

Yass Valley Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

"A diverse rural region that provides lifestyle, business and recreation choices, while sustaining our environment, history and community"



Yass Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

"A diverse rural region that provides lifestyle, business and recreation choices, while sustaining our environment, history and community"



Yass Valley Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

209 Comur Street
YASS NSW 2582

Council's guiding principles are detailed in Chapter 3 of the Act 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.yassvalley.nsw.gov.au.

Yass Valley Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Yass Valley Council

General Purpose Financial Statements

for the year ended 30 June 2022

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 23 February 2023.



Allan McGrath
Mayor
23 February 2023



Jasmin Jones
Councillor
23 February 2023



Chris Berry
Chief Executive Officer
23 February 2023



Francesco Rombola
Responsible Accounting Officer
23 February 2023

Yass Valley Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		19,581	15,622
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
- Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	31,560	18,151
Total items which will not be reclassified subsequently to the operating result		31,560	18,151
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
- Other movements		-	(8)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		-	(8)
Total other comprehensive income for the year		31,560	18,143
Total comprehensive income for the year attributable to Council		51,141	33,765

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

Yass Valley Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	14,475	9,554
Investments	C1-2	21,200	24,200
Receivables	C1-4	4,807	4,525
Inventories	C1-5	141	167
Contract assets and contract cost assets	C1-6	4,889	1,856
Other	C1-9	-	271
Total current assets		45,512	40,573
Non-current assets			
Infrastructure, property, plant and equipment	C1-7	478,300	429,736
Investment property	C1-8	6,688	4,350
Right of use assets	C2-1	180	391
Total non-current assets		485,168	434,477
Total assets		530,680	475,050
LIABILITIES			
Current liabilities			
Payables	C3-1	8,936	5,239
Contract liabilities	C3-2	4,873	3,024
Lease liabilities	C2-1	178	214
Borrowings	C3-3	683	871
Employee benefit provisions	C3-4	2,948	2,852
Provisions	C3-5	584	578
Total current liabilities		18,202	12,778
Non-current liabilities			
Payables	C3-1	-	134
Lease liabilities	C2-1	9	187
Borrowings	C3-3	13,910	14,592
Employee benefit provisions	C3-4	116	119
Provisions	C3-5	958	896
Total non-current liabilities		14,993	15,928
Total liabilities		33,195	28,706
Net assets		497,485	446,344
EQUITY			
Accumulated surplus		280,910	261,329
IPPE revaluation reserve	C4-1	216,575	185,015
Total equity		497,485	446,344

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

Yass Valley Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		261,329	185,015	446,344	241,483	166,872	408,355
Correction of prior period errors - June 2021		-	-	-	4,224	-	4,224
Restated opening balance		261,329	185,015	446,344	245,707	166,872	412,579
Net operating result for the year		19,581	-	19,581	15,622	-	15,622
Net operating result for the period		19,581	-	19,581	15,622	-	15,622
Other comprehensive income							
- Gain on IPPE revaluation	C1-7	-	31,560	31,560	-	18,151	18,151
- Other reserves movements		-	-	-	-	(8)	(8)
Other comprehensive income		-	31,560	31,560	-	18,143	18,143
Total comprehensive income		19,581	31,560	51,141	15,622	18,143	33,765
Closing balance at 30 June		280,910	216,575	497,485	261,329	185,015	446,344

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

Yass Valley Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
18,472	Rates and annual charges		18,816	18,027
6,571	User charges and fees		5,820	5,899
230	Interest received		149	231
13,708	Grants and contributions		23,275	24,668
–	Bonds, deposits and retentions received		927	25
840	Other		4,472	3,335
<i>Payments:</i>				
(13,118)	Payments to employees		(12,348)	(11,855)
(6,801)	Payments for materials and services		(11,771)	(12,335)
(1,181)	Borrowing costs		(853)	(1,058)
(4,756)	Other		(38)	(737)
13,965	Net cash flows from operating activities	G1-1	28,449	26,200
Cash flows from investing activities				
<i>Receipts:</i>				
–	Redemption of term deposits		11,500	–
–	Proceeds from sale of IPPE		242	620
<i>Payments:</i>				
–	Purchase of investments		–	(14,928)
–	Acquisition of term deposits		(8,500)	–
(13,623)	Payments for IPPE		(25,686)	(21,543)
(13,623)	Net cash flows from investing activities		(22,444)	(35,851)
Cash flows from financing activities				
<i>Payments:</i>				
(871)	Repayment of borrowings		(870)	(1,319)
(221)	Principal component of lease payments		(214)	(224)
(1,092)	Net cash flows from financing activities		(1,084)	(1,543)
(750)	Net change in cash and cash equivalents		4,921	(11,194)
19,979	Cash and cash equivalents at beginning of year		9,554	20,748
19,229	Cash and cash equivalents at end of year	C1-1	14,475	9,554

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

Yass Valley 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 23 February 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the NSW Office of Local Government (OLG) directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain 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. fair values of investment property – refer Note C1-8
- ii. fair values of infrastructure, property, plant and equipment (IPPE) – refer Note C1-7
- iii. tip remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – 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 - refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

A1-1 Basis of preparation (continued)

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by 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.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period. Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

This standard has an effective date for the 30 June 2024 reporting period.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and

A1-1 Basis of preparation (continued)

- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [amends AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Council does not expect any impact on reported financial performance or position.

This standard has an effective date for the 30 June 2024 reporting period.

Comparative figures

Certain comparative information in the financial statements and the accompanying notes have been reclassified or restated to conform to current year's representation.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions/activities										
Our Civic Leadership	14,497	13,451	5,086	4,063	9,411	9,388	2,636	1,812	40,427	37,788
Our Community	825	406	1,447	1,562	(622)	(1,156)	452	131	2,327	–
Our Economy	858	972	1,519	1,671	(661)	(699)	8	2	6,718	40
Our Environment	1,369	1,498	2,301	1,633	(932)	(135)	1,137	1,207	45,088	–
Our Infrastructure	36,923	33,264	24,538	25,040	12,385	8,224	22,146	20,898	436,120	437,222
Total	54,472	49,591	34,891	33,969	19,581	15,622	26,379	24,050	530,680	475,050

B1-2 Components of functions or activities

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

Our Civic Leadership (Systems of Government of Management)

Our leaders operate ethically and implement good governance. We empower our residents with the tools to participate actively in the development of our communities. Civic leadership includes:

- Continuous Improvements
- Accountability and Compliance
- Participation and Communication
- Resourcing and Support

Our Infrastructure (Facilities, Transport and Systems serving the area)

Our community is well serviced and connected to built, social and communications infrastructure. Providing infrastructure includes:

- Quality built environment and places
- Efficient Transport and access
- Effective essential services

Our Community (Life and Welfare in the community)

We are a network of vibrant, inclusive and diverse communities that value our cooperative spirit, self sufficiency, and rural lifestyle. Working for our community includes:

- Community health and wellbeing
- Creative culture and recreation
- Good community relations
- Community resilience

Our Environment (Conditions and influences in the area and sustainability)

We appreciate our range of rural landscapes and habitats, and act as custodians of the natural environment for future generations. Working for our environment includes:

- Protecting the land
- Maintaining healthy waterways
- Protecting Biodiversity

Our Economy (Generation, Distribution, Use of Income and Business development)

We have a strong regional economy experiencing sustainable growth, which provides for a diverse range of employment opportunities. Providing for our economy includes:

- Efficient and careful resource use
- Healthy economic activity
- Meaningful work and employment

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	6,335	6,085
Farmland	4,438	4,293
Business	845	842
Less: pensioner rebates (mandatory)	(134)	(135)
Rates levied to ratepayers	11,484	11,085
Pensioner rate subsidies received	71	74
Total ordinary rates	11,555	11,159
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,805	1,742
Water supply services	1,890	1,836
Sewerage services	2,427	2,387
Drainage	59	58
Waste management services (non-domestic)	986	931
Less: pensioner rebates (mandatory)	(133)	(132)
Annual charges levied	7,034	6,822
Pensioner subsidies received:		
– Water	26	26
– Sewerage	21	21
– Domestic waste management	27	28
Total annual charges	7,108	6,897
Total rates and annual charges	18,663	18,056

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	2022	2021
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	2,103	2,154
Sewerage services	33	101
Waste management services (non-domestic)	810	869
Total specific user charges	2,946	3,124
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	–	17
Section 10.7 certificates (EP&A Act)	89	117
Section 603 certificates	40	43
Town planning and building - regulatory	706	756
Total fees and charges – statutory/regulatory	835	933
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	394	412
Cemeteries	143	114
Companion animals	31	38
Emergency services reimbursements	347	233
Engineering Income	110	108
Health fees and charges	163	163
Library and art gallery	11	7
Quarry revenues	–	1
Transport for NSW works (state roads not controlled by Council)	667	670
Sporting grounds	26	18
Swimming centres	113	140
Visitors centre sales	73	114
Other	24	9
Total fees and charges – other	2,102	2,027
Total other user charges and fees	2,937	2,960
Total user charges and fees	5,883	6,084
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	–	3,124
User charges and fees recognised at a point in time	5,883	2,960
Total user charges and fees	5,883	6,084

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	2022	2021
Diesel rebate	48	41
Fines	10	5
Legal fees recovery – other	46	3
Recycling income (non-domestic)	376	315
Other	127	320
Apprentice Support Claim	–	29
Insurance claims recoveries	–	10
Energy Savings Certificate	–	67
Sale of abandoned vehicles	–	2
Total other revenue	607	792
Timing of revenue recognition for other revenue		
Other revenue recognised over time	–	69
Other revenue recognised at a point in time	607	723
Total other revenue	607	792

