

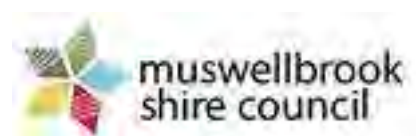
# Muswellbrook Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



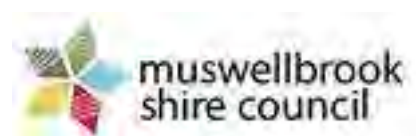
# Muswellbrook Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



# Muswellbrook Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2022

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### Overview

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

Muswellbrook Shire Council Administration Centre  
Campbell's Corner 60-82 Bridge St, Muswellbrook NSW 2333

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

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

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

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

## Muswellbrook Shire Council

### Consolidated 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 27/09/2022.



Steve Reynolds  
**Mayor**

Nov 17, 2022



Jennifer Lecky  
**Deputy Mayor**

Nov 17, 2022



Derek Finnigan (Nov 16, 2022 18:37 GMT+11)

Derek Finnigan  
**Acting General Manager**

Nov 16, 2022



David Walsh  
**Responsible Accounting Officer**

Nov 16, 2022



## Muswellbrook Shire Council

## Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Income from continuing operations</b>				
29,399	Rates and annual charges	B2-1	28,688	27,810
13,569	User charges and fees	B2-2	10,875	12,029
1,053	Other revenues	B2-3	882	1,475
5,805	Grants and contributions provided for operating purposes	B2-4	10,644	6,766
17,825	Grants and contributions provided for capital purposes	B2-4	16,524	19,971
711	Interest and investment income	B2-5	769	881
6,604	Other income	B2-6	15,068	6,076
74,966	<b>Total income from continuing operations</b>		<b>83,450</b>	<b>75,008</b>
<b>Expenses from continuing operations</b>				
14,761	Employee benefits and on-costs	B3-1	14,658	15,066
18,524	Materials and services *	B3-2	19,098	16,127
2,137	Borrowing costs	B3-3	1,917	2,086
14,528	Depreciation, amortisation and impairment of non-financial assets	B3-4	14,245	13,734
3,904	Other expenses *	B3-5	3,667	3,923
—	Net loss from the disposal of assets	B4-1	4,603	3,131
53,854	<b>Total expenses from continuing operations</b>		<b>58,188</b>	<b>54,067</b>
21,112	<b>Operating result from continuing operations</b>		<b>25,262</b>	<b>20,941</b>
21,112	<b>Net operating result for the year attributable to Council</b>		<b>25,262</b>	<b>20,941</b>
3,286	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>8,738</b>	<b>970</b>

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

## Muswellbrook Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2022

<b>\$ '000</b>	Notes	<b>2022</b>	<b>2021</b>
<b>Net operating result for the year – from Income Statement</b>		<b>25,262</b>	<b>20,941</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<b>87,868</b>	1,902
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>87,868</b>	1,902
<b>Total other comprehensive income for the year</b>		<b>87,868</b>	1,902
<b>Total comprehensive income for the year attributable to Council</b>		<b>113,130</b>	<b>22,843</b>

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

## Muswellbrook Shire Council

## Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	8,823	9,084
Investments	C1-2	27,500	20,550
Receivables	C1-4	6,648	7,350
Inventories	C1-5	1,675	1,661
Other		314	250
<b>Total current assets</b>		<b>44,960</b>	<b>38,895</b>
<b>Non-current assets</b>			
Investments	C1-2	26,765	34,733
Receivables	C1-4	–	880
Infrastructure, property, plant and equipment (IPPE)	C1-6	777,119	674,629
Investment property	C1-7	71,720	61,984
Investments accounted for using the equity method	D2-1	–	158
<b>Total non-current assets</b>		<b>875,604</b>	<b>772,384</b>
<b>Total assets</b>		<b>920,564</b>	<b>811,279</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	9,245	8,966
Contract liabilities	C3-2	4,376	4,970
Borrowings	C3-3	6,055	7,149
Employee benefit provisions	C3-4	2,965	3,338
Provisions	C3-5	1,000	–
<b>Total current liabilities</b>		<b>23,641</b>	<b>24,423</b>
<b>Non-current liabilities</b>			
Borrowings	C3-3	57,313	60,873
Employee benefit provisions	C3-4	332	–
Provisions	C3-5	9,360	9,195
<b>Total non-current liabilities</b>		<b>67,005</b>	<b>70,068</b>
<b>Total liabilities</b>		<b>90,646</b>	<b>94,491</b>
<b>Net assets</b>		<b>829,918</b>	<b>716,788</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	415,729	390,467
IPPE revaluation reserve	C4-1	414,189	326,321
<b>Council equity interest</b>		<b>829,918</b>	<b>716,788</b>
<b>Total equity</b>		<b>829,918</b>	<b>716,788</b>

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

## Muswellbrook Shire 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		390,467	326,321	716,788	369,526	324,419	693,945
<b>Restated opening balance</b>		<b>390,467</b>	<b>326,321</b>	<b>716,788</b>	<b>369,526</b>	<b>324,419</b>	<b>693,945</b>
<b>Net operating result for the year</b>		<b>25,262</b>	<b>-</b>	<b>25,262</b>	<b>20,941</b>	<b>-</b>	<b>20,941</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	87,868	87,868	-	1,902	1,902
<b>Other comprehensive income</b>		<b>-</b>	<b>87,868</b>	<b>87,868</b>	<b>-</b>	<b>1,902</b>	<b>1,902</b>
<b>Total comprehensive income</b>		<b>25,262</b>	<b>87,868</b>	<b>113,130</b>	<b>20,941</b>	<b>1,902</b>	<b>22,843</b>
<b>Closing balance at 30 June</b>		<b>415,729</b>	<b>414,189</b>	<b>829,918</b>	<b>390,467</b>	<b>326,321</b>	<b>716,788</b>

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

## Muswellbrook Shire Council

## Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
29,399	Rates and annual charges		29,401	27,714
13,569	User charges and fees		10,731	12,252
711	Interest received		718	897
26,294	Grants and contributions		21,897	30,231
–	Bonds, deposits and retentions received		101	1,734
6,604	Other		8,874	8,048
<b>Payments:</b>				
(14,761)	Payments to employees		(14,699)	(15,809)
(18,524)	Payments for materials and services		(19,971)	(17,187)
(2,137)	Borrowing costs		(1,917)	(2,086)
(1,053)	Other		(2,057)	(2,401)
40,102	<b>Net cash flows from operating activities</b>	G1-1	<b>33,078</b>	<b>43,393</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
9,000	Sale of investments		–	5,314
–	Sale of real estate assets		785	194
–	Proceeds from sale of IPPE		607	321
<b>Payments:</b>				
(6,000)	Purchase of investments		6,560	–
–	Acquisition of term deposits		(5,700)	(5,800)
–	Purchase of investment property		(773)	(8,005)
(45,602)	Payments for IPPE		(30,098)	(34,211)
–	Purchase of real estate assets		(224)	(4)
–	Contributions paid to joint ventures and associates		158	–
(42,602)	<b>Net cash flows from investing activities</b>		<b>(28,685)</b>	<b>(42,191)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings		–	9,585
<b>Payments:</b>				
(5,447)	Repayment of borrowings		(4,654)	(6,685)
(5,447)	<b>Net cash flows from financing activities</b>		<b>(4,654)</b>	<b>2,900</b>
(7,947)	<b>Net change in cash and cash equivalents</b>		<b>(261)</b>	<b>4,102</b>
8,989	Cash and cash equivalents at beginning of year		9,084	4,982
1,042	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>8,823</b>	<b>9,084</b>
51,463	plus: Investments on hand at end of year	C1-2	54,265	55,283
52,505	<b>Total cash, cash equivalents and investments</b>		<b>63,088</b>	<b>64,367</b>

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

# Muswellbrook Shire Council

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# Muswellbrook Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 27/09/2022. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

and are clearly marked.

#### (a) Historical cost convention

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

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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



## A1-1 Basis of preparation (continued)

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

#### (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

### **Monies and other assets received by Council**

#### **The Consolidated Fund**

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

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

- General purpose operations
- Water service
- Sewerage service
- Commercial Buildings

#### **The Trust Fund**

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

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

### **Goods and Services Tax (GST)**

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

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

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

### **Volunteer services**

Council's dependence on volunteer services received is not material.

### **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.

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

## B Financial Performance

### B1 Functions or activities

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.							
\$ '000	Income		Expenses		Operating result		Carrying amount of assets
	2022	2021	2022	2021	2022	2021	
<b>Functions or activities</b>							
Economic Prosperity	10,150	6,515	4,528	4,992	5,622	1,523	78,890
Social Equity and Inclusion	497	705	1,567	1,862	(1,070)	(1,157)	34,935
Environmental Sustainability	777	788	607	1,278	170	(490)	245
Cultural Vitality	483	64	4,011	4,320	(3,528)	(4,256)	68,395
Community Infrastructure	41,673	37,973	39,387	35,194	2,286	2,779	664,990
Community Leadership	29,870	28,963	8,088	6,421	21,782	22,542	73,109
<b>Total functions and activities</b>	<b>83,450</b>	<b>75,008</b>	<b>58,188</b>	<b>54,067</b>	<b>25,262</b>	<b>20,941</b>	<b>920,564</b>
						<b>26,737</b>	<b>811,279</b>

## B1-2 Components of functions or activities

---

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

### Economic Prosperity

**Plan for Local Economic Prosperity** 1. Support Job growth. 2. Diversify the economy, facilitate the development of intensive agriculture and other growth industries, make the Shire a more attractive place to invest and do business. 3. Facilitate greater access to higher education and participation in the knowledge and creativity economy. 4. Develop Muswellbrook as a Regional Centre.

