted Water Assets. These assets have been identified as a result of improved asset management practices and technological advances. These assets have not been recognised and have an impact of increasing the value of Infrastructure, Property, Plant and equipment at:

- 1 July 2020 by \$1,208,484
- 30 June 2021 by \$1,191,866

At 30 June 2021 there was an increase in depreciation expense of \$16,619 which was recognised in the income statement. Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third Statement of Financial Position. The Special Purpose Financial Statements have been prepared in accordance with the Special Purpose reporting framework and the requirements of AASB 101 to disclose a third Statement of Financial Position have not been applied.

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

##### Statement of Financial Position

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Infrastructure, property, plant and equipment	198,006	1,208	199,214
<b>Total assets</b>	<b>212,623</b>	<b>1,208</b>	<b>213,831</b>
<b>Net assets</b>	<b>194,534</b>	<b>1,208</b>	<b>195,742</b>
Accumulated surplus	59,377	1,208	60,585
<b>Total equity</b>	<b>194,534</b>	<b>1,208</b>	<b>195,742</b>

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

##### Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Infrastructure, property, plant and equipment	197,933	1,192	199,125
<b>Total assets</b>	<b>225,031</b>	<b>1,192</b>	<b>226,223</b>
<b>Net assets</b>	<b>197,654</b>	<b>1,192</b>	<b>198,846</b>
Accumulated surplus	60,726	1,192	61,918
<b>Total equity</b>	<b>197,654</b>	<b>1,192</b>	<b>198,846</b>

##### Income Statement

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Depreciation, amortisation and impairment	5,682	16	5,698
<b>Total expenses from continuing operations</b>	<b>14,184</b>	<b>16</b>	<b>14,200</b>
<b>Net operating result for the year</b>	<b>1,173</b>	<b>-16</b>	<b>1,157</b>

## Kempsey Shire Council

### Prior Period error - Sewerage Supply Business Activity

as at 30 June 2022

#### Nature of prior-period error

The revaluation of Sewer assets in the 2021-2022 year has discovered previously omitted Sewer Assets. These assets have been identified as a result of improved asset management practices and technological advances. These assets have not been recognised and have an impact of increasing the value of Infrastructure, Property, Plant and equipment at:

- 1 July 2020 by \$465,138
- 30 June 2021 by \$452,602

At 30 June 2021 there was an increase in depreciation expense of \$12,536 which was recognised in the income statement.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third Statement of Financial Position. The Special Purpose Financial Statements have been prepared in accordance with the Special Purpose reporting framework and the requirements of AASB 101 to disclose a third Statement of Financial Position have not been applied.

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

##### Statement of Financial Position

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Infrastructure, property, plant and equipment	117,702	465	118,167
<b>Total assets</b>	<b>132,548</b>	<b>465</b>	<b>133,013</b>
<b>Net assets</b>	<b>115,801</b>	<b>465</b>	<b>116,266</b>
Accumulated surplus	49,477	465	49,942
<b>Total equity</b>	<b>115,801</b>	<b>465</b>	<b>116,266</b>

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

##### Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Infrastructure, property, plant and equipment	117,826	452	118,278
<b>Total assets</b>	<b>136,365</b>	<b>452</b>	<b>136,817</b>
<b>Net assets</b>	<b>121,074</b>	<b>452</b>	<b>121,526</b>
Accumulated surplus	53,838	452	54,290
<b>Total equity</b>	<b>121,074</b>	<b>452</b>	<b>121,526</b>

#### Income Statement

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Depreciation, amortisation and impairment	3,789	12	3,801
<b>Total expenses from continuing operations</b>	<b>11,445</b>	<b>12</b>	<b>11,457</b>
<b>Net operating result for the year</b>	<b>4,285</b>	<b>-12</b>	<b>4,273</b>

## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

##### a. Water Supply

Water supply services within the Kempsey Shire Council area

##### b. Sewerage Service

Sewerage services within the Kempsey Shire Council area

### Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

## Note – Significant Accounting Policies (continued)

### Notional rate applied (%)

Corporate income tax rate – 25%

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

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

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

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

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

### Income tax

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

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

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

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

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

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

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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



## Note – Significant Accounting Policies (continued)

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### (ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

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

### (iii) Dividends

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

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Kempsey Shire Council**

To the Councillors of Kempsey Shire Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- water supply
- Sewerage supply.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

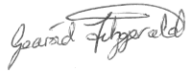
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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
- 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.