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
Current year allocation					
Financial assistance		1,792	1,541	–	–
Payment in advance - future year allocation					
Financial assistance	C1-3b	2,756	1,651	–	–
Amount recognised as income during current year		4,548	3,192	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Heritage and cultural		20	12	–	–
Library – per capita		102	105	–	–
Noxious weeds		123	118	–	15
Emergency Services Levy		255	235	–	–
Road safety officer		56	40	–	–
Stormwater		–	–	105	39
Training incentives		29	37	–	–
Transport (roads to recovery)		684	857	–	–
Transport for NSW contributions (regional roads, block grant)		800	1,282	1,629	405
Transport (other roads and bridges funding)		410	479	7,840	8,251
Other Roads and bridges		–	–	4,716	–
Water supplies		740	28	929	2,814
Other specific grants		162	53	–	–
Aged care		–	(210)	–	–
Recreation and culture		–	–	246	579
Total special purpose grants and non-developer contributions – cash		3,381	3,036	15,465	12,103
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)		–	–	–	2,915
Drainage		–	–	346	–
Roads and bridges		–	–	1,574	–
Water supplies (excl. section 64 contributions)		–	–	–	416
Total other contributions – non-cash	G1-1	–	–	1,920	3,331
Total special purpose grants and non-developer contributions (tied)		3,381	3,036	17,385	15,434
Total grants and non-developer contributions		7,929	6,228	17,385	15,434
Comprising:					
– Commonwealth funding		5,422	2,982	2,013	4,935
– State funding		1,784	3,246	14,027	8,179
– Other funding		723	–	1,345	2,320
		7,929	6,228	17,385	15,434

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	772	809
S 7.12 – fixed development consent levies		–	–	175	113
S 64 – water supply contributions		–	–	89	609
S 64 – sewerage service contributions		–	–	29	282
Total developer contributions – cash		–	–	1,065	1,813
Non-cash contributions					
S 64 – sewerage service contributions		–	–	–	575
Total developer contributions non-cash		–	–	–	575
Total developer contributions	G4-1	–	–	1,065	2,388
Total grants and contributions	B1-1	7,929	6,228	18,450	17,822
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		1,950	6,009	16,179	15,502
Grants and contributions recognised at a point in time		5,979	219	2,271	2,320
Total grants and contributions		7,929	6,228	18,450	17,822

Unspent grants and contributions

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

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions					
Unspent funds at 1 July		211	396	4,986	728
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions		–	165	–	4,278
Add: Funds received and not recognised as revenue in the current year		135	–	4,510	5,321
Less: Funds recognised as revenue in previous years that have been spent during the reporting year		(195)	(350)	(4,774)	(5,341)
Unspent funds at 30 June	C1-3a	151	211	4,722	4,986
Contributions					
Unspent funds at 1 July		–	–	10,190	10,201
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions		–	–	1,114	1,813
Less: contributions recognised as revenue in previous years that		–	–	(582)	(1,824)

B2-4 Grants and contributions (continued)

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
have been spent during the reporting year		–	–	(582)	(1,824)
Unspent contributions at 30 June	C1-3a	–	–	10,722	10,190

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include the successful completion of milestone progress for the projects being funded. 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 Council.

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	83	36
– Cash and investments	118	205
– Other	–	(2)
Total interest and investment income (losses)	201	239
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	83	36
General cash and investments	60	64
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	46	41
– Section 64	3	23
Water fund operations	3	31
Sewerage fund operations	4	32
Domestic waste management operations	2	12
Total interest and investment income	201	239

Accounting policy

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

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

B2-6 Other income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		2,338	–
Total fair value increment on investment properties	C1-8	2,338	–
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		58	71
Total Investment properties		58	71
Other lease income			
Leaseback fees - council vehicles		162	148
Other		181	151
Total other lease income		343	299
Total rental income	C2-2	401	370
Total other income		2,739	370

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	9,752	9,152
Employee leave entitlements	1,434	1,537
Superannuation	1,106	1,027
Workers' compensation insurance	256	288
Fringe benefit tax	48	33
Payroll tax	-	8
Total employee costs	12,596	12,045
Less: capitalised costs	(148)	(174)
Total employee costs expensed	12,448	11,871
Number of 'full-time equivalent' employees (FTE) at year end	134	130

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		1,210	5,097
Consultancy costs		200	–
Contractor costs		3,824	773
– Caravan park contractor		–	245
– Information technology		–	18
– Planning		–	56
– Other contractor and consultancy costs		–	18
Audit Fees	F2-1	61	69
Councillor and Mayoral fees and associated expenses	F1-2	149	148
Advertising		53	79
Bank charges		87	89
Cleaning		126	91
Repairs and maintenance		316	–
Electricity and heating		532	578
Fire control expenses		367	288
Insurance		342	260
Street lighting		79	121
Subscriptions and publications		181	123
Telephone and communications		127	90
Valuation fees		62	61
Property rental and equipment hire		4	–
Travel expenses		–	1
Chemicals		226	196
Computer related charges		613	425
Heritage expenses		28	35
Licencing		70	42
Postage, printing and stationery		90	103
Promotions and celebrations		26	13
Training costs (other than salaries and wages)		105	129
Uniform		49	43
Vehicle expenses		1,027	831
Other expenses		51	–
Legal expenses:			
– Legal expenses: planning and development		81	17
– Legal expenses: debt recovery		24	–
– Legal expenses: other		11	11
Expenses from leases of low value assets		–	63
Total materials and services		10,121	10,113

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
Interest on loans		838	884
Interest on leases	C2-1d	7	12
(ii) Other borrowing costs			
– Remediation liabilities		–	146
Total other borrowing costs		–	146
Total borrowing costs expensed		845	1,042

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		845	777
Infrastructure:	C1-7		
– Buildings		858	894
– Other structures		18	71
– Roads		3,143	3,590
– Bridges		513	520
– Footpaths		103	100
– Stormwater drainage		194	188
– Water supply network		1,021	833
– Sewerage network		659	647
– Swimming pools		50	42
– Other open space/recreational assets		307	167
Reinstatement, rehabilitation and restoration assets:	C1-7		
– Tip assets		19	19
– Quarry assets		2	2
Other Assets – Waste	C1-7	74	37
Right of use assets	C2-1a	211	226
Total gross depreciation and amortisation costs		8,017	8,113
Total depreciation and amortisation costs		8,017	8,113
Total depreciation, amortisation and impairment for non-financial assets		8,017	8,113

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C2-1 for right of use assets.

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

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
User charges and fees		23	–
Total impairment of receivables	C1-4	23	–
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		615	827
– Other contributions/levies		12	19
Donations, contributions and assistance to other organisations (Section 356)		256	212
Landfill remediation and restoration	G1-1	102	–
Total other expenses		1,008	1,058

Accounting policy

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

Impairment expenses are recognised when identified.

As at the reporting date, Council classified landfill remediation and restoration expense to other expenses from borrowing costs in 2021.

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Less: carrying amount of property assets sold/written off		–	(17)
Gain (or loss) on disposal		–	(17)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		242	440
Less: carrying amount of plant and equipment assets sold/written off		(184)	(309)
Gain (or loss) on disposal		58	131
Gain (or loss) on disposal of infrastructure			
	C1-7		
Proceeds from disposal – infrastructure		–	180
Less: carrying amount of infrastructure assets sold/written off		(2,510)	(2,066)
Gain (or loss) on disposal		(2,510)	(1,886)
Net gain (or loss) from disposal of assets		(2,452)	(1,772)

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 23/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	18,472	18,663	191	1% F
User charges and fees	6,571	5,883	(688)	(10)% U
User charges and fees reduced by 10% as compared with original budget mainly attributable to Council continuously recorded a the lower level of water supply services for the year.				
Other revenues	457	607	150	33% F
Other revenue increased by 26% as compared with original budget mainly attributable to Council continuously recorded a the higher level of recycling and sundry sales for the year.				
Operating grants and contributions	5,188	7,929	2,741	53% F
Operating grants and contributions increased by 53% as compared with original budget mainly attributable to Council has received 75% of financial assistance grant payment in advance for next year \$1,160k, additional grants for water supply network \$715k, local roads special purpose grant \$410k, and the emergency services grant \$255k.				
Capital grants and contributions	11,670	18,450	6,780	58% F
Capital grants and contributions increased by 58% as compared with original budget mainly attributable to Council has received additional capital grants for water supply network \$929k, local roads special purpose grants \$3,253k, NSW Transport contributions \$1,365k, and the non cash contribution of subdivision dedecations \$1,919k.				
Interest and investment revenue	230	201	(29)	(13)% U
Due to unprecedented low interest rates on offer for investments, Councils interest income received from the investment of surplus funds was much lower than originally anticipated.				
Net gains from disposal of assets	458	-	(458)	(100)% U
Council original budget of \$458k net gain from assets disposal was based on the expected sale proceeds of plant and equipment. However, the actual result a loss of \$2,452k is attributable to the disposal of infrastructure residual value from the assets renewal throughout the year.				
Other income	383	2,739	2,356	615% F
Other income increased by \$2,356k as compared with original budget mainly attributable to increment in the fair value of the investment property from the revaluation undertaken in the year.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Expenses				
Employee benefits and on-costs	13,118	12,448	670	5% F
Materials and services	6,666	10,121	(3,455)	(52)% U
Materials and Services increased by \$3,454k as compared with original budget and Other Expenses decreased by \$3,771k as compared with original budget, mainly attributable to the Local Government Code of Accounting Practice and Financial Reporting 2020/21 has required a change to the classification of some operating expenses previously Other Expenses to Materials and Services.				
Borrowing costs	1,181	845	336	28% F
Borrowing costs reduced by 28% mainly attributable to the landfill remediation and restoration costs of \$320k was included in the original budget.				
Depreciation, amortisation and impairment of non-financial assets	6,006	8,017	(2,011)	(33)% U
Depreciation expenses increased by \$2,011k as compared with original budget mainly attributable to additions of infrastructure assets of \$12.3m and water supply network of \$10.3m in 2021.				
Other expenses	4,756	1,008	3,748	79% F
refer Materials and services above.				
Statement of cash flows				
Cash flows from operating activities	13,965	28,449	14,484	104% F
Cash flow from operating activities increased by \$14,486k as compared with original budget mainly attributable to additional grants and contributions for the year, including FAG \$1,378k, operating grants \$1,364k, capital grants \$4,112k, developer contributions \$779k, and non cash contributions \$1,920k, and gross up the GST credit \$3,601k.				
Cash flows from investing activities	(13,623)	(22,444)	(8,821)	65% U
Cash flow from investing activities increased by \$13,523k as compared with original budget mainly attributable to the increase in the payment for IPPE during the year.				
Cash flows from financing activities	(1,092)	(1,084)	8	(1)% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	7,642	3,685
Cash equivalent assets		
– Managed funds	4,833	5,869
– Short-term deposits	2,000	–
Total cash and cash equivalents	14,475	9,554