### Social Equity and Inclusion

**Access to a wide range of community and government agencies appropriate for their age and needs.** 5. Continue to improve the affordability, liveability and amenity of the Shire's. 6. Stabilise the tenancy turnover in the Shire's social housing. 7. Build social inclusion and improve the delivery of social services. 8. Retention and expansion of quality and affordable child care services. 9. Facilitate opportunities to expand senior's living. 10. Further the process of reconciliation in the Shire.

### Environmental Sustainability

**Environmental Sustainability to focus on the regeneration of mined land and urban riparian areas, increase our use of renewable energy and to monitor and manage our use of natural resources.** 11. Higher quality final landforms with shallower voids and more emphasis on progressive rehabilitation with local workforce participation. 12. Enhance native vegetation connectivity across the Upper Hunter. 13. Our local rivers and creeks are enhanced, utilised and valued. 14. Support initiatives which reduce the community's impact on the environment. 15. Support Federal and State initiatives to reduce the human impact on climate change.

### Cultural Vitality

**Increase the local variety, availability and access to the arts and cultural experiences.** 16. Conserve the heritage and history of the Shire. 17. Facilitate options to improve cultural activities in the Shire. 18. Facilitate cultural activities and events which engage the community and visitors and which create a 'sense of place' and identity.

### Community Infrastructure

**Expand on the infrastructure required for Muswellbrook to realise Regional Centre status, improve community facilities and improve accessibility to community facilities.** 19. Our community's infrastructure is planned well, is safe and reliable and provides required levels of service. Utility services are operated as distinct business units within Council. 20. A safe, secure and reliable water supply and sewerage services are provided to all residents that will ensure public health. 21. The road, footpath and cycleway networks are integrated and allow for the safe movement of residents around the Shire.

### Community Leadership

**To improve the community's participation in decision making and implement business improvement initiatives to improve service delivery.** 22. Collaborative and responsive community leadership that meets the expectations and anticipates the needs of the community. 23. Genuine and well informed community participation in decision making. 24. A Council that is well managed, efficient and properly resourced and that is responsive to its communities and stakeholders. 25. A sustainable Council that is best practice employer providing safe, happy and productive workplace.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	Timing	2022	2021
<b>Ordinary rates</b>			
Residential	2	6,227	5,564
Farmland	2	1,439	1,202
Mining	2	10,216	11,389
Business	2	1,728	1,049
<b>Rates levied to ratepayers</b>		<b>19,610</b>	<b>19,204</b>
Pensioner Rebates Granted	2	(153)	(150)
Pensioner rate subsidies received	2	86	83
<b>Total ordinary rates</b>		<b>19,543</b>	<b>19,137</b>
<b>Annual charges</b>			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	2	2,568	2,562
Stormwater management services	2	158	157
Water supply services	2	1,769	1,649
Sewerage services	2	4,361	4,021
Waste management services (non-domestic)	2	169	169
<b>Annual charges levied</b>		<b>9,025</b>	<b>8,558</b>
Pensioner subsidies received:			
– Water	2	40	38
– Sewerage	2	40	38
– Domestic waste management	2	40	39
<b>Total annual charges</b>		<b>9,145</b>	<b>8,673</b>
<b>Total rates and annual charges</b>		<b>28,688</b>	<b>27,810</b>

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

#### Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

## B2-2 User charges and fees

\$ '000	Timing	2022	2021
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	2	2,691	2,731
Sewerage services	2	698	664
<b>Total specific user charges</b>		<b>3,389</b>	<b>3,395</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	2	125	122
Inspection services	2	24	30
Private works – section 67	2	9	15
Regulatory/ statutory fees	2	30	46
Section 10.7 certificates (EP&A Act)	2	108	99
Section 603 certificates	2	76	62
Town planning	2	37	32
DECCW levy recovered	2	1,300	1,578
Development/building control	2	337	296
Water and sewer related sales	2	662	617
Legal fees recovery – rates and charges (extra charges)		5	–
<b>Total fees and charges – statutory/regulatory</b>		<b>2,713</b>	<b>2,897</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries	2	48	92
Community centres	2	28	18
Leaseback fees – Council vehicles	2	18	21
Leisure centre	2	21	25
Library and art gallery	2	94	72
Park rents	2	23	25
Restoration charges	2	6	8
Transport for NSW works (state roads not controlled by Council)	2	1,252	2,306
Swimming centres	2	75	73
Waste disposal tipping fees	2	2,679	2,969
Gym centre	2	33	6
Road vehicle permits	2	485	119
Other	2	11	3
<b>Total fees and charges – other</b>		<b>4,773</b>	<b>5,737</b>
<b>Total other user charges and fees</b>		<b>7,486</b>	<b>8,634</b>
<b>Total user charges and fees</b>		<b>10,875</b>	<b>12,029</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		10,875	12,029
<b>Total user charges and fees</b>		<b>10,875</b>	<b>12,029</b>

### Accounting policy

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

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

Where an upfront fee is charged such as membership 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 the term of the licence.

## B2-3 Other revenues

\$ '000	Timing	2022	2021
Rental Income - Other Council Properties	2	539	738
Fines	2	50	56
Building Upgrade	2	—	266
Hospitality	2	121	72
Insurance rebates	2	60	122
Insurance claims recoveries	2	44	35
Other	2	68	186
<b>Total other revenue</b>		<b>882</b>	<b>1,475</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	—	—
Other revenue recognised at a point in time (2)	882	1,475
<b>Total other revenue</b>	<b>882</b>	<b>1,475</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	3,828	2,682	–	–
Financial assistance – local roads component	1,313	938	–	–
<b>Amount recognised as income during current year</b>	<b>5,141</b>	<b>3,620</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
<b>Previously specific grants:</b>				
<b>Pensioners' rates subsidies:</b>				
– Water	111	–	–	–
– Sewerage	–	–	36	–
Bushfire and emergency services	385	410	–	–
Community care	56	61	–	–
Economic development	2,416	9	744	329
Employment and training programs	–	10	–	–
Environmental programs	35	133	97	–
Heritage and cultural	38	38	56	40
Library	49	48	166	35
LIRS subsidy	24	34	–	–
Recreation and culture	–	28	1,418	2,429
Storm/flood damage	–	–	1,000	–
Planning	–	32	–	–
Waste management	103	31	–	–
Street lighting	60	60	–	–
Water Services	–	–	–	–
Transport (roads to recovery)	–	–	482	765
Transport (other roads and bridges funding)	240	290	5,986	8,061
<b>Previously contributions:</b>				
Recreation and culture	20	29	336	327
Other contributions	–	–	292	–
Roads and bridges	–	–	244	–
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>3,537</b>	<b>1,213</b>	<b>10,857</b>	<b>11,986</b>
<b>Non-cash contributions</b>				
Bushfire services	–	–	910	182
Business development	–	–	804	–
Roads and bridges	–	–	1,375	6,087
Sewerage (excl. section 64 contributions)	–	–	329	–
Water supplies (excl. section 64 contributions)	–	–	204	–
<b>Total other contributions – non-cash</b>	<b>–</b>	<b>–</b>	<b>3,622</b>	<b>6,269</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>3,537</b>	<b>1,213</b>	<b>14,479</b>	<b>18,255</b>
<b>Total grants and non-developer contributions</b>	<b>8,678</b>	<b>4,833</b>	<b>14,479</b>	<b>18,255</b>
<b>Comprising:</b>				
– Commonwealth funding	5,171	3,640	765	2,054
– State funding	1,731	1,127	10,020	9,902
– Other funding	1,776	66	3,694	6,299
	<b>8,678</b>	<b>4,833</b>	<b>14,479</b>	<b>18,255</b>

## B2-4 Grants and contributions (continued)

## Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Developer contributions:</b>						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
<b>Cash contributions</b>						
S 7.4 – contributions using planning agreements		2	1,213	1,253	1,490	1,455
S 7.11 – contributions towards amenities/services		2	753	680	75	25
S 7.12 – fixed development consent levies		2	–	–	91	80
S 64 – water supply contributions		2	–	–	104	69
S 64 – sewerage service contributions		2	–	–	116	78
S 64 – stormwater contributions		2	–	–	58	9
Other developer contributions		2	–	–	109	–
Developer provided infrastructure roads/drainage		2	–	–	2	–
<b>Total developer contributions – cash</b>			<b>1,966</b>	<b>1,933</b>	<b>2,045</b>	<b>1,716</b>
<b>Total developer contributions</b>			<b>1,966</b>	<b>1,933</b>	<b>2,045</b>	<b>1,716</b>
<b>Total contributions</b>			<b>1,966</b>	<b>1,933</b>	<b>2,045</b>	<b>1,716</b>
<b>Total grants and contributions</b>			<b>10,644</b>	<b>6,766</b>	<b>16,524</b>	<b>19,971</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			917	729	9,289	11,295
Grants and contributions recognised at a point in time (2)			9,727	6,037	7,235	8,676
<b>Total grants and contributions</b>			<b>10,644</b>	<b>6,766</b>	<b>16,524</b>	<b>19,971</b>



## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	467	538	4,503	1,185
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	427	140	3,351	3,897
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	—	—	—	—
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(268)	(211)	(4,104)	(579)
<b>Unspent funds at 30 June</b>	<b>626</b>	<b>467</b>	<b>3,750</b>	<b>4,503</b>
Unspent funds at 1 July	17,301	19,179	—	—
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,798	2,270	—	—
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	—	—	—	—
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(506)	(4,148)	—	—
<b>Unspent contributions at 30 June</b>	<b>19,593</b>	<b>17,301</b>	<b>—</b>	<b>—</b>

### Accounting policy

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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*.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

## B2-5 Interest and investment income

\$ '000	2022	2021
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	131	99
– Cash and investments	618	774
– Other	20	8
<b>Total interest and investment income (losses)</b>	<b>769</b>	<b>881</b>

### Accounting policy

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

## B2-6 Other income

\$ '000	Notes	2022	2021
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		8,963	—
<b>Total fair value increment on investment properties</b>	C1-7	<b>8,963</b>	<b>—</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		6,105	6,076
<b>Total Investment properties</b>		<b>6,105</b>	<b>6,076</b>
<b>Total rental income</b>	C2-2	<b>6,105</b>	<b>6,076</b>
<b>Total other income</b>		<b>15,068</b>	<b>6,076</b>

## B3 Costs of providing services

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

\$ '000	2022	2021
Salaries and wages	12,269	12,152
Employee termination costs (where material – other than vested leave paid)	114	143
Travel expenses	313	319
Employee leave entitlements (ELE)	1,185	1,675
Superannuation	1,330	1,270
Workers' compensation insurance	718	833
Fringe benefit tax (FBT)	69	62
Payroll tax	35	24
Training costs (other than salaries and wages)	178	179
Sick leave insurance	3	2
Protective clothing	35	37
Staff appreciation	44	33
<b>Total employee costs</b>	<b>16,293</b>	<b>16,729</b>
Less: capitalised costs	(1,635)	(1,663)
<b>Total employee costs expensed</b>	<b>14,658</b>	<b>15,066</b>

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

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

**B3-2 Materials and services \***

<b>\$ '000</b>	Notes	<b>2022</b>	<b>2021</b>
Raw materials and consumables		<b>12,950</b>	11,321
Audit Fees	F2-1	<b>84</b>	111
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	<b>170</b>	162
Advertising		<b>47</b>	23
Bank charges		<b>63</b>	63
Cleaning		<b>138</b>	136
Election expenses		<b>119</b>	—
Electricity and heating		<b>954</b>	1,012
Insurance		<b>867</b>	936
Postage		<b>50</b>	51
Printing and stationery		<b>16</b>	19
Street lighting		<b>375</b>	394
Telephone and communications		<b>101</b>	78
Valuation fees		<b>60</b>	59
Fair value decrements - investment properties		—	—
<b>Legal expenses:</b>			
— Legal expenses: other		<b>1,964</b>	697
Venue manager		<b>10</b>	10
Waste collection		<b>1,130</b>	1,055
<b>Total materials and services</b>		<b>19,098</b>	<b>16,127</b>
<b>Total materials and services</b>		<b>19,098</b>	<b>16,127</b>

**Accounting policy**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### B3-3 Borrowing costs

\$ '000	Notes	2022	2021
<b>(i) Interest bearing liability costs</b>			
Interest on loans		<b>1,752</b>	1,954
<b>Total interest bearing liability costs</b>		<b>1,752</b>	1,954
<b>Total interest bearing liability costs expensed</b>		<b>1,752</b>	1,954
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	<b>165</b>	132
<b>Total other borrowing costs</b>		<b>165</b>	132
<b>Total borrowing costs expensed</b>		<b>1,917</b>	2,086

#### 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.

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

\$ '000	Notes	2022	2021
<b>Depreciation and amortisation</b>			
Plant and equipment		1,173	1,076
Office equipment		214	205
Furniture and fittings		123	131
Land improvements (depreciable)		97	132
<b>Infrastructure:</b>	C1-6		
– Buildings – specialised		1,998	1,946
– Other structures		488	470
– Roads		4,478	4,254
– Bridges		460	443
– Footpaths		405	362
– Stormwater drainage		803	767
– Water supply network		1,830	1,800
– Sewerage network		2,100	2,079
<b>Other assets:</b>			
– Other		53	46
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5, C1-6	23	23
<b>Total gross depreciation and amortisation costs</b>		<b>14,245</b>	<b>13,734</b>
<b>Total depreciation and amortisation costs</b>		<b>14,245</b>	<b>13,734</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>14,245</b>	<b>13,734</b>

### Accounting policy

#### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE 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.

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

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

**B3-5 Other expenses \***

<b>\$ '000</b>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Impairment of receivables</b>			
Other		<b>300</b>	—
<b>Total impairment of receivables</b>	C1-4	<b>300</b>	—
<b>Fair value decrement on investment properties</b>			
Fair value decrement on investment properties		—	1,344
<b>Total fair value decrement on investment properties</b>	C1-7	<b>—</b>	<b>1,344</b>
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		—	39
<b>Total net share of interests in joint ventures and associates using the equity method</b>	D2-1	<b>—</b>	<b>39</b>
<b>Fair value decrement on investments</b>			
Fair value decrement on investments through profit and loss		<b>158</b>	—
<b>Total Fair value decrement on investments</b>	C1-2	<b>158</b>	—
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		<b>24</b>	32
– NSW fire brigade levy		<b>48</b>	52
– NSW rural fire service levy		<b>428</b>	587
– Upper Hunter Weeds Authority		<b>104</b>	102
– Waste levy		<b>1,450</b>	1,670
Contribution to UHEDC		<b>1,033</b>	—
Donations, contributions and assistance to other organisations (Section 356)		<b>122</b>	97
<b>Total other</b>		<b>3,209</b>	<b>2,540</b>
<b>Total other expenses</b>		<b>3,667</b>	<b>3,923</b>

**Accounting policy**

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

## B4 Gains or losses

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

\$ '000	Notes	2022	2021
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		–	241
Less: carrying amount of property assets sold/written off		(2,186)	(170)
<b>Gain (or loss) on disposal</b>		<b>(2,186)</b>	<b>71</b>
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-6		
Proceeds from disposal – plant and equipment		107	79
Less: carrying amount of plant and equipment assets sold/written off		(101)	(35)
<b>Gain (or loss) on disposal</b>		<b>6</b>	<b>44</b>
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-6		
Proceeds from disposal – infrastructure		500	–
Less: carrying amount of infrastructure assets sold/written off		(2,372)	(3,265)
<b>Gain (or loss) on disposal</b>		<b>(1,872)</b>	<b>(3,265)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-5		
Proceeds from disposal – real estate assets		785	194
Less: carrying amount of real estate assets sold/written off		(348)	(117)
<b>Gain (or loss) on disposal</b>		<b>437</b>	<b>77</b>
<b>Other Assets</b>			
Proceeds from disposal – Other Assets		–	1
Less: carrying amount of Other Assets sold/written off		–	(17)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(16)</b>
<b>Gain (or Loss) on disposal of Office Equipment/Furniture and Fittings</b>			
Less: carrying amount of Office Equipment/Furniture and Fittings assets sold/written off		(327)	(5)
<b>Gain (or loss) on disposal</b>		<b>(327)</b>	<b>(5)</b>
<b>Gain (or loss) on disposal of Land</b>			
Less: carrying amount of Land assets sold/written off		(661)	–
<b>Gain (or loss) on disposal</b>		<b>(661)</b>	<b>–</b>
<b>Gain (or Loss) on disposal of Inventory</b>			
Less: carrying amount of Inventory assets sold/written off		–	(37)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(37)</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>(4,603)</b>	<b>(3,131)</b>

#### Accounting policy

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.



## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Revenues					
Rates and annual charges	29,399	28,688	(711)	(2)%	U
User charges and fees	13,569	10,875	(2,694)	(20)%	U
Waste Management Fees 1.2M U					
Water Usage Charges 1.2M U					
Other revenues	1,053	882	(171)	(16)%	U
Education Division					
Operating grants and contributions	5,805	10,644	4,839	83%	F
Only confirmed grants are included in the budget.					
Capital grants and contributions	17,825	16,524	(1,301)	(7)%	U
Interest and investment revenue	711	769	58	8%	F
Other income	6,604	15,068	8,464	128%	F
Gain on revaluation of buildings.					

**B5-1 Material budget variations (continued)**

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
<b>Expenses</b>					
Employee benefits and on-costs	14,761	14,658	103	1%	F
Materials and services	18,524	19,098	(574)	(3)%	U
Borrowing costs	2,137	1,917	220	10%	F
Sewer 44k F					
Waste Management 40k F					
Water 26k F					
Commercial 15k F					
Depreciation, amortisation and impairment of non-financial assets	14,528	14,245	283	2%	F
Other expenses	3,904	3,667	237	6%	F
Net losses from disposal of assets	—	4,603	(4,603)	∞	U
<b>Statement of cash flows</b>					
Cash flows from operating activities	40,102	33,078	(7,024)	(18)%	U
Cash flows from investing activities	(42,602)	(28,685)	13,917	(33)%	F
Cash flows from financing activities	(5,447)	(4,654)	793	(15)%	F

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2022	2021
<b>Cash assets</b>		
Cash on hand and at bank	160	120
Cash equivalent assets		
– Deposits at call	8,663	8,964
<b>Total cash and cash equivalents</b>	<b>8,823</b>	<b>9,084</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	8,823	9,084
<b>Balance as per the Statement of Cash Flows</b>	<b>8,823</b>	<b>9,084</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	18,000	8,000	17,300	3,000
NCD's, FRN's (with maturities > 3 months)	9,500	18,765	3,250	31,733
<b>Total</b>	<b>27,500</b>	<b>26,765</b>	<b>20,550</b>	<b>34,733</b>
<b>Total financial investments</b>	<b>27,500</b>	<b>26,765</b>	<b>20,550</b>	<b>34,733</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>36,323</b>	<b>26,765</b>	<b>29,634</b>	<b>34,733</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## C1-2 Financial investments (continued)

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### **Amortised cost**

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

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

Rates and annual charges outstanding are secured against the property.