Gearoid Fitzgerald  
Delegate of the Auditor-General for New South Wales

28 October 2022  
SYDNEY



**KEMPSEY**  
Shire Council



**2021-2022**  
**ANNUAL REPORT**  
**AUDITED FINANCIAL STATEMENTS**

# Kempsey Shire Council

## Special Schedules

for the year ended 30 June 2022

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## Kempsey Shire Council

## Permissible income for general rates

	Notes	Calculation 2021/22 \$ '000	Calculation 2022/23 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	21,325	<b>21,967</b>
Plus or minus adjustments <sup>2</sup>	b	221	<b>285</b>
<b>Notional general income</b>	c = a + b	<b>21,546</b>	<b>22,252</b>
<b>Permissible income calculation</b>			
Rate peg percentage	e	2.00%	<b>2.00%</b>
Or plus rate peg amount	i = e x (c + g)	431	<b>445</b>
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>21,977</b>	<b>22,697</b>
Plus (or minus) last year's carry forward total	l	1	<b>11</b>
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>11</b>
<b>Total permissible income</b>	o = k + n	<b>21,978</b>	<b>22,708</b>
Less notional general income yield	p	21,967	<b>22,704</b>
<b>Catch-up or (excess) result</b>	q = o - p	<b>11</b>	<b>4</b>
<b>Carry forward to next year <sup>3</sup></b>	t = q + r - s	<b>11</b>	<b>4</b>
<b>Notes</b>			

(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) 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 Local Government Act 1993. 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

#### Kempsey Shire Council

To the Councillors of Kempsey Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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



## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

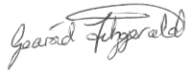
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](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.