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	14,475	9,554
Balance as per the Statement of Cash Flows	14,475	9,554

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.

As at the reporting date, Council reclassified the cash equivalent assets 2021 comparative \$5,869k from short-term deposits to managed funds.

C1-2 Financial investments

\$ '000	2022 Current	2021 Current
Debt securities at amortised cost		
Term deposits	21,200	24,200
Total financial investments	21,200	24,200
Total cash assets, cash equivalents and investments	35,675	33,754

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

Council does not have any investments in financial assets classified as FVOCI or FVTPL as at the reporting date.

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

\$ '000	Notes	2022	2021
(a) Externally restricted cash, cash equivalents and investments			
Total cash, cash equivalents and investments		35,675	33,754
Less: Externally restricted cash, cash equivalents and investments		<u>(26,798)</u>	<u>(26,112)</u>
Cash, cash equivalents and investments not subject to external restrictions		8,877	7,642
External restrictions			
External restrictions – included in liabilities			
External restrictions included in cash, cash equivalents and investments above comprise:			
Specific purpose unexpended grants – general fund		4,866	4,563
Specific purpose unexpended grants – water fund	D1-2	<u>7</u>	<u>634</u>
External restrictions – included in liabilities	C3-2	4,873	<u>5,197</u>
External restrictions – other			
External restrictions included in cash, cash equivalents and investments above comprise:			
Developer contributions – general	G4-1	6,656	6,106
Developer contributions – water fund	G4-1,D1-2	3,040	3,002
Developer contributions – sewer fund	G4-1,D1-2	1,026	1,082
Water fund	D1-2	3,738	3,726
Sewer fund	D1-2	4,222	4,057
Stormwater management		250	231
Domestic waste management		2,993	2,711
External restrictions – other		21,925	20,915
Total external restrictions		26,798	26,112

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

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

(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	8,877	7,642
Less: Internally restricted cash, cash equivalents and investments	(8,850)	(7,585)
Unrestricted and unallocated cash, cash equivalents and investments	27	57

Internal allocations

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

Plant and vehicle replacement	1,906	2,043
Employees leave entitlement	919	820
Carry over works	691	1,777
Binalong pool	22	21
Comur street rehabilitation	20	20
Land and assets	1,453	1,453
Council elections	135	135
Murrumbateman Library School Ground	123	123
Quarry rehabilitation	106	106
Roads	44	369
Victoria park	578	621
Electricity Savings Reserve	97	97
Financial Assistance Grant (advance for subsequent year)	B2-4 2,756	–
Total internal allocations	8,850	7,585

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

(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	27	57
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C1-4 Receivables

\$ '000	Notes	2022 Current	2021 Current
Rates and annual charges		1,149	1,233
User charges and fees		2,844	2,404
Accrued revenues			
– Interest on investments		85	33
– Other income accruals		1	386
Net GST receivable		563	504
Other assets (prepayment)		222	–
Total		4,864	4,560
Less: provision for impairment			
Rates and annual charges		(34)	(35)
User charges and fees	B3-5	(23)	–
Total provision for impairment – receivables		(57)	(35)
Total net receivables		4,807	4,525

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

C1-5 Inventories

\$ '000	2022 Current	2021 Current
(i) Inventories at cost		
Stores and materials	111	127
Trading stock	30	40
Total inventories at cost	141	167
(ii) Inventories at net realisable value (NRV)		
Stores and materials	-	-
Trading stock	-	-
Total inventories at net realisable value (NRV)	-	-
Total inventories	141	167

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2021 Current
Contract assets	4,889	1,856
Contract cost assets	-	-
Total contract assets and contract cost assets	4,889	1,856

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	9,419	–	9,419	3,667	–	–	–	–	–	–	13,086	–	13,086
Plant and equipment	5,643	(1,812)	3,831	1,774	–	(184)	(845)	–	–	–	7,078	(2,502)	4,576
Land:													
– Operational land	15,107	–	15,107	–	193	–	–	–	–	6,826	22,126	–	22,126
– Community land	18,769	–	18,769	–	–	–	–	–	–	–	18,769	–	18,769
– Land under roads (pre 1/7/08)	4,333	–	4,333	–	–	–	–	–	–	–	4,333	–	4,333
– Land under roads (post 30/6/08)	2,915	–	2,915	–	17	–	–	–	–	–	2,932	–	2,932
Infrastructure:													
– Buildings	–	–	–	1,031	–	(4)	(858)	–	14,470	1,440	43,111	(27,032)	16,079
– Buildings – non-specialised	5,715	(2,657)	3,058	–	–	–	–	–	(3,058)	–	–	–	–
– Buildings – specialised	32,573	(21,161)	11,412	–	–	–	–	–	(11,412)	–	–	–	–
– Other structures	1,118	(782)	336	–	–	–	(18)	–	–	78	1,376	(980)	396
– Roads	211,782	(60,029)	151,753	14,986	1,054	(2,435)	(3,143)	–	–	7,057	233,251	(63,979)	169,272
– Bridges	39,375	(21,137)	18,238	–	–	–	(513)	–	–	848	41,206	(22,633)	18,573
– Footpaths	6,257	(1,374)	4,883	692	188	–	(103)	–	–	227	7,427	(1,540)	5,887
– Bulk earthworks (non-depreciable)	78,289	–	78,289	826	314	–	–	–	–	3,640	83,069	–	83,069
– Stormwater drainage	19,158	(4,825)	14,333	–	347	–	(194)	–	–	667	20,396	(5,243)	15,153
– Water supply network	85,411	(29,199)	56,212	351	–	(59)	(1,021)	–	–	6,298	97,841	(36,060)	61,781
– Sewerage network	48,706	(22,469)	26,237	1,824	–	(12)	(659)	–	–	2,402	48,089	(18,297)	29,792
– Swimming pools	3,207	(1,338)	1,869	20	–	–	(50)	–	–	86	3,375	(1,450)	1,925
– Other open space/recreational assets	9,660	(2,465)	7,195	163	–	–	(307)	–	–	1,658	12,050	(3,341)	8,709
Other assets:													
– Waste	2,012	(568)	1,444	57	–	–	(74)	–	–	333	2,533	(773)	1,760
Reinstatement, rehabilitation and restoration assets:													
– Tip assets	1,236	(1,140)	96	–	–	–	(19)	–	–	–	1,236	(1,159)	77
– Quarry assets	102	(95)	7	–	–	–	(2)	–	–	–	102	(97)	5
Total infrastructure, property, plant and equipment	600,787	(171,051)	429,736	25,391	2,113	(2,694)	(7,806)	–	–	31,560	663,386	(185,086)	478,300

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	11,820	–	11,820	–	8,291	–	–	(10,692)	–	–	9,419	–	9,419
Plant and equipment	5,110	(1,082)	4,028	678	149	(309)	(777)	–	62	–	5,643	(1,812)	3,831
Land:													
– Operational land	11,498	–	11,498	–	–	–	–	223	3,386	–	15,107	–	15,107
– Community land	9,963	–	9,963	–	–	–	–	–	(3,386)	12,192	18,769	–	18,769
– Land under roads (pre 1/7/08)	4,333	–	4,333	–	–	–	–	–	–	–	4,333	–	4,333
– Land under roads (post 30/6/08)	2,906	–	2,906	–	9	–	–	–	–	–	2,915	–	2,915
Infrastructure:													
– Buildings – non-specialised	5,700	(2,503)	3,197	15	–	–	(154)	–	–	–	5,715	(2,657)	3,058
– Buildings – specialised	32,540	(20,423)	12,117	12	23	–	(740)	–	–	–	32,573	(21,161)	11,412
– Other structures	2,804	(2,049)	755	–	–	(170)	(71)	–	(178)	–	1,118	(782)	336
– Roads	208,851	(57,428)	151,423	4,367	939	(1,386)	(3,590)	–	–	–	211,782	(60,029)	151,753
– Bridges	38,597	(20,888)	17,709	1,106	–	(153)	(520)	96	–	–	39,375	(21,137)	18,238
– Footpaths	5,927	(1,282)	4,645	75	281	(18)	(100)	–	–	–	6,257	(1,374)	4,883
– Bulk earthworks (non-depreciable)	77,998	–	77,998	88	203	–	–	–	–	–	78,289	–	78,289
– Stormwater drainage	17,690	(4,647)	13,043	69	1,424	(15)	(188)	–	–	–	19,158	(4,825)	14,333
– Water supply network	71,595	(28,114)	43,481	2,650	157	(8)	(833)	10,373	–	392	85,411	(29,199)	56,212
– Sewerage network	47,565	(21,733)	25,832	245	575	–	(647)	–	–	232	48,706	(22,469)	26,237
– Swimming pools	3,081	(2,456)	625	–	–	–	(42)	–	(60)	1,346	3,207	(1,338)	1,869
– Other open space/recreational assets	8,633	(4,369)	4,264	139	–	(17)	(167)	–	177	2,799	9,660	(2,465)	7,195
Other assets:													
– Waste	1,631	(1,028)	603	27	–	(316)	(37)	–	–	1,167	2,012	(568)	1,444
Reinstatement, rehabilitation and restoration assets:													
– Tip assets	812	(739)	73	–	–	–	(19)	–	19	23	1,236	(1,140)	96
– Quarry assets	72	(64)	8	–	–	–	(2)	–	1	–	102	(95)	7
Total infrastructure, property, plant and equipment	569,126	(168,805)	400,321	9,471	12,051	(2,392)	(7,887)	–	21	18,151	600,787	(171,051)	429,736