### **Financial assets through profit or loss**

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>63,088</b>	<b>64,367</b>
Less: Externally restricted cash, cash equivalents and investments	<b>(29,445)</b>	<b>(34,982)</b>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>33,643</b>	<b>29,385</b>
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	<b>1,684</b>	<b>2,513</b>
Specific purpose unexpended grants – general fund	<b>300</b>	<b>4,037</b>
<b>External restrictions – included in liabilities</b>	<b>1,984</b>	<b>6,550</b>
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	<b>4,979</b>	<b>6,479</b>
Developer contributions – water fund	<b>7,671</b>	<b>7,498</b>
Developer contributions – sewer fund	<b>3,520</b>	<b>3,373</b>
Specific purpose unexpended grants (recognised as revenue) – general fund	<b>3,798</b>	<b>933</b>
Water fund	<b>5,092</b>	<b>6,106</b>
Sewer fund	<b>1,475</b>	<b>1,174</b>
Domestic waste management	<b>881</b>	<b>790</b>
Road Network Efficiency	<b>–</b>	<b>2,034</b>
Bengalla Coal Community Fund	<b>45</b>	<b>45</b>
<b>External restrictions – other</b>	<b>27,461</b>	<b>28,432</b>
<b>Total external restrictions</b>	<b>29,445</b>	<b>34,982</b>

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

\$ '000	2022	2021
(b) Internal allocations		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>33,643</b>	<b>29,385</b>
Less: Internally restricted cash, cash equivalents and investments	<b>(33,618)</b>	<b>(26,364)</b>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>25</b>	<b>3,021</b>

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

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
<b>Internal allocations</b>		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	2,404	2,576
Infrastructure (Road Assets) replacement	2,497	108
Employees leave entitlement	1,131	1,313
Deposits, retentions and bonds	4,450	4,341
Carpark replacement	—	113
Road Works Contingency	—	494
Building replacement	—	7
Administrative	—	3
Builders Rubble	—	80
Environmental	—	613
Risk Management	78	148
Infrastructure works	—	125
Legal Matters	1,050	151
Road closure	—	206
Stormwater management	1,030	881
Carry over works 20/21 Operating	—	247
Waste Levy Aggregate (R&D)	—	61
Carry over works 20/21 Capital	—	1,045
Financial Assistance Grant	3,115	1,889
Road Pavment Consumption Charge	—	90
Culture	—	10
Waste management centre	6,525	7,180
Drainage	143	143
Future Fund	1,118	1,559
Election	—	123
Natural Disasters	1,000	—
Other	286	—
Mine Affected Roads	1,371	908
Carryover Works	2,917	—
Carryover Works 18/19 Capital	—	161
Sustainability Reserve	—	56
SRV Reserve	1,578	92
Road Reserve	912	912
Economic Development	1,910	—
Insurances	33	—
Contingency Reserve	—	268
Carryover Works 19/20 Operating	—	13
Carryover Works 19/20 Capital	—	378
Mine Affected Roads Study	70	70
<b>Total internal allocations</b>	<b>33,618</b>	<b>26,364</b>

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

## C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	2,458	—	2,223	880
User charges and fees	704	—	560	—
Accrued revenues				
– Interest on investments	143	—	92	—
Amounts due from other councils	36	—	221	—
VPA's	—	—	83	—
Government grants and subsidies	1,437	—	382	—
Net GST receivable	678	—	564	—
RMS Routine Services	—	—	139	—
RMS IPWO's	315	—	175	—
Waste depot charges	358	—	669	—
Commercial Properties – Rental.	839	—	540	—
TfNSW	—	—	204	—
Restart NSW	—	—	1,351	—
Other debtors	43	—	210	—
<b>Total</b>	<b>7,011</b>	<b>—</b>	<b>7,413</b>	<b>880</b>
<b>Less: provision for impairment</b>				
User charges and fees	(52)	—	(52)	—
Other debtors	(311)	—	(11)	—
<b>Total provision for impairment – receivables</b>	<b>(363)</b>	<b>—</b>	<b>(63)</b>	<b>—</b>
<b>Total net receivables</b>	<b>6,648</b>	<b>—</b>	<b>7,350</b>	<b>880</b>

\$ '000	2022	2021
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	63	63
+ new provisions recognised during the year	300	—
<b>Balance at the end of the year</b>	<b>363</b>	<b>63</b>

## C1-4 Receivables (continued)

### Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

### Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.



## C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	1,269	–	1,393	–
Stores and materials	406	–	268	–
<b>Total inventories at cost</b>	<b>1,675</b>	<b>–</b>	<b>1,661</b>	<b>–</b>
<b>Total inventories</b>	<b>1,675</b>	<b>–</b>	<b>1,661</b>	<b>–</b>

### (i) Other disclosures

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>(a) Details for real estate development</b>					
Residential		1,269	–	1,393	–
<b>Total real estate for resale</b>		<b>1,269</b>	<b>–</b>	<b>1,393</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		1,269	–	1,393	–
<b>Total costs</b>		<b>1,269</b>	<b>–</b>	<b>1,393</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>1,269</b>	<b>–</b>	<b>1,393</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		1,393	–	1,506	–
– Purchases and other costs		224	–	4	–
– WDV of sales (expense)	B4-1	(348)	–	(117)	–
<b>Total real estate for resale</b>		<b>1,269</b>	<b>–</b>	<b>1,393</b>	<b>–</b>

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

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

\$ '000	2022	2021
Real estate for resale	839	913
	<b>839</b>	<b>913</b>

### Accounting policy

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

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

#### Land held for resale

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

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

## C1-6 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 <sup>1</sup>	Revaluations increments/(decrements) to equity (ARR)	Tfms from/to 'held for sale' category	Depreciation expense	WIP transfers	Carrying value of disposals	Revaluation increments/(decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	10,993	–	10,993	4,379	13,410	–	–	(1,560)	–	–	27,222	–	27,222
Plant and equipment	17,553	(12,245)	5,308	235	2,164	(101)	(1,173)	–	–	–	19,073	(12,636)	6,437
Office equipment	3,731	(2,966)	765	–	38	–	(214)	–	–	–	3,749	(3,160)	589
Furniture and fittings	1,958	(1,197)	761	–	141	(327)	(123)	–	–	–	1,240	(788)	452
<b>Land:</b>													
– Operational land	9,339	–	9,339	–	218	(661)	–	–	–	–	10,241	–	10,241
– Community land	11,606	–	11,606	114	91	–	–	–	–	–	13,541	–	13,541
Land improvements – depreciable	4,331	(1,115)	3,216	38	–	–	(97)	–	–	–	4,606	(1,211)	3,395
<b>Infrastructure:</b>													
– Buildings – non-specialised	97	–	97	–	–	–	–	–	–	–	97	–	97
– Buildings – specialised	77,781	(32,109)	45,672	29	848	(2,186)	(1,998)	–	–	–	84,681	(31,167)	53,514
– Other structures	17,660	(4,081)	13,579	298	407	–	(488)	93	–	–	19,441	(4,615)	14,826
– Roads	387,678	(81,911)	305,767	347	4,800	(2,074)	(4,478)	1,467	–	–	438,701	(86,896)	351,805
– Bridges	65,888	(9,334)	56,554	166	–	–	(460)	–	–	–	72,289	(8,891)	63,398
– Footpaths	20,573	(8,599)	11,974	210	508	(15)	(405)	–	–	–	23,214	(8,237)	14,977
– Stormwater drainage	75,153	(25,578)	49,575	931	1,907	(283)	(803)	–	–	–	87,541	(26,190)	61,351
– Water supply network	111,526	(53,004)	58,522	1,238	466	–	(1,830)	–	–	–	99,541	(45,522)	54,019
– Sewerage network	122,939	(40,027)	82,912	831	501	–	(2,100)	–	–	–	125,021	(32,641)	92,380
<b>Other assets:</b>													
– Heritage collections	4,835	–	4,835	–	74	–	–	–	–	–	5,457	–	5,457
– Other	1,434	(1,339)	95	70	–	–	(53)	–	–	–	1,503	(1,391)	112
<b>Reinstatement, rehabilitation and restoration assets (refer Note 15):</b>													
– Tip assets	5,110	(2,051)	3,059	–	–	–	(23)	–	–	–	5,334	(2,028)	3,306
<b>Total infrastructure, property, plant and equipment</b>	<b>950,185</b>	<b>(275,556)</b>	<b>674,629</b>	<b>8,886</b>	<b>25,573</b>	<b>(5,647)</b>	<b>(14,245)</b>	<b>–</b>	<b>52</b>	<b>87,868</b>	<b>1,042,492</b>	<b>(265,373)</b>	<b>777,119</b>