Gearoid Fitzgerald  
Delegate of the Auditor-General for New South Wales

28 October 2022  
SYDNEY

## Kempsey Shire Council

## Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
		Estimated cost to bring assets to satisfactory standard	to bring assets agreed level of service set by Council	2021/22 Required maintenance <sup>a</sup>	2021/22 Actual maintenance			1	2	3	4	5		
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000							
<b>Buildings</b>	Buildings – non-specialised	77	77	616	616	27,968	59,218	13.7%	30.6%	51.5%	3.6%	0.6%		
	Buildings – specialised	247	247	313	313	12,073	30,158	10.6%	19.6%	58.0%	10.6%	1.2%		
	<b>Sub-total</b>	<b>324</b>	<b>324</b>	<b>929</b>	<b>929</b>	<b>40,041</b>	<b>89,376</b>	<b>12.7%</b>	<b>26.9%</b>	<b>53.7%</b>	<b>6.0%</b>	<b>0.8%</b>		
<b>Roads</b>	Sealed roads	28,982	28,982	5,944	5,694	171,554	250,006	36.4%	43.0%	8.6%	5.7%	6.3%		
	Unsealed roads	–	–	1,524	1,524	15,384	26,881	11.9%	80.0%	7.8%	0.3%	0.0%		
	Bridges	–	–	157	157	61,304	99,286	34.1%	16.6%	40.8%	6.4%	2.1%		
	Footpaths	3,893	3,893	101	31	14,342	25,877	29.0%	9.4%	46.6%	14.3%	0.7%		
	Other road assets	2,021	2,021	226	156	49,200	85,076	18.7%	39.6%	36.1%	4.4%	1.2%		
	Bulk earthworks	–	–	–	–	237,048	237,048	100.0%	0.0%	0.0%	0.0%	0.0%		
<b>Sub-total</b>	<b>34,896</b>	<b>34,896</b>	<b>7,952</b>	<b>7,562</b>	<b>566,045</b>	<b>724,174</b>	<b>53.6%</b>	<b>25.1%</b>	<b>14.8%</b>	<b>3.9%</b>	<b>2.6%</b>			
<b>Water supply network</b>	Water supply network	11,156	11,156	1,714	1,714	173,910	290,853	29.5%	28.9%	31.2%	6.6%	3.8%		
	<b>Sub-total</b>	<b>11,156</b>	<b>11,156</b>	<b>1,714</b>	<b>1,714</b>	<b>176,594</b>	<b>290,853</b>	<b>29.5%</b>	<b>28.9%</b>	<b>31.2%</b>	<b>6.6%</b>	<b>3.8%</b>		
<b>Sewerage network</b>	Sewerage network	34,917	34,917	164	164	117,038	233,075	25.1%	27.7%	15.4%	16.8%	15.0%		
	<b>Sub-total</b>	<b>34,917</b>	<b>34,917</b>	<b>164</b>	<b>164</b>	<b>117,038</b>	<b>233,075</b>	<b>25.1%</b>	<b>27.7%</b>	<b>15.4%</b>	<b>16.8%</b>	<b>15.0%</b>		
<b>Stormwater drainage</b>	Stormwater drainage	8,495	8,495	1,378	1,178	88,270	131,008	52.5%	30.2%	10.6%	5.7%	1.0%		
	<b>Sub-total</b>	<b>8,495</b>	<b>8,495</b>	<b>1,378</b>	<b>1,178</b>	<b>96,153</b>	<b>131,008</b>	<b>52.5%</b>	<b>30.2%</b>	<b>10.6%</b>	<b>5.7%</b>	<b>1.0%</b>		
<b>Open space / recreational assets</b>	Swimming pools	–	–	746	746	3,518	6,201	0.0%	0.0%	97.7%	2.3%	0.0%		
	Other	–	–	3,999	3,999	14,292	26,394	30.9%	11.7%	48.1%	5.9%	3.4%		
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>4,745</b>	<b>4,745</b>	<b>17,810</b>	<b>32,595</b>	<b>25.0%</b>	<b>9.5%</b>	<b>57.5%</b>	<b>5.2%</b>	<b>2.8%</b>		
<b>Total – all assets</b>		<b>89,788</b>	<b>89,788</b>	<b>16,901</b>	<b>16,311</b>	<b>1,014,604</b>	<b>1,503,051</b>	<b>41.3%</b>	<b>26.4%</b>	<b>21.0%</b>	<b>6.7%</b>	<b>4.5%</b>		

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

# Kempsey Shire Council

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

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### 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

## Kempsey Shire Council

## Report on infrastructure assets as at 30 June 2022

## Infrastructure asset performance indicators (consolidated) \*

	<i>Amounts</i>	<i>Indicator</i>	<i>Indicators</i>		<i>Benchmark</i>
	<i>Actual 2022</i>	<i>Actual 2022</i>	<i>Restated Actual 2021</i>	<i>Actual 2020</i>	
<b>\$ '000</b>					
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>8,020</b>	<b>37.34%</b>	37.28%	77.80%	>= 100.00%
Depreciation, amortisation and impairment	<b>21,478</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>89,788</b>	<b>8.56%</b>	8.83%	9.77%	< 2.00%
Net carrying amount of infrastructure assets	<b>1,048,952</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>16,311</b>	<b>96.51%</b>	94.10%	86.90%	> 100.00%
Required asset maintenance	<b>16,901</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>89,788</b>	<b>5.97%</b>	5.99%	6.26%	
Gross replacement cost	<b>1,503,051</b>				