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

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 35
Computer equipment	4		
Vehicles	5 to 8	Buildings	Years
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets	Years	Stormwater assets	Years
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets	Years	Other infrastructure assets	Years
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Other open space/recreational assets	35
Bridge: concrete	100	Other infrastructure	20
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from 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 IPPE revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

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 to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of Council. While ownership of the reserves remains with 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.

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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire assets including land and buildings and exclude plant and vehicles.

C1-8 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	6,688	4,350
Total owned investment property	6,688	4,350

Owned investment property

\$ '000	Notes	2022	2021
At fair value			
Opening balance at 1 July		4,350	4,350
Net gain/(loss) from fair value adjustments	B2-6	2,338	-
Closing balance at 30 June		6,688	4,350

Accounting policy

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

C1-9 Other

Other assets

\$ '000	2022 Current	2021 Current
Prepayments	-	271
Total other assets	-	271

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Plant and Equipment

Council leases plant and equipment with lease terms varying from 3 to 8 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 3 years with no renewal option, the payments are fixed.

Extension options

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

(a) Right of use assets

\$ '000	Notes	Plant & Equipment	Total
2022			
Opening balance at 1 July		391	391
Depreciation charge	B3-4	(211)	(211)
Balance at 30 June		180	180
2021			
Opening balance at 1 July		617	617
Depreciation charge	B3-4	(226)	(226)
Balance at 30 June		391	391

(b) Lease liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities		178	9	214	187
Total lease liabilities	C3-3a	178	9	214	187

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	178	9	–	187	187
2021					
Cash flows	214	187	–	401	401

C2-1 Council as a lessee (continued)

(d) Income Statement

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

\$ '000	Notes	2022	2021
Interest on lease liabilities	B3-3	7	12
Depreciation of right of use assets	B3-4	211	226
Expenses relating to low-value leases		–	63
		218	301

(e) Statement of Cash Flows

Total cash outflow for leases	214	224
	214	224

(f) Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Visitor Information Centre
- Community halls

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide. These services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

C2-1 Council as a lessee (continued)

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property: where the asset is held predominantly for rental or capital growth purposes (refer note C1-8)
- property, plant and equipment: where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-7).

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

\$ '000	Notes	2022	2021
(i) Assets held as investment property			
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below			
Lease income (excluding variable lease payments not dependent on an index or rate)	B2-6	58	71
Total income relating to operating leases for investment property assets		58	71
Operating lease expenses			
Direct operating expenses that generated rental income		10	13
Total expenses relating to operating leases		10	13
(ii) Assets held as property, plant and equipment			
Lease income (excluding variable lease payments not dependent on an index or rate)	B2-6	343	299
Total income relating to operating leases for Council assets		343	299
Other leased assets expenses			
Other		30	27
Total expenses relating to other leases assets		30	27
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:			
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for all operating leases:			
< 1 year		27	84
1–2 years		27	27
2–3 years		17	27
3–4 years		17	17
4–5 years		17	17
> 5 years		5	22
Total undiscounted lease payments to be received		110	194

Accounting policy

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

C2-2 Council as a lessor (continued)

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	Notes	2022	2022	2021	2021
		Current	Non-current	Current	Non-current
Goods and services – operating expenditure		4,206	–	2,434	–
Accrued expenses:					
– Salaries and wages		4	–	(3)	–
– Borrowings		233	–	241	–
– Other expenditure accruals		1,631	–	854	–
Security bonds, deposits and retentions		2,273	–	1,346	–
Prepaid rates		437	–	367	–
Prepaid annual charges		152	–	–	134
Total payables	E1-1c	8,936	–	5,239	134

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

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Security bonds, deposits and retentions	1,818	1,346
Total payables	1,818	1,346

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2021 Current
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	4,722	2,877
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	150	124
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	-	23
Total grants received in advance	B2-4c	4,873	3,024
Total contract liabilities	C1-3a	4,873	3,024

Notes

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

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

(iii) User fees and charges received in advance do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

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

\$ '000	Notes	2022	2021
Grants and contributions received in advance:			
Capital grants (to construct Council controlled assets)		4,774	160
Operating grants (received prior to performance obligation being satisfied)		195	240
Total revenue recognised that was included in the contract liability balance at the beginning of the period	B2-4c	4,969	400

Accounting policy

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

C3-3 Borrowings

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹		683	13,910	871	14,592
Total borrowings	E1-1c	683	13,910	871	14,592

(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.

Loan funds were used to undertake Water and Sewer upgrade works.

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	15,463	(870)	–	–	–	–	14,593
Lease liability (Note C2-1b)	401	(214)	–	–	–	–	187
Total liabilities from financing activities	15,864	(1,084)	–	–	–	–	14,780

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	16,782	(1,319)	–	–	–	–	15,463
Lease liability (Note C2-1b)	625	(224)	–	–	–	–	401
Total liabilities from financing activities	17,407	(1,543)	–	–	–	–	15,864

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	55	55
Total financing arrangements	55	55
Undrawn facilities		
– Credit cards/purchase cards	35	37
Total undrawn financing arrangements	35	37

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loans are secured over future cash flows and leased liabilities are secured by the underlying leased assets.

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	1,375	–	1,167	–
Long service leave	1,546	116	1,577	119
Other leave (RDOs/VDOs and TILs)	27	–	108	–
Total employee benefit provisions	2,948	116	2,852	119

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,451	2,735
	2,451	2,735

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	584	958	578	896
Total provisions	584	958	578	896

C3-5 Provisions (continued)

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	1,474	1,474
Remeasurement effects	68	68
Total other provisions at end of year	1,542	1,542
2021		
At beginning of year	1,307	1,307
Remeasurement effects	167	167
Total other provisions at end of year	1,474	1,474

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 tips and quarries as a result of past operations. The discount rate used is the RBA Indicative Mid Rates of Selected Commonwealth Government Securities.

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	14,385	1,869	2,409
User charges and fees	3,733	2,108	42
Other revenues	596	11	–
Grants and contributions provided for operating purposes	7,189	740	–
Grants and contributions provided for capital purposes	17,369	1,052	29
Interest and investment income	191	6	4
Other income	2,739	–	–
Total income from continuing operations	46,202	5,786	2,484
Expenses from continuing operations			
Employee benefits and on-costs	11,341	933	174
Materials and services	8,360	1,070	691
Borrowing costs	7	653	185
Depreciation, amortisation and impairment of non-financial assets	6,337	1,021	659
Other expenses	1,008	–	–
Net losses from the disposal of assets	2,381	59	12
Total expenses from continuing operations	29,434	3,736	1,721
Net operating result for the year	16,768	2,050	763
Net operating result attributable to each council fund	16,768	2,050	763
Net operating result for the year before grants and contributions provided for capital purposes	(601)	998	734

D1-2 Statement of Financial Position by fund

\$ '000	Notes	General 2022	Water 2022	Sewer 2022
ASSETS				
Current assets				
Cash and cash equivalents	C1-3a	6,508	3,745	4,222
Investments	C1-3a	17,134	3,040	1,026
Receivables		4,099	708	–
Inventories		141	–	–
Contract assets and contract cost assets		4,719	170	–
Total current assets		32,601	7,663	5,248
Non-current assets				
Infrastructure, property, plant and equipment		377,517	67,094	33,689
Investment property		6,688	–	–
Right of use assets		180	–	–
Total non-current assets		384,385	67,094	33,689
Total assets		416,986	74,757	38,937
LIABILITIES				
Current liabilities				
Payables		8,551	347	38
Contract liabilities	C1-3a	4,866	7	–
Lease liabilities		178	–	–
Borrowings		1	450	232
Employee benefit provision		2,555	254	139
Provisions		584	–	–
Total current liabilities		16,735	1,058	409
Non-current liabilities				
Lease liabilities		9	–	–
Borrowings		–	10,259	3,651
Employee benefit provision		116	–	–
Provisions		958	–	–
Total non-current liabilities		1,083	10,259	3,651
Total liabilities		17,818	11,317	4,060
Net assets		399,168	63,440	34,877
EQUITY				
Accumulated surplus		217,165	41,336	22,409
Revaluation reserves		182,003	22,104	12,468
Council equity interest		399,168	63,440	34,877
Total equity		399,168	63,440	34,877

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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 Council.