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

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

By aggregated asset class	At 1 July 2020				Asset movements during the reporting period							At 30 June 2021			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount		Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation increments/(decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	7,013	–	7,013		1,632	7,872	–	–	(5,524)	–	–	–	10,993	–	10,993
Plant and equipment	17,260	(11,441)	5,819		143	462	(35)	(1,076)	–	–	–	–	17,553	(12,245)	5,308
Office equipment	3,643	(2,764)	879		72	19	–	(205)	–	–	–	–	3,731	(2,966)	765
Furniture and fittings	1,738	(1,117)	621		26	38	(5)	(131)	212	–	–	–	1,958	(1,197)	761
Land:															
– Operational land	9,277	–	9,277		–	62	–	–	–	–	–	–	9,339	–	9,339
– Community land	9,994	–	9,994		–	–	–	–	–	1,682	–	(70)	11,606	–	11,606
Land improvements – depreciable	6,519	(1,258)	5,261		117	–	–	(132)	–	(1,682)	–	(348)	4,331	(1,115)	3,216
Infrastructure:															
– Buildings – non-specialised	440	(343)	97		–	–	–	–	–	–	–	–	97	–	97
– Buildings – specialised	76,419	(31,071)	45,348		70	2,012	(170)	(1,946)	–	–	358	–	77,781	(32,109)	45,672
– Other structures	12,892	(3,218)	9,674		1,724	742	–	(470)	876	–	–	1,031	17,660	(4,081)	13,579
– Roads	378,637	(78,461)	300,176		2,915	7,727	(2,293)	(4,254)	1,495	–	–	–	387,678	(81,911)	305,767
– Bridges	65,597	(9,648)	55,949		–	1,510	(584)	(443)	121	–	–	–	65,888	(9,334)	56,554
– Footpaths	17,226	(8,237)	8,989		144	1,572	–	(362)	1,631	–	–	–	20,573	(8,599)	11,974
– Stormwater drainage	73,281	(24,963)	48,318		313	1,838	(388)	(767)	261	–	–	–	75,153	(25,578)	49,575
– Water supply network	107,970	(50,721)	57,249		1,547	65	–	(1,800)	928	–	–	533	111,526	(53,004)	58,522
– Sewerage network	120,657	(37,583)	83,074		748	413	–	(2,079)	–	–	–	756	122,939	(40,027)	82,912
Other assets:															
– Heritage collections	4,764	–	4,764		71	–	–	–	–	–	–	–	4,835	–	4,835
– Other	1,451	(1,359)	92		65	–	(16)	(46)	–	–	–	–	1,434	(1,339)	95
Reinstatement, rehabilitation and restoration assets (refer Note 15):															
– Tip assets	5,110	(2,028)	3,082		–	–	–	(23)	–	–	–	–	5,110	(2,051)	3,059
Total infrastructure, property, plant and equipment	919,888	(264,212)	655,676		9,587	24,332	(3,491)	(13,734)	–	–	358	1,902	950,185	(275,556)	674,629

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

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

### Accounting policy

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

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
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		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
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.

### Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 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.

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

### Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to C3-2.

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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

## C1-7 Investment properties

\$ '000	2022	2021
<b>Owned investment property</b>		
Investment property on hand at fair value	71,720	61,984
<b>Total owned investment property</b>	<b>71,720</b>	<b>61,984</b>

### Owned investment property

#### Reconciliation of annual movement:

Opening balance at 1 July	61,984	55,323
Acquisitions	–	7,794
Capitalised subsequent expenditure	–	569
Net gain/(loss) from fair value adjustments	8,963	(1,344)
– Transfers from/(to) owner occupied (C1-6)	–	(358)
Other movements	773	–
<b>Closing balance at 30 June</b>	<b>71,720</b>	<b>61,984</b>

### Accounting policy

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

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

## C2 Leasing activities

### C2-1 Council as a lessee

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### C2-2 Council as a lessor

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#### Operating leases

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

\$ '000	2022	2021
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#### (i) Assets held as investment property

Council holds a range of commercial and educational properties for generating income.

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)	<b>6,105</b>	6,076
<b>Total income relating to operating leases for investment property assets</b>	<b>6,105</b>	6,076

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	1,069	–	1,804	–
Goods and services – capital expenditure	2,871	–	2,077	–
Security bonds, deposits and retentions	4,442	–	4,341	–
Prepaid rates	521	–	453	–
Other	11	–	10	–
Pepaid Water Charges	213	–	196	–
Prepaid Debtors	118	–	85	–
<b>Total payables</b>	<b>9,245</b>	<b>–</b>	<b>8,966</b>	<b>–</b>

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

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

#### Accounting policy

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

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

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,748	—	4,503	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	628	—	467	—
<b>Total grants received in advance</b>		<b>4,376</b>	<b>—</b>	<b>4,970</b>	<b>—</b>
<b>Total contract liabilities</b>		<b>4,376</b>	<b>—</b>	<b>4,970</b>	<b>—</b>

### Notes

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

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

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

\$ '000	2022	2021
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	4,104	579
Operating grants (received prior to performance obligation being satisfied)	268	211
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>4,372</b>	<b>790</b>

### Significant changes in contract liabilities

The increase in a contract liability is primarily due to grants in the scope of AASB 15 and 1058(16), where funds have been received prior to performance obligations being satisfied or related asset construction/acquisition occurring.

### Accounting policy

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.



### C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured <sup>1</sup>	6,055	57,313	7,149	60,873
<b>Total borrowings</b>	<b>6,055</b>	<b>57,313</b>	<b>7,149</b>	<b>60,873</b>

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

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

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

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	68,022	(7,201)	2,500	47	–	–	63,368
<b>Total liabilities from financing activities</b>	<b>68,022</b>	<b>(7,201)</b>	<b>2,500</b>	<b>47</b>	<b>–</b>	<b>–</b>	<b>63,368</b>

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	65,122	(6,720)	9,585	35	–	–	68,022
<b>Total liabilities from financing activities</b>	<b>65,122</b>	<b>(6,720)</b>	<b>9,585</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>68,022</b>

#### (b) Financing arrangements

\$ '000	2022	2021
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	750	750
Credit cards/purchase cards	62	63
<b>Total financing arrangements</b>	<b>812</b>	<b>813</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	750	750
– Credit cards/purchase cards	62	63
<b>Total undrawn financing arrangements</b>	<b>812</b>	<b>813</b>

#### Additional financing arrangements information

##### Breaches and defaults

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

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

### C3-3 Borrowings (continued)

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#### **Accounting policy**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### C3-4 Employee benefit provisions

<b>\$ '000</b>	<b>2022 Current</b>	<b>2022 Non-current</b>	<b>2021 Current</b>	<b>2021 Non-current</b>
Annual leave	1,281	–	1,247	–
Long service leave	1,620	332	2,037	–
Other leave	64	–	54	–
<b>Total employee benefit provisions</b>	<b>2,965</b>	<b>332</b>	<b>3,338</b>	<b>–</b>

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

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,270	2,082
	<b>2,270</b>	<b>2,082</b>

## C3-4 Employee benefit provisions (continued)

### Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
<b>2022</b>				
At beginning of year	1,247	2,037	54	3,338
Additional provisions	962	171	—	1,133
Amounts used (payments)	(928)	(256)	—	(1,184)
Other	—	—	10	10
Total ELE provisions at end of year	1,281	1,952	64	3,297
<b>2021</b>				
At beginning of year	1,633	2,347	101	4,081
Additional provisions	793	186	—	979
Amounts used (payments)	(1,179)	(496)	—	(1,675)
Other	—	—	(47)	(47)
Total ELE provisions at end of year	1,247	2,037	54	3,338

### Accounting policy

#### 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.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

## C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
<b>Other provisions</b>				
Legal Provisions	1,000	–	–	–
<b>Sub-total – other provisions</b>	<b>1,000</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	9,360	–	9,195
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>9,360</b>	<b>–</b>	<b>9,195</b>
<b>Total provisions</b>	<b>1,000</b>	<b>9,360</b>	<b>–</b>	<b>9,195</b>

## Description of and movements in provisions

\$ '000	Other provisions		
	Asset remediation	Legal	Total
<b>2022</b>			
At beginning of year	9,195	–	9,195
Additional provisions	165	1,000	1,165
Total other provisions at end of year	<b>9,360</b>	<b>1,000</b>	<b>10,360</b>
<b>2021</b>			
At beginning of year	9,063	–	9,063
Other	132	–	132
Total other provisions at end of year	<b>9,195</b>	<b>–</b>	<b>9,195</b>

## Nature and purpose of provisions

### Asset remediation

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

### Accounting policy

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

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

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

## Asset remediation – tips and quarries

### Restoration

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 costs are estimated on the basis of a closure plan. 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.