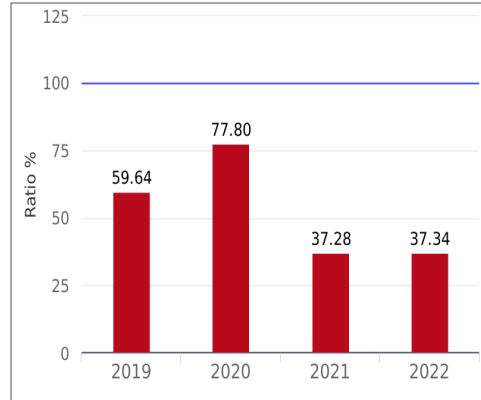
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

# Kempsey Shire Council

## Report on infrastructure assets as at 30 June 2022

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

**Commentary on result**

21/22 ratio 37.34%

The ratio is in line with prior year results and demonstrates Council's Capital Works Program is still dominated by external funding which contains significant Upgrade/New components to address functional deficiencies.

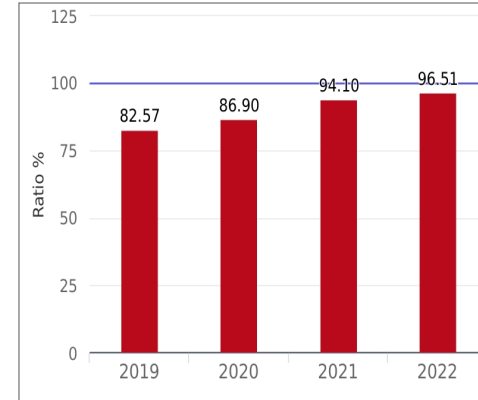
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Asset maintenance ratio



**Asset maintenance ratio**

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

**Commentary on result**

21/22 ratio 96.51%

Asset maintenance is slightly below benchmark levels but comparable with prior year.

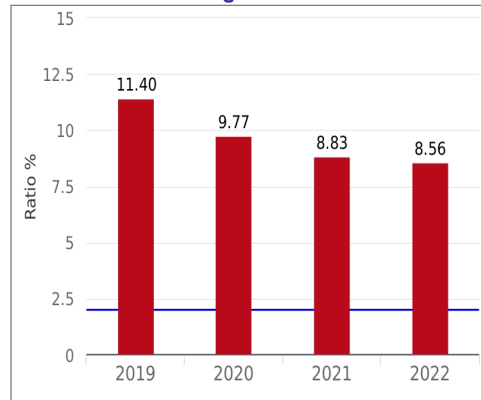
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

**Commentary on result**

21/22 ratio 8.56%

This ratio is trending towards benchmark and is in line with the buildings and infrastructure renewals ratio.

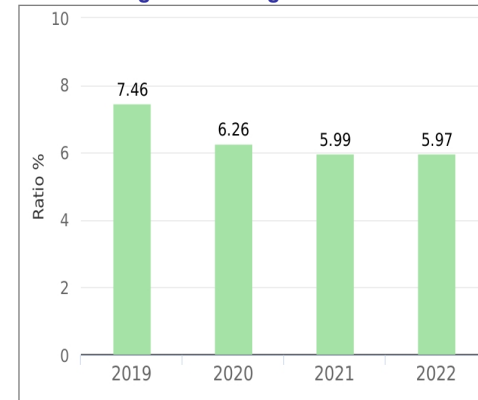
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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

**Commentary on result**

21/22 ratio 5.97%

The ratio is in line with prior year results and work is continuing to better understand service levels and associated risk.

## Kempsey Shire Council

## Report on infrastructure assets as at 30 June 2022

## Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>	<b>54.88%</b>	54.63%	<b>22.07%</b>	21.86%	<b>9.08%</b>	8.26%	>= 100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard	<b>5.79%</b>	5.67%	<b>6.32%</b>	2.92%	<b>29.83%</b>	37.93%	< 2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	<b>96.07%</b>	92.48%	<b>100.00%</b>	98.13%	<b>100.00%</b>	84.58%	> 100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>4.46%</b>	4.15%	<b>3.84%</b>	1.92%	<b>14.98%</b>	18.48%	
Gross replacement cost							

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