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 manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the LG Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

(a) Market risk – interest rate and price risk

\$ '000	Notes	2022	2021
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The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates			
– Equity / Income Statement	C1-2	357	338
Impact of a 10% movement in price of investments			
– Equity / Income Statement	C1-2	2,120	3,375

(b) Credit risk

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

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

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

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

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.

\$ '000	Notes	Not yet overdue	overdue rates and annual charges		Total
			< 5 years	≥ 5 years	
2022					
Gross carrying amount	C1-4	(4)	1,105	48	1,149
2021					
Gross carrying amount	C1-4	(4)	1,188	49	1,233

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Notes	Not yet overdue	Overdue debts				Total
			0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022							
Gross carrying amount	C1-4,C1-6	8,031	74	22	204	273	8,604
Expected loss rate (%)		0.00%	0.00%	0.00%	16.70%	8.40%	0.66%
ECL provision	C1-4	–	–	–	34	23	57
2021							
Gross carrying amount	C1-4,C1-6	2,913	1,059	749	22	440	5,183
Expected loss rate (%)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	C1-4	–	–	–	–	–	–

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Notes	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
				≤ 1 Year	1 - 5 Years	> 5 Years		
2022								
Payables	C3-1	0.00%	2,273	6,226	–	–	8,499	8,936
Borrowings	C3-3	5.52%	–	810	4,525	9,258	14,593	14,593
Total financial liabilities			2,273	7,036	4,525	9,258	23,092	23,529
2021								
Payables	C3-1	0.00%	1,346	3,660	–	–	5,006	5,373
Borrowings	C3-3	5.52%	–	871	6,503	8,089	15,463	15,463
Total financial liabilities			1,346	4,531	6,503	8,089	20,469	20,836

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment;
- Investment property;
- Financial assets and liabilities.

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy							
		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Financial assets									
Financial investments									
– 'Held to maturity'	C1-2a	21,200	24,200	–	–	–	–	21,200	24,200
Cash and short term deposits	C1-1	14,475	9,554	–	–	–	–	14,475	9,554
Receivables	C1-4	–	–	4,608	4,525	–	–	4,608	4,525
Total financial assets		35,675	33,754	4,608	4,525	–	–	40,283	38,279
Financial liabilities									
Loans/advances	C3-3	–	–	14,593	15,463	–	–	14,593	15,463
Payables	C3-1	–	–	8,936	5,006	–	–	8,936	5,006
Total financial liabilities		–	–	23,529	20,469	–	–	23,529	20,469
Investment property									
Investment property	C1-8	6,688	4,350	–	–	–	–	6,688	4,350
Total investment property		6,688	4,350	–	–	–	–	6,688	4,350
Infrastructure, property, plant and equipment									
Plant and equipment		–	–	–	–	4,576	3,831	4,576	3,831
Operational land		–	–	–	–	22,126	15,107	22,126	15,107
Community land		–	–	–	–	18,769	18,769	18,769	18,769
Land under roads		–	–	–	–	7,265	7,248	7,265	7,248
Buildings		–	–	–	–	16,079	14,470	16,079	14,470
Other structures		–	–	–	–	396	336	396	336
Roads		–	–	–	–	169,272	151,753	169,272	151,753
Bridges		–	–	–	–	18,573	18,238	18,573	18,238
Footpaths		–	–	–	–	5,887	4,883	5,887	4,883
Bulk earthworks		–	–	–	–	83,069	78,289	83,069	78,289
Stormwater drainage		–	–	–	–	15,153	14,333	15,153	14,333
Water supply network		–	–	–	–	61,781	56,212	61,781	56,212
Sewerage network		–	–	–	–	29,792	26,237	29,792	26,237
Swimming pools		–	–	–	–	1,925	1,869	1,925	1,869
Open space/recreation		–	–	–	–	8,709	7,195	8,709	7,195
Waste		–	–	–	–	1,760	1,444	1,760	1,444
Remediation and restoration		–	–	–	–	82	103	82	103
Total IPPE	C1-7	–	–	–	–	465,214	420,317	465,214	420,317

Valuation techniques

E2-1 Fair value measurement (continued)

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:

Financial assets

Receivables are subject to bad and doubtful debts.

Financial liabilities

Some loans may be subject to interest rate risk and some payables may incur interest.

Infrastructure, property, plant and equipment (IPPE)

Most infrastructure is subject to external valuation or externally validated methodology applied by Council. This is subject to variability based on changing unit rates.

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:

\$ '000	Notes	Total	
		2022	2021
Opening balance		420,317	387,731
Other movements			
Purchases (GBV)		23,837	24,714
Disposals (WDV)	C1-7	(2,694)	(2,392)
Depreciation and impairment	C1-7	(7,806)	(7,887)
Revaluations through equity	C1-7	31,560	18,151
Closing balance		465,214	420,317

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

The future 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 and nil for 180 point members
Division C	2.5% salaries
Division D	1.64 times employee contributions

*For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2022 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2020 to 30 June 2022, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$78,467.47 (2021: \$101,282.24). The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$59,558.40 (2021: \$117,050.16).

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

2

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

The share of any funding surplus or deficit that can be attributed to Council is 0.27% (2021: 0.26%).

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

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation 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 2022 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) Other guarantees

Council has a \$10k bank guarantee in place, currently held with the National Australia Bank.

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 not classified any privately owned land parcels as local open space or bushland.

As a result there are no potential land acquisitions due to planning restrictions imposed by Council.

ASSETS NOT RECOGNISED

(i) 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.

(ii) Rural Fire Services assets

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

Council has assessed during 2021/22 that it does not have control over Rural Fire Services (RFS) fleet assets, and as such has not performed a stocktake or recognised them in the financial statements. The estimated total new replacement costs RFS fleet assets in the Yass Valley District as at the reporting date was \$5,701,817, based on data provided by NSW Treasury.

Council does have a level of control over Rural Fire Services land and buildings and continues to recognise these in the financial statements.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	780	2,446
Termination benefits	–	212
Councillor Remuneration	131	141
Total	911	2,799

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year
\$ '000		\$ '000
2021		
Provision of Landscape Supplies/Haulage Services	1	37
Fees and Charges	2	68

1 Council has purchased supplies during the year from Robertsons Landscaping & Haulage a company where a relationship has been declared by a KMP of Council. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council procurement processes.

2 Fees and Charges as per Council's advertised Fees and Charges were received for various services from one company which is associated with a KMP of Council

3 As at the reporting date, no other transactions with KMP and their related parties is identified that should be disclosed.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	Notes	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:			
Mayoral fee		25	27
Councillors' fees		106	109
Other Councillors' expenses (including Mayor)		18	12
Total	B3-2	149	148

F2 Other relationships

F2-1 Audit fees

\$ '000	Notes	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms			
Auditors of the Council - NSW Auditor-General:			
(i) Audit and other assurance services			
Audit and review of financial statements		61	69
Total audit fees	B3-2	61	69

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	Notes	2022	2021
Net operating result from Income Statement		19,581	15,622
Add / (less) non-cash items:			
Depreciation and amortisation	B3-4	8,017	8,113
(Gain) / loss on disposal of assets	B4-1	2,452	1,772
Non-cash capital grants and contributions	B2-4	(1,920)	–
Landfill remediation and restoration	B3-5	102	–
Losses/(gains) recognised on fair value re-measurements through the P&L: – Investment property	B2-6	(2,338)	–
Movements in operating assets and liabilities and other cash items:			
(Increase) / decrease of receivables		(304)	(1,037)
Increase / (decrease) in provision for impairment of receivables		22	1
(Increase) / decrease of inventories		26	(55)
(Increase) / decrease of other current assets		271	(97)
(Increase) / decrease of contract asset		(3,033)	(1,856)
Increase / (decrease) in payables		1,772	576
Increase / (decrease) in accrued interest payable		(8)	(16)
Increase / (decrease) in other accrued expenses payable		784	295
Increase / (decrease) in other liabilities		1,015	198
Increase / (decrease) in contract liabilities		1,849	2,474
Increase / (decrease) in employee benefit provision		93	43
Increase / (decrease) in other provisions		68	167
Net cash flows from operating activities		28,449	26,200

G2-1 Commitments

Capital commitments (exclusive of GST)

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

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

Property, plant and equipment

Buildings	84	842
Plant and equipment	–	475
Roads	1,328	6,325
Water	841	1,031
Sewer	412	928
Waste	449	499
Parks and Gardens	176	1,877
Stormwater	–	42
Total commitments	3,290	12,019

Sources for funding of capital commitments:

Unrestricted general funds	–	1,505
Section 7.11 and 64 funds/reserves	–	100
Unexpended grants	658	5,025
Externally restricted reserves	1,701	4,044
Internally restricted reserves	931	1,345
Total sources of funding	3,290	12,019

Details of capital commitments

Purchase of heavy plant & equipment, projects for roads, water, sewer, waste and stormwater infrastructure, building & lighting upgrades and recreation ground upgrades.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant adjusting events and non-adjusting events occurring after the reporting date that should be disclosed.