### Rehabilitation

### C3-5 Provisions (continued)

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Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, 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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

#### **Self-insurance**

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

#### **Legal**

Legal provisions represent an estimate of potential expenses related to previous litigation.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **IPPE Revaluation reserve**

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

#### **Fair value through other comprehensive income reserve (FVOCI)**

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

## D Council structure

### D1 Results by fund

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

#### D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
<b>Income from continuing operations</b>			
Rates and annual charges	22,558	1,769	4,361
User charges and fees	7,163	3,014	698
Interest and investment revenue	496	204	69
Other revenues	214	275	393
Grants and contributions provided for operating purposes	10,453	151	40
Grants and contributions provided for capital purposes	15,736	307	481
Net gains from disposal of assets	(44)	16	28
Other income	15,068	–	–
<b>Total income from continuing operations</b>	<b>71,644</b>	<b>5,736</b>	<b>6,070</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	12,742	1,279	637
Materials and services	15,195	2,211	1,692
Borrowing costs	1,160	60	697
Depreciation, amortisation and impairment of non-financial assets	10,194	1,893	2,158
Other expenses	2,321	964	382
Net losses from the disposal of assets	4,603	–	–
<b>Total expenses from continuing operations</b>	<b>46,215</b>	<b>6,407</b>	<b>5,566</b>
<b>Operating result from continuing operations</b>	<b>25,429</b>	<b>(671)</b>	<b>504</b>
<b>Net operating result for the year</b>	<b>25,429</b>	<b>(671)</b>	<b>504</b>
<b>Net operating result attributable to each council fund</b>	<b>25,429</b>	<b>(671)</b>	<b>504</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>9,693</b>	<b>(978)</b>	<b>23</b>



## D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8,823	–	–
Investments	17,276	7,348	2,876
Receivables	3,600	1,932	1,116
Inventories	1,675	–	–
Other	314	–	–
<b>Total current assets</b>	<b>31,688</b>	<b>9,280</b>	<b>3,992</b>
<b>Non-current assets</b>			
Investments	19,230	5,416	2,119
Receivables	(1,079)	1,079	–
Infrastructure, property, plant and equipment	627,791	55,252	94,076
Investment property	71,720	–	–
<b>Total non-current assets</b>	<b>717,662</b>	<b>61,747</b>	<b>96,195</b>
<b>Total assets</b>	<b>749,350</b>	<b>71,027</b>	<b>100,187</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	9,004	181	60
Contract liabilities	4,376	–	–
Borrowings	4,937	375	743
Employee benefit provision	2,636	249	80
Provisions	1,000	–	–
<b>Total current liabilities</b>	<b>21,953</b>	<b>805</b>	<b>883</b>
<b>Non-current liabilities</b>			
Borrowings	42,869	278	14,166
Employee benefit provision	332	–	–
Provisions	9,360	–	–
<b>Total non-current liabilities</b>	<b>52,561</b>	<b>278</b>	<b>14,166</b>
<b>Total liabilities</b>	<b>74,514</b>	<b>1,083</b>	<b>15,049</b>
<b>Net assets</b>	<b>674,836</b>	<b>69,944</b>	<b>85,138</b>
<b>EQUITY</b>			
Accumulated surplus	321,223	39,512	54,994
Revaluation reserves	353,613	30,432	30,144
<b>Council equity interest</b>	<b>674,836</b>	<b>69,944</b>	<b>85,138</b>
<b>Total equity</b>	<b>674,836</b>	<b>69,944</b>	<b>85,138</b>

## D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	General Fund
Lender (by purpose)	Water Fund
Date of Minister's approval	17/06/2010
Date raised	30/06/2010
Term years	25 Years
Dates of maturity	30/06/2035
Rate of interest (%)	6%
Amount originally raised (\$'000)	1,750

## D2 Interests in other entities

\$ '000	Council's share of net assets	
	2022	2021
<b>Council's share of net assets</b>		
<b>Net share of interests in joint ventures and associates using the equity method – assets</b>		
Joint ventures	–	158
<b>Total net share of interests in joint ventures and associates using the equity method – assets</b>	<b>–</b>	<b>158</b>
Total Council's share of net assets	–	158

### D2-1 Interests in joint arrangements

#### Net carrying amounts – Council's share

\$ '000	Place of business	Nature of relationship	Interest in ownership			
			2022	2021	2022	2021
Arrow Collaborative Services Limited	Thornton	Joint Venture	0.0%	4.0%	–	158
<b>Total carrying amounts – material joint ventures</b>					<b>–</b>	<b>158</b>

#### Arrow Collaborative Services Limited

##### Details

Principal activity		Measurement method
Arrow Collaborative Services Limited	Local Government Services	Equity method

#### Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2022	2021	2022	2021
Arrow Collaborative Services Limited	0.0%	4.0%	0.0%	8.0%

## D2-1 Interests in joint arrangements (continued)

### Summarised financial information for joint ventures

\$ '000	Arrow Collaborative Services Limited	
	2022	2021
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	4,340
Other current assets	–	1,758
<b>Non-current assets</b>		
	–	727
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	–	1,613
Other current liabilities	–	1,507
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	–	26
<b>Net assets</b>	<b>–</b>	<b>3,679</b>
<b>Statement of comprehensive income</b>		
Income	–	6,375
Depreciation and amortisation	–	(137)
Other expenses	–	(7,167)
<b>Profit/(loss) from continuing operations</b>	<b>–</b>	<b>(929)</b>
<b>Profit/(loss) for the period</b>	<b>–</b>	<b>(929)</b>
<b>Total comprehensive income</b>	<b>–</b>	<b>(929)</b>
<b>Share of income – Council (%)</b>	<b>0.0%</b>	<b>4.2%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>–</b>	<b>(39)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>–</b>	<b>(39)</b>
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	–	(8)
Cash flows from investing activities	–	(406)
Cash flows from financing activities	–	(346)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>–</b>	<b>(760)</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	–	5,024
Profit/(loss) for the period	–	(929)
<b>Closing net assets</b>	<b>–</b>	<b>4,095</b>
<b>Council's share of net assets (%)</b>	<b>0.0%</b>	<b>4.3%</b>
<b>Council's share of net assets (\$)</b>	<b>–</b>	<b>158</b>

### Summarised financial information for individually immaterial joint ventures

Council is a member of the Upper Hunter Weeds Authority Council, a body corporate established under the Local Government Act 1993 (NSW) to the control of Noxious Weeds. Council is one of three constituent members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Council is of the opinion that it does not control the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

### Joint Ventures

In the 2020/21 Financial Statements Muswellbrook Shire Council's interest in Arrow Collaborative Services was accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*. As Muswellbrook Shire Council's voting rights are less than 8% and it has no significant influence over Arrow Collaborative Services, the investment has now been recognised at fair value through profit or loss in accordance with AASB 9 *Financial Instruments*. Considering

## D2-1 Interests in joint arrangements (continued)

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*the nature of the investment, the fact that distributions are not allowed and no cash flows are collected by the Council, the fair value has been assessed as zero.*

## E Risks and accounting uncertainties

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

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

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

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

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

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	8,823	9,084	8,823	9,084
Receivables	6,648	8,230	6,648	8,230
Investments				
– Debt securities at amortised cost	54,265	55,283	54,265	55,283
<b>Total financial assets</b>	<b>69,736</b>	<b>72,597</b>	<b>69,736</b>	<b>72,597</b>
<b>Financial liabilities</b>				
Payables	9,245	8,966	9,245	8,966
Loans/advances	63,368	68,022	63,368	68,022
<b>Total financial liabilities</b>	<b>72,613</b>	<b>76,988</b>	<b>72,613</b>	<b>76,988</b>

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
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	<b>543</b>	–
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

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

### (b) Credit risk

#### Credit risk profile

##### Receivables – rates and annual charges

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

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
<b>2022</b>				
Gross carrying amount	707	1,571	180	2,458
<b>2021</b>				
Gross carrying amount	–	2,995	108	3,103

##### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days	Overdue debts			Total
			31 - 60 days	61 - 90 days	> 91 days	
<b>2022</b>						
Gross carrying amount	947	2,652	190	198	566	4,553
ECL provision	–	–	4	13	283	300
Expected loss rate (%)	0.00%	0.00%	2.00%	6.50%	50.00%	6.58%
<b>2021</b>						
Gross carrying amount	1,315	1,139	567	698	1,471	5,190
ECL provision	–	–	–	–	66	66
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.50%	1.28%



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

### (c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – 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 maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. 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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2022</b>							
Payables	0.00%	4,442	–	–	–	4,442	9,245
Loans and advances – fixed	0.00%	–	–	–	–	–	63,368
<b>Total financial liabilities</b>		<b>4,442</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,442</b>	<b>72,613</b>
<b>2021</b>							
Payables	0.00%	4,341	–	–	–	4,341	8,966
Loans and advances – fixed	0.00%	–	–	–	–	–	68,022
<b>Total financial liabilities</b>		<b>4,341</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,341</b>	<b>76,988</b>

## E2-1 Fair value measurement

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

- Infrastructure, Property, Plant and Equipment.
- Investment Property.
- Financial Assets.

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.

AASB113 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).