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Notes	Opening balance at 1 July 2021	Contributions received during the year - Cash	Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2022
Yass Valley Council Area		4,722	772	36	(442)	5,088
Heavy Haulage		1,384	175	10	–	1,569
Total S7.11 and S7.12 revenue under plans		6,106	947	46	(442)	6,657
S64 contributions		4,084	118	3	(140)	4,065
Total contributions	B2-4b,C1-3a	10,190	1,065	49	(582)	10,722

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 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,370	4.07%	(1.35)%	12.08%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	33,684				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	25,755	49.40%	51.50%	60.23%	> 60.00%
Total continuing operating revenue ¹	52,134				
3. Unrestricted current ratio					
Current assets less all external restrictions	17,836	2.39x	3.36x	1.39x	> 1.50x
Current liabilities less specific purpose liabilities	7,476				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,232	5.30x	3.38x	3.20x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,929				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,115	5.59%	6.25%	5.78%	< 10.00%
Rates and annual charges collectable	19,944				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	35,675	16.41	4.16	9.37	> 3.00
Monthly payments from cash flow of operating and financing activities	2,174	months	months	months	months

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1.63)%	(5.10)%	22.33%	11.08%	30.39%	16.07%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	44.01%	49.75%	69.03%	50.06%	98.83%	74.71%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.39x	3.36x	3.71x	7.39x	2.51x	12.21x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5.48x	3.22x	4.09x	2.89x	8.53x	6.43x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.12%	7.99%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.19 months	0.50 months	24.64 months	∞	49.51 months	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G4-1 above.

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

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

209 Comur Street
YASS NSW 2582

Contact details

Mailing Address:

PO Box 6
209 Comur Street
YASS NSW 2582

Opening hours:

Office hours: 9:00am to 4:30pm (Monday to Friday)
Cashier hours: 9:00am to 4:30pm (Monday to Friday)

Telephone: 02 6226 1477 or 1300 553 652

Facsimile: 02 6226 2598

Website: www.yassvalley.nsw.gov.au

Email: council@yass.nsw.gov.au

Officers

CHIEF EXECUTIVE OFFICER

Chris Berry

RESPONSIBLE ACCOUNTING OFFICER

Franc Rombola

Elected members

Mayor

Allan McGrath

Councillors

Jasmine Jones
Adrian Cameron
Cayla Pothan
Cecil Burgess
Jim Abbey
Kim Turner
Kristen Butler
Mike Reid

Other information

ABN: 50 119 744 650



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Yass Valley Council

To the Councillors of Yass Valley Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

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

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all 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 22 June 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. 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 of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

31 March 2023
SYDNEY

Mr Chris Berry
Chief Executive Officer
Yass Valley Council
209 Comur Street
Yass NSW 2582

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2305097/FA1813

31 March 2023

Dear Mr Berry

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Yass Valley Council**

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events 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 22 June 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities

- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. 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, I was 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	18.7	18.1	 3.3
Grants and contributions revenue	26.4	24.1	 9.5
Operating result from continuing operations	19.6	15.6	 25.6
Net operating result before capital grants and contributions	1.1	-2.2	 150

Rates and annual charges revenue of \$18.7 million increased by \$0.6 million (3.3 per cent) in 2021–22 due to:

- an annual rate increase of 2.0 per cent
- an increase in rateable properties by 1.5 per cent (7,741 rateable properties in 2021-22 compared to 7,630 properties last year).

Grants and contributions revenue of \$26.4 million increased by \$2.3 million (9.5 per cent) in 2021–22 due to:

- \$1.4 million increase in the Financial Assistance Grant
- \$4.7 million increase in Other roads and bridges grants
- \$1.2 million decrease in Water supplies grants
- \$1.4 million decrease in non-cash non-developer contributions
- \$1.3 million decrease in non-cash developer contributions

The Council's operating result from continuing operations (\$19.6 million including depreciation and amortisation expense of \$8.0 million) was \$4.0 million higher than the 2020–21 result. This was primarily due to:

Increase in income from continuing operations by \$4.9 million arising from:

- \$0.6 million increase in rates and annual charges
- \$2.3 million increase in grants and contributions revenue
- \$0.2 million decrease in user charges and fees
- \$2.4 million increase in other income.

The increase in total expenses from continuing operations of \$0.9 million arose due to :

- \$0.6 million increase in employee benefit and on-costs
- \$0.6 million increase in loss from the disposal of assets
- \$0.2 million decrease in borrowing costs.

The net operating result before capital grants and contributions of \$1.1 million was \$3.3 million higher than the 2020–21 result.

STATEMENT OF CASH FLOWS

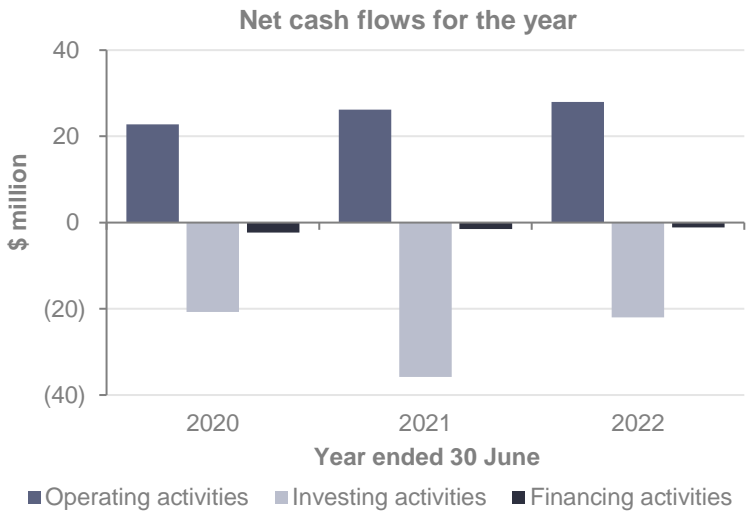
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's net cash increased by \$4.9 million.

Cash inflows from operating activities increased by \$2.2 million from \$26.2 million in 2020-21 to \$28.4 million in 2021-22. This is due an increase in cash receipts of \$1.3 million from an increase in Other receipts, and a decrease in cash payments of \$1.0 million due a decrease in borrowing costs and other payments.

The cash outflows from investing activities decreased by \$13.4 million, from \$35.9 million to \$22.4 million in 2020-21 and 2021-22 respectively. This was due to a net increase cashflows for term deposits of \$3.0 million; decrease in purchases of investments of \$14.9 million and increase in payments of IPPE of \$4.1 million.

The cash outflows from financing activities decreased by \$0.4 million from \$1.5 million to \$1.1 million in 2020-21 and 2021-22 respectively. This is driven by the decreased net payments of borrowings and leases.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Restricted cash and investments:			
External restrictions	26.8	26.1	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements. The externally restricted cash and investment balance has increased by \$0.7 million.
Internal restrictions	8.8	7.6	
Unrestricted	0.1	0.1	
Total cash, cash equivalents and investments	35.7	33.7	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works programs. Internal restrictions have increased by \$1.2 million. Unrestricted balances provide liquidity for day-to-day operations. The unrestricted balance for 2021-22 has remained consistent with 2020-21.

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, Industry 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.

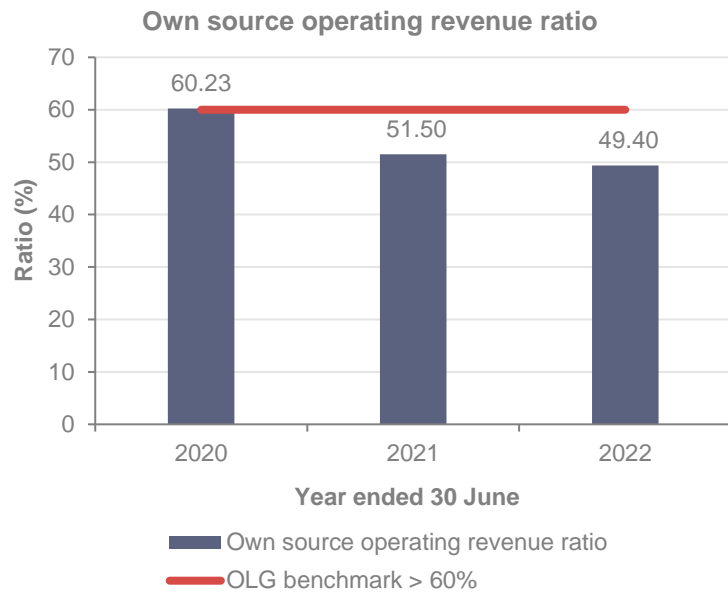
The Council met the OLG benchmark for the current reporting period with a ratio of 4.07 per cent.



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.

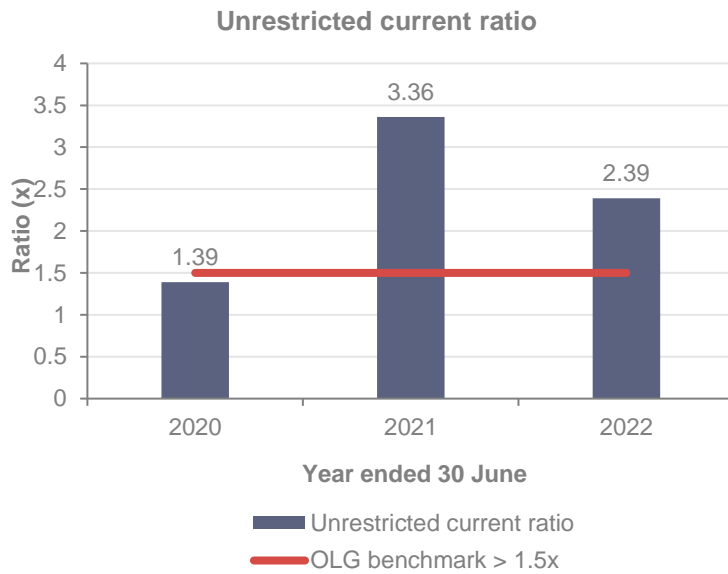
The Council did not meet the OLG benchmark for the current reporting period with a ratio of 49.40 per cent mainly due to large capital grants and contributions in the 2021-22 financial year.