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Financial assets									
Other financial assets		30/06/22	30/06/21	54,265	55,283	—	—	54,265	55,283
Total financial assets				54,265	55,283	—	—	54,265	55,283
Investment property									
Investment Properties	C1-7	30/06/22	30/06/21	71,720	61,984	—	—	71,720	61,984
Total investment property				71,720	61,984	—	—	71,720	61,984
Infrastructure, property, plant and equipment									
Plant and Equipment	C1-6	30/06/22	30/06/21	—	—	6,437	5,309	6,437	5,309
Office Equipment		30/06/22	30/06/21	—	—	589	765	589	765
Furniture and Fittings		30/06/22	30/06/21	—	—	452	761	452	761
Operational Land		30/06/22	30/06/18	—	—	10,241	9,339	10,241	9,339
Community Land		30/06/22	30/06/21	—	—	13,541	11,606	13,541	11,606
Depreciable Land Improvements		30/06/22	30/06/21	—	—	3,395	3,216	3,395	3,216
Buildings – Non-Specialised		30/06/18	30/06/18	—	—	97	97	97	97
Buildings – Specialised		30/06/22	30/06/18	—	—	53,514	45,672	53,514	45,672
Other Structures		30/06/22	30/06/21	—	—	14,826	13,579	14,826	13,579
Roads		30/06/22	30/06/20	—	—	351,805	305,767	351,805	305,767
Bridges		30/06/22	30/06/20	—	—	63,398	56,554	63,398	56,554
Footpaths		30/06/22	30/06/20	—	—	14,977	11,974	14,977	11,974
Stormwater Drainage		30/06/22	30/06/20	—	—	61,351	49,575	61,351	49,575
Water Supply Network		30/06/22	30/06/17	—	—	54,019	58,522	54,019	58,522
Sewerage Network		30/06/22	30/06/17	—	—	92,380	82,912	92,380	82,912
Heritage Collections		30/06/22	30/06/18	—	—	5,457	4,835	5,457	4,835
Other		30/06/21	30/06/21	—	—	112	95	112	95
Total infrastructure, property, plant and equipment				—	—	746,591	660,578	746,591	660,578

## E2-1 Fair value measurement (continued)

### Valuation techniques

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

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

#### Financial assets

Council's investments in the form of deposits and other notes held with financial institutions are valued at their face of par value. This value is adjusted where the security has been acquired at either a discount or a premium with that discount or premium being amortised over period between the acquisition and the maturity of the security.

This valuation occurs based on the principle that Council has designated the securities as being "Held to Maturity".

Accounts receivables are valued at their face value.

The key unobservable input is that Council has no motive to test the marketability of either its financial securities or its accounts receivable.

#### Investment property

The key unobservable input is the estimated lease returns in which the valuations are based.

The fair value is determined by an independent local real estate agent with the appropriate level of experience and a solid understanding of the market for local properties of this type. There has been no change to the valuation process during the reporting period.

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

#### Plant and Equipment, Office Equipment and Furniture and Fittings.

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost and this is disclosed as the fair value in the Notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs into the valuation are the remaining useful life and any residual value. Council reviews the value of these assets by taking into account the pattern of consumption, estimated remaining useful life and any residual value. There has been no change to the valuation process during the reporting period.

#### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Asset Val.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

#### Community Land

Valuations of all Council's Community Land and Council managed land were based on the Unimproved Capital Value as provided by the Valuer-General. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

#### Depreciable Land Improvements.

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the replacement cost approach by experienced Council Engineers and Asset Management Staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets

## E2-1 Fair value measurement (continued)

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were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Buildings - Non specialised and Specialised.**

Buildings were valued by Asset Val in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

### **Other Structures.**

This asset class comprises infrastructure such as dog leash free areas, ancillary waste facilities, fences, carpark and skateparks.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### **Roads, Bridges and Footpaths**

This asset class comprises infrastructure including the Road Carriageway, Footpaths, Guardrails, Kerb and Gutter, Retaining walls, Bridges and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other infrastructure within this class. APV performed the valuation as at 30 June 2020.

### **Drainage Infrastructure**

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with Office of Local Government Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. APV performed the valuation as at 30 June 2020.

### **Water Supply and Sewerage Network**

Assets within these classes include the mains, pump stations, access pits, reservoirs and treatment plants which enable the treatment and reticulation of potable water and the collection and treatment of waste water. Mains are valued in accordance with the NSW Reference Rates Manual issued by the NSW Office of Water, which is based on extensive data collected in relation to expected replacement cost of water and sewer mains. All other items are valued in accordance with their replacement cost. Valuations are undertaken externally. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

### **Heritage Assets**

Assets within this class comprise of Council's Art Collection. The collection is independently valued with the most recent valuation being completed in 2022.

## E2-1 Fair value measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Plant and Equipment	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Office Equipment	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Furniture and fittings	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Operational Land	Market Approach	Land Value, Land area.
Community Land	NSW Valuer General Land Valuation.	Land Value, Land area.
Depreciable land improvements	Cost Approach	Current Replacement Cost. Asset Condition. Remaining Useful Life.
Buildings non-specialised	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Building specialised	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Other structures	Cost Approach	Gross Replacement Cost. Remaining Useful Life. Asset Condition.
Roads	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Bridges	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Footpaths	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Stormwater drainage	Cost Approach	Asset Condition. Remaining Life.
Water supply network	Cost Approach	Asset Condition. Remaining Useful Life.
Sewerage network	Cost Approach	Asset Condition. Remaining Useful Life.
Other minor classes	Cost or External Valuation	Current Replacement Cost. Useful Life. Asset Condition.

## E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Operational Land	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>5,309</b>	5,819	<b>765</b>	879	<b>761</b>	621	<b>9,339</b>	9,277
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class	–	–	–	–	–	–	<b>52</b>	–
Purchases (GBV)	<b>2,402</b>	601	<b>38</b>	91	<b>141</b>	64	<b>218</b>	62
Disposals (WDV)	<b>(101)</b>	(35)	–	–	<b>(327)</b>	(5)	<b>(661)</b>	–
Depreciation and impairment	<b>(1,173)</b>	(1,076)	<b>(214)</b>	(205)	<b>(123)</b>	(131)	–	–
Revaluation Increments	–	–	–	–	–	–	<b>1,293</b>	–
Work in progress transfers	–	–	–	–	–	212	–	–
<b>Closing balance</b>	<b>6,437</b>	5,309	<b>589</b>	765	<b>452</b>	761	<b>10,241</b>	9,339

\$ '000	Community Land		Depreciable land improv- ements		Buildings non- specialised		Building specialised	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>11,606</b>	9,994	<b>3,216</b>	5,261	<b>97</b>	97	<b>45,672</b>	45,348
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class	–	1,682	–	(1,682)	–	–	–	359
Purchases (GBV)	<b>206</b>	–	<b>38</b>	117	–	–	<b>877</b>	2,081
Disposals (WDV)	–	–	–	–	–	–	<b>(2,186)</b>	(170)
Depreciation and impairment	–	–	<b>(97)</b>	(132)	–	–	<b>(1,998)</b>	(1,946)
Revaluation Increments	<b>1,729</b>	(70)	<b>238</b>	(348)	–	–	<b>11,149</b>	–
<b>Closing balance</b>	<b>13,541</b>	11,606	<b>3,395</b>	3,216	<b>97</b>	97	<b>53,514</b>	45,672

## E2-1 Fair value measurement (continued)

\$ '000	Other structures		Roads		Bridges		Footpaths	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>13,579</b>	9,674	<b>305,767</b>	300,177	<b>56,554</b>	55,949	<b>11,974</b>	8,988
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	705	2,468	5,147	10,642	166	1,511	718	1,717
Disposals (WDV)	—	—	(2,074)	(2,293)	—	(584)	(15)	—
Depreciation and impairment	(488)	(470)	(4,478)	(4,254)	(460)	(443)	(405)	(362)
Revaluation Increments	937	1,031	45,976	—	7,138	—	2,705	—
Work in progress transfers	93	876	1,467	1,495	—	121	—	1,631
<b>Closing balance</b>	<b>14,826</b>	13,579	<b>351,805</b>	305,767	<b>63,398</b>	56,554	<b>14,977</b>	11,974

\$ '000	Stormwater drainage		Water supply network		Sewerage network		Other minor classes	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>49,575</b>	48,318	<b>58,522</b>	57,249	<b>82,912</b>	83,074	<b>4,930</b>	4,856
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Purchases (GBV)	2,837	2,151	1,704	1,612	1,332	1,161	144	136
Disposals (WDV)	(283)	(388)	—	—	—	—	—	(16)
Depreciation and impairment	(803)	(767)	(1,830)	(1,800)	(2,100)	(2,079)	(53)	(46)
Revaluation Increments	10,025	—	(4,377)	533	10,236	756	548	—
Work in progress transfers	—	261	—	928	—	—	—	—
<b>Closing balance</b>	<b>61,351</b>	49,575	<b>54,019</b>	58,522	<b>92,380</b>	82,912	<b>5,569</b>	4,930

## E2-1 Fair value measurement (continued)

\$ '000	Total	
	2022	2021
<b>Opening balance</b>	<b>660,578</b>	<b>645,581</b>
Transfers from/(to) another asset class	52	359
Purchases (GBV)	16,673	24,414
Disposals (WDV)	(5,647)	(3,491)
Depreciation and impairment	(14,222)	(13,711)
Revaluation Increments	87,597	1,902
Work in progress transfers	1,560	5,524
<b>Closing balance</b>	<b>746,591</b>	<b>660,578</b>

### Highest and best use

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



## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

*Description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.*

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million per annum from 1 July 2019 to 31 December 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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.

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

The plan is defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to

## E3-1 Contingencies (continued)

account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

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 \$121,301.89. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$96,981.12.