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.

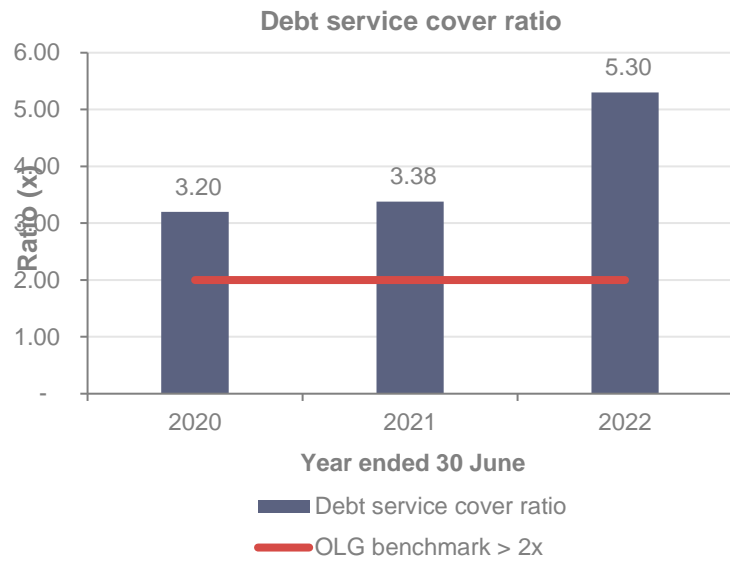
The Council exceeded the OLG benchmark for the current reporting period with a ratio of 2.39 times.



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.

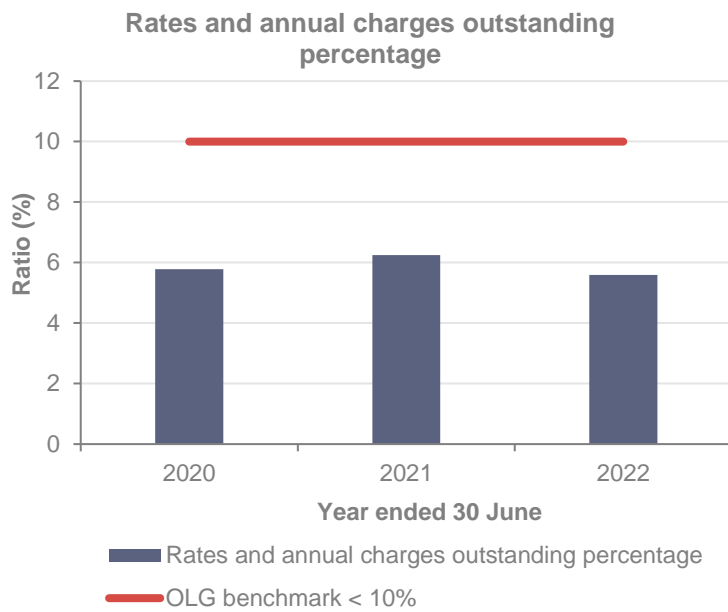
The Council exceeded the OLG benchmark for the current reporting period with a ratio of 5.30 times.



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.

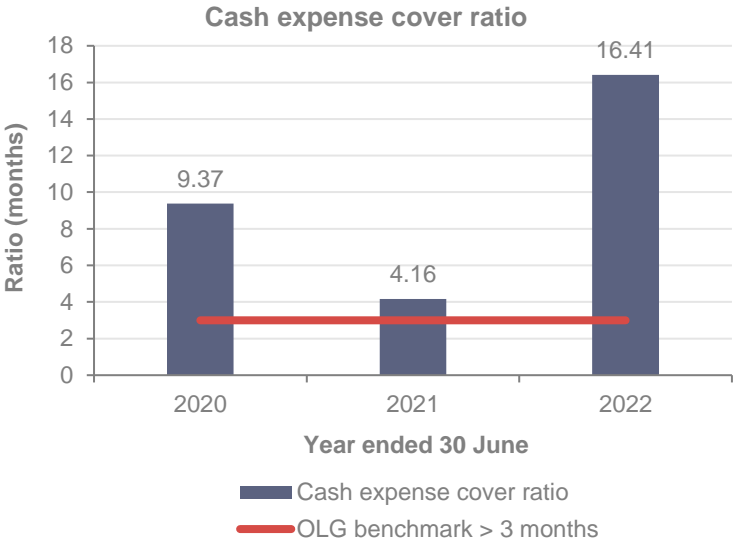
The Council met the OLG benchmark for the current reporting period with a ratio of 5.59 per cent.



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 with a ratio of 16.41 months.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2021-22 amounted to \$25.4 million in 2021-22 compared to \$9.5 million in 2020-21. The increase of \$15.9 million mainly relates to additional resealing and rehabilitation works on local roads undertaken during 2021-22 due to additional grant funding.

OTHER MATTERS

Legislative compliance

My audit procedures identified the Council did not recognise RFS firefighting equipment in the accounts. The Council performed limited verification procedures on the RFS listing and as such, we were unable to determine the carrying values of RFS equipment assets and related amounts that should be recorded and recognised for the 2021-22 financial year.

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.



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

cc: Cr Allan McGrath, Mayor

Yass Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

"A diverse rural region that provides lifestyle, business and recreation choices, while sustaining our environment, history and community"



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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).

Yass Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 February 2023.



Allan McGrath
Mayor
23 February 2023



Jasmin Jones
Councillor
23 February 2023



Chris Berry
Chief Executive Officer
23 February 2023



Francesco Rombola
Responsible Accounting Officer
23 February 2023

Yass Valley Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	1,869	1,815
User charges	2,102	2,154
Fees	6	1
Interest and investment income	6	47
Grants and contributions provided for operating purposes	740	28
Other income	11	17
Total income from continuing operations	4,734	4,062
Expenses from continuing operations		
Employee benefits and on-costs	933	721
Borrowing costs	653	678
Materials and services	1,070	1,373
Depreciation, amortisation and impairment	1,021	833
Net loss from the disposal of assets	59	7
Total expenses from continuing operations	3,736	3,612
Surplus (deficit) from continuing operations before capital amounts	998	450
Grants and contributions provided for capital purposes	1,052	3,996
Surplus (deficit) from continuing operations after capital amounts	2,050	4,446
Surplus (deficit) from all operations before tax	2,050	4,446
Less: corporate taxation equivalent (25%) [based on result before capital]	(250)	(117)
Surplus (deficit) after tax	1,800	4,329
Plus accumulated surplus	40,809	38,218
Plus/less: other adjustments (transfer to/from general fund)	(1,523)	(1,855)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	250	117
Closing accumulated surplus	41,336	40,809
Return on capital %	2.5%	1.9%
Subsidy from Council	805	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,801	4,329
Less: capital grants and contributions (excluding developer contributions)	(1,052)	(3,387)
Surplus for dividend calculation purposes	749	942
Potential dividend calculated from surplus	374	471

Yass Valley Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	2,409	2,370
User charges	33	101
Fees	9	7
Interest and investment income	4	39
Other income	–	15
Total income from continuing operations	2,455	2,532
Expenses from continuing operations		
Employee benefits and on-costs	174	363
Borrowing costs	185	194
Materials and services	691	921
Depreciation, amortisation and impairment	659	647
Net loss from the disposal of assets	12	–
Total expenses from continuing operations	1,721	2,125
Surplus (deficit) from continuing operations before capital amounts	734	407
Grants and contributions provided for capital purposes	29	857
Surplus (deficit) from continuing operations after capital amounts	763	1,264
Surplus (deficit) from all operations before tax	763	1,264
Less: corporate taxation equivalent (25%) [based on result before capital]	(184)	(106)
Surplus (deficit) after tax	579	1,158
Plus accumulated surplus	21,631	20,133
Plus/less: other adjustments (transfer to/from general fund)	15	234
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	184	106
Closing accumulated surplus	22,409	21,631
Return on capital %	2.7%	2.0%
Subsidy from Council	314	–
Calculation of dividend payable:		
Surplus (deficit) after tax	580	1,158
Less: capital grants and contributions (excluding developer contributions)	(29)	(575)
Surplus for dividend calculation purposes	551	583
Potential dividend calculated from surplus	275	292

Yass Valley Council

Income Statement of Waste services

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
Annual charges	2,744	2,626
User charges	807	867
Fees	4	1
Interest and investment income	2	12
Grants and contributions provided for operating purposes	27	28
Other income	376	315
Total income from continuing operations	3,960	3,849
Expenses from continuing operations		
Employee benefits and on-costs	1,031	1,032
Borrowing costs	102	148
Materials and services	1,449	1,333
Depreciation, amortisation and impairment	93	56
Net loss from the disposal of assets	–	326
Total expenses from continuing operations	2,675	2,895
Surplus (deficit) from continuing operations before capital amounts	1,285	954
Grants and contributions provided for capital purposes	–	13
Surplus (deficit) from continuing operations after capital amounts	1,285	967
Surplus (deficit) from all operations before tax	1,285	967
Less: corporate taxation equivalent (25%) [based on result before capital]	(321)	(248)
Surplus (deficit) after tax	964	719
Plus accumulated surplus	4,428	4,384
Plus/less: other adjustments (transfer to/from general fund)	(3,271)	(923)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	321	248
Closing accumulated surplus	2,442	4,428
Return on capital %	75.5%	71.6%
Subsidy from Council	–	–

Yass Valley Council

Income Statement of Caravan park

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
Fees	394	412
Total income from continuing operations	394	412
Expenses from continuing operations		
Employee benefits and on-costs	–	1
Materials and services	351	337
Depreciation, amortisation and impairment	186	186
Total expenses from continuing operations	537	524
Surplus (deficit) from continuing operations before capital amounts	(143)	(112)
Surplus (deficit) from continuing operations after capital amounts	(143)	(112)
Surplus (deficit) from all operations before tax	(143)	(112)
Surplus (deficit) after tax	(143)	(112)
Plus accumulated surplus	2,279	2,391
Plus/less: other adjustments (transfer to/from general fund)	(782)	–
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	1,354	2,279
Return on capital %	(18.5)%	(11.7)%
Subsidy from Council	171	126

Yass Valley Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	3,745	4,360
Investments	3,040	3,002
Receivables	708	774
Contract assets and contract cost assets	170	416
Other	–	95
Total current assets	7,663	8,647
Non-current assets		
Infrastructure, property, plant and equipment	67,094	59,014
Total non-current assets	67,094	59,014
Total assets	74,757	67,661
LIABILITIES		
Current liabilities		
Contract liabilities	7	–
Payables	347	335
Borrowings	450	649
Employee benefit provisions	254	186
Total current liabilities	1,058	1,170
Non-current liabilities		
Borrowings	10,259	10,709
Total non-current liabilities	10,259	10,709
Total liabilities	11,317	11,879
Net assets	63,440	55,782
EQUITY		
Accumulated surplus	41,336	40,809
Revaluation reserves	22,104	14,973
Total equity	63,440	55,782

Yass Valley Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	4,222	4,057
Investments	1,026	1,082
Receivables	–	3
Other	–	11
Total current assets	5,248	5,153
Non-current assets		
Infrastructure, property, plant and equipment	33,689	30,029
Total non-current assets	33,689	30,029
Total assets	38,937	35,182
LIABILITIES		
Current liabilities		
Payables	38	40
Borrowings	232	222
Employee benefit provisions	139	160
Total current liabilities	409	422
Non-current liabilities		
Borrowings	3,651	3,884
Total non-current liabilities	3,651	3,884
Total liabilities	4,060	4,306
Net assets	34,877	30,876
EQUITY		
Accumulated surplus	22,409	21,631
Revaluation reserves	12,468	9,245
Total equity	34,877	30,876

Yass Valley Council

Statement of Financial Position of Waste services

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	4,013	6,019
Total current assets	4,013	6,019
Non-current assets		
Infrastructure, property, plant and equipment	1,838	1,540
Total non-current assets	1,838	1,540
Total assets	5,851	7,559
LIABILITIES		
Current liabilities		
Lease liabilities	178	160
Provisions	535	530
Total current liabilities	713	690
Non-current liabilities		
Lease liabilities	9	123
Provisions	892	834
Total non-current liabilities	901	957
Total liabilities	1,614	1,647
Net assets	4,237	5,912
EQUITY		
Accumulated surplus	2,442	4,428
Revaluation reserves	1,795	1,484
Total equity	4,237	5,912

Yass Valley Council

Statement of Financial Position of Caravan park

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	579	1,318
Total current assets	579	1,318
Non-current assets		
Infrastructure, property, plant and equipment	775	961
Total non-current assets	775	961
Total assets	1,354	2,279
Net assets	1,354	2,279
EQUITY		
Accumulated surplus	1,354	2,279
Total equity	1,354	2,279

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, 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. Yass Valley Council Waste Service

Comprising the operations, and net assets of Council's Domestic Waste, and Other Waste activities, servicing the local government area.

b. Yass Valley Council Water Supplies

Comprising the operations, and net assets of Council's water supply activities, servicing the towns of Yass, Bowning, Binalong and Murrumbateman.

c. Yass Valley Council Sewerage Service

Comprising the operations, and net assets, of Council's sewerage reticulation and treatment activities servicing the town of Yass and most recently expanded to include the town of Murrumbateman.

Category 2

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

a. Yass Valley Council Caravan Park

Comprising the operations and net assets of Council's Caravan Park, servicing the town of Yass.

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.

Note – Significant Accounting Policies (continued)

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):

Notional rate applied (%)

Corporate income tax rate – **25.0%** (2021: 26.0%)

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

Payroll tax – **4.85%** (2021:4.85%) on the value of taxable salaries and wages in excess of \$1,200,000.

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25.0% (2021:26.0%).

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 Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 25.0% 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)

(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

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

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

(iii) Dividends

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

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

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

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

In accordance with the 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 Department of Planning, Industry and Environment – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Yass Valley Council

To the Councillors of Yass Valley Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Yass Valley 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
- Waste services
- Caravan park

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

31 March 2023
SYDNEY

Yass Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

"A diverse rural region that provides lifestyle, business and recreation choices, while sustaining our environment, history and community"



Yass Valley Council

Special Schedules

for the year ended 30 June 2022

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Yass Valley Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	11,285	11,676
Plus or minus adjustments ²	b	125	149
Notional general income	c = a + b	11,410	11,825
Permissible income calculation			
Rate peg percentage	e	2.00%	2.30%
Plus rate peg amount	i = e x (c + g)	228	272
Sub-total	k = (c + g + h + i + j)	11,638	12,097
Plus (or minus) last year's carry forward total	l	20	(2)
Less valuation objections claimed in the previous year	m	–	(16)
Sub-total	n = (l + m)	20	(18)
Total permissible income	o = k + n	11,658	12,079
Less notional general income yield	p	11,676	12,081
Catch-up or (excess) result	q = o – p	(17)	(2)
Plus income lost due to valuation objections claimed ⁴	r	16	1
Carry forward to next year ⁶	t = q + r – s	(1)	(1)

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Yass Valley Council

To the Councillors of Yass Valley Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

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SYDNEY

Yass Valley Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					\$ '000	\$ '000	1	2	3
Buildings	Buildings – non-specialised	–	–	90	90	3,515	5,715	30.0%	0.0%	70.0%	0.0%	0.0%
	Buildings – specialised	–	–	207	207	13,303	33,586	15.0%	10.0%	75.0%	0.0%	0.0%
	Sub-total	–	–	297	297	16,079	39,301	17.2%	8.5%	74.3%	0.0%	0.0%
Other structures	Other structures	–	–	–	–	396	1,118	0.0%	20.0%	80.0%	0.0%	0.0%
	Sub-total	–	–	–	–	396	1,118	0.0%	20.0%	80.0%	0.0%	0.0%
Roads	Sealed roads	1,600	1,600	753	753	136,389	159,918	24.0%	57.0%	18.0%	1.0%	0.0%
	Unsealed roads	6,035	6,035	1,659	834	11,073	30,383	29.0%	10.0%	3.0%	6.0%	52.0%
	Bridges	500	500	17	17	18,487	39,375	29.0%	4.0%	67.0%	0.0%	0.0%
	Footpaths	–	–	9	9	5,852	7,137	57.0%	33.0%	10.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	82,114	79,429	100.0%	0.0%	0.0%	0.0%	0.0%
	Culverts	1,500	1,500	–	–	13,047	22,386	9.0%	38.0%	46.0%	7.0%	0.0%
	Kerbs	66	66	–	–	4,008	6,141	26.0%	42.0%	24.0%	8.0%	0.0%
	Roundabouts	–	–	–	–	1,634	1,998	70.0%	26.0%	4.0%	0.0%	0.0%
	Traffic Islands	–	–	–	–	278	436	36.0%	30.0%	34.0%	0.0%	0.0%
	Ancillary Assets	–	–	–	–	993	1,053	100.0%	0.0%	0.0%	0.0%	0.0%
Sub-total	9,701	9,701	2,438	1,613	276,801	348,256	42.6%	31.5%	19.8%	1.6%	4.5%	
Water supply network	Water supply network	–	–	492	492	61,781	97,841	80.0%	15.0%	5.0%	0.0%	0.0%
	Sub-total	–	–	492	492	61,781	97,841	80.0%	15.0%	5.0%	0.0%	0.0%
Sewerage network	Sewerage network	–	–	202	202	29,792	48,089	45.0%	44.0%	11.0%	0.0%	0.0%
	Sub-total	–	–	202	202	29,792	48,089	45.0%	44.0%	11.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	170	170	16	16	15,767	19,505	28.0%	54.0%	17.0%	1.0%	0.0%
	Sub-total	170	170	16	16	15,153	19,505	28.0%	54.0%	17.0%	1.0%	0.0%

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

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	–	–	106	106	1,924	3,226	0.0%	0.0%	100.0%	0.0%	0.0%
	Parks and Gardens	–	–	205	205	8,710	9,823	14.0%	68.0%	18.0%	0.0%	0.0%
	Sub-total	–	–	311	311	10,634	13,049	10.5%	51.2%	38.3%	0.0%	0.0%
Total – all assets		9,871	9,871	3,756	2,931	410,636	567,159	46.2%	29.4%	20.7%	1.0%	2.8%

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

Infrastructure asset condition assessment 'key'

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

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Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	23,561	343.15%	134.30%	112.57%	>= 100.00%
Depreciation, amortisation and impairment	6,866				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	9,871	2.33%	1.23%	0.56%	< 2.00%
Net carrying amount of infrastructure assets	423,722				
Asset maintenance ratio					
Actual asset maintenance	2,931	78.04%	100.33%	100.00%	> 100.00%
Required asset maintenance	3,756				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	9,871	1.74%	0.00%	0.00%	
Gross replacement cost	567,159				

(*) 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.

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Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	412.38%	169.97%	34.38%	0.00%	276.78%	0.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.97%	1.56%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	73.06%	100.38%	100.00%	100.00%	100.00%	100.00%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.34%	0.00%	0.00%	0.00%	0.00%	0.00%	

(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.