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

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

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

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

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

\* 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 will be completed around 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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

*An indication of the level of participation of the entity in the plan compared with other participating entities.*

An employer's past service contribution per annum 0.19% as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2019 to 31 December 2021 and \$20m for each year from 1 January 2022 to 31 December 2024) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

### (iii) StateCover Limited

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

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

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

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

## E3-1 Contingencies (continued)

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### (iv) Other guarantees

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

## 2. Other liabilities

### (i) Third party claims

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

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

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

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

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

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

### (ii) Legal Contingencies

Council is engaged in ongoing litigation. At reporting date, the amount and timing of any associated potential outflows could not be reliably estimated.

## ASSETS NOT RECOGNISED

### (i) Land under roads

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

### (ii) Infringement notices/fines

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

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

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

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

## Related Assets and Liabilities Not Recognised

As a result of the Thomas Mitchell Drive Contribution Study and the planning and approval conditions related to that Council has an obligation to undertake road works on Thomas Mitchell Drive. These take the form of a completion of upgrading works, two reseals and rehabilitation. The reseals are planned for around 2023 and 2031 and the rehabilitation between 2035 and 2040.

The costs of these works is estimated at \$9.74M in 2013 dollars. As the works are undertaken, coal mines deemed to be the major contributors to the need for the works are required to make monetary contribution toward the works. In total, these mines are required to pay 39.1% of the actual cost of the works.

As the works are completed the effected coal mines will be invoiced for their contributions based upon the costs of the work and their assessed impact on Thomas Mitchell Drive.

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
<b>Compensation:</b>		
Short-term benefits	1,115	723
Post-employment benefits	127	87
Other long-term benefits	27	13
Termination benefits	–	50
<b>Total</b>	<b>1,269</b>	<b>873</b>

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

### Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Nature of the transaction \$ '000	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
<b>2022</b>					
Upper Hunter Weeds Authority – Contribution	104	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	16	–	Annually	–	–
Local Government Training Institute – Training Services	5	–	7 days	–	–
FYFE Survey	25	–	30 days	–	–
<b>2021</b>					
Upper Hunter Weeds Authority – Contribution	102	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	16	–	Annually	–	–
Local Government Training Institute – Training Services	21	–	7 days	–	–
FYFE Survey	38	–	30 days	–	–

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

<b>\$ '000</b>	<b>2022</b>	<b>2021</b>
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	<b>24</b>	27
Councillors' fees	<b>126</b>	122
Other Councillors' expenses (including Mayor)	<b>20</b>	13
<b>Total</b>	<b>170</b>	<b>162</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2022	2021
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

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

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

Audit and review of financial statements

	82	91
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#### Remuneration for audit and other assurance services

	82	91
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#### Total Auditor-General remuneration

#### Non NSW Auditor-General audit firms

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

– Other audit and assurance services: Internal Auditor

	2	20
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#### Remuneration for audit and other assurance services

	2	20
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#### Total remuneration of non NSW Auditor-General audit firms

	84	111
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#### Total audit fees

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
<b>Net operating result from Income Statement</b>	<b>25,262</b>	20,941
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	14,245	13,734
(Gain) / loss on disposal of assets	4,603	3,131
Non-cash capital grants and contributions	(3,622)	—
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	158	—
– Investment property	(8,963)	1,344
Share of net (profits)/losses of associates/joint ventures using the equity method	—	39
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	1,282	381
Increase / (decrease) in provision for impairment of receivables	300	—
(Increase) / decrease of inventories	(138)	(74)
(Increase) / decrease of other current assets	(64)	(30)
Increase / (decrease) in payables	(735)	(986)
Increase / (decrease) in other liabilities	220	1,819
Increase / (decrease) in contract liabilities	(594)	3,705
Increase / (decrease) in employee benefit provision	(41)	(743)
Increase / (decrease) in other provisions	1,165	132
<b>Net cash flows from operating activities</b>	<b>33,078</b>	<b>43,393</b>



## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2022	2021
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

#### Property, plant and equipment

Buildings	10,774	8,770
Plant and equipment	1,315	690
Road Infrastructure	8,363	10,281
Land	3,128	2,923
Sewerage Infrastructure	182	30
Land Improvements	7,186	318
Water Infrastructure	1,100	473
Other	391	199
Stormwater Drainage	1,012	—
Other Structures	1,439	964
<b>Total commitments</b>	<b>34,890</b>	<b>24,648</b>

#### These expenditures are payable as follows:

Within the next year	34,890	24,648
<b>Total payable</b>	<b>34,890</b>	<b>24,648</b>

#### Sources for funding of capital commitments:

Future grants and contributions	17,665	12,066
Unexpended grants	3,418	975
Externally restricted reserves	4,078	6,155
Internally restricted reserves	5,126	2,939
Unexpended loans	1,984	2,513
New loans (to be raised)	2,619	—
<b>Total sources of funding</b>	<b>34,890</b>	<b>24,648</b>

#### Details of capital commitments

Projects that have not been completed in the 2021/22 financial year but have capital commitments.

### G3-1 Events occurring after the reporting date

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

## G4 Statement of developer contributions as at 30 June 2022

### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	153	17	-	2	-	-	172	-
Roads	302	156	-	4	-	-	462	-
Parking	2	-	-	-	-	-	2	-
Open space	216	43	-	3	-	-	262	-
Community facilities	4	12	-	-	-	-	16	-
Tourism	38	-	-	-	-	-	38	-
Bushfire	111	19	-	1	-	-	131	-
Social Infrastructure	17	34	-	1	-	-	52	-
<b>S7.11 contributions – under a plan</b>	<b>843</b>	<b>281</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1,135</b>	<b>-</b>
<b>S7.12 levies – under a plan</b>	<b>81</b>	<b>91</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>174</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>924</b>	<b>372</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>1,309</b>	<b>-</b>
S7.11 not under plans	5,506	2,144	-	-	(4,280)	-	3,370	-
S64 contributions	10,870	219	-	101	-	-	11,190	-
<b>Total contributions</b>	<b>17,300</b>	<b>2,735</b>	<b>-</b>	<b>114</b>	<b>(4,280)</b>	<b>-</b>	<b>15,869</b>	<b>-</b>

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

## G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Non-cash	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash							
<b>CONTRIBUTION PLAN</b>									
Drainage	153	17		-	2	-	-	172	-
Roads	302	156		-	4	-	-	462	-
Parking	2	-		-	-	-	-	2	-
Open space	216	43		-	3	-	-	262	-
Community facilities	4	12		-	-	-	-	16	-
Tourism	38	-		-	-	-	-	38	-
Bushfire	111	19		-	1	-	-	131	-
Social Infrastructure	17	34		-	1	-	-	52	-
<b>Total</b>	<b>843</b>	<b>281</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1,135</b>	<b>-</b>

## S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN</b>									
S94A Levies	81	91		-	2	-	-	174	-
<b>Total</b>	<b>81</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>174</b>	<b>-</b>

### G4-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Non-cash	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash							
<b>VOLUNTARY PLANNING AGREEMENTS</b>									
Community facilities	4,644	1,490		-	-	(3,286)	-	2,848	-
Recreation	701	654		-	-	(994)	-	361	-
Education	161	-		-	-	-	-	161	-
Environment	-	-		-	-	-	-	-	-
<b>Total</b>	<b>5,506</b>	<b>2,144</b>		<b>-</b>	<b>-</b>	<b>(4,280)</b>	<b>-</b>	<b>3,370</b>	<b>-</b>

### G4-4 S64 contributions

<b>S64 contributions</b>									
Water	7,498	104		-	69	-	-	7,671	-
Sewer	3,373	115		-	32	-	-	3,520	-
<b>Total</b>	<b>10,871</b>	<b>219</b>		<b>-</b>	<b>101</b>	<b>-</b>	<b>-</b>	<b>11,191</b>	<b>-</b>

## G5 Statement of performance measures

### G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021	Indicators 2020	Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>4,836</b>	<b>8.34%</b>	9.96%	12.38%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>57,963</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>47,319</b>	<b>63.53%</b>	64.35%	74.30%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>74,487</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>38,393</b>	<b>1.98x</b>	2.17x	0.98x	> 1.50x
Current liabilities less specific purpose liabilities	<b>19,383</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>20,998</b>	<b>3.20x</b>	2.43x	2.56x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>6,571</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>2,458</b>	<b>7.70%</b>	10.05%	10.13%	< 10.00%
Rates and annual charges collectable	<b>31,922</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>34,823</b>	<b>9.65</b>	7.98	5.56	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>3,608</b>	<b>months</b>	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 <sup>3</sup> 2022	2021	Water Indicators 2022	2021	Sewer Indicators 2022	2021	Benchmark
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>12.34%</b>	13.80%	<b>(18.01)%</b>	(6.87)%	<b>0.41%</b>	(5.74)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>58.22%</b>	58.81%	<b>92.02%</b>	98.02%	<b>91.42%</b>	97.78%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>1.98x</b>	2.17x	<b>11.53x</b>	7.65x	<b>4.52x</b>	2.79x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>2.95x</b>	2.16x	<b>16.25x</b>	19.04x	<b>4.13x</b>	3.52x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>9.53%</b>	12.31%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>9.65</b>	7.98	<b>∞</b>	∞	<b>∞</b>	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months					months

(1) - (2) Refer to Notes at Note G5-1 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**





## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Muswellbrook Shire Council

To the Councillors of Muswellbrook Shire Council

### Opinion

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

In my opinion:

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

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

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



Furqan Yousuf  
Delegate of the Auditor-General for New South Wales

18 November 2022  
SYDNEY



Cr Steve Reynolds  
Mayor  
Muswellbrook Shire Council  
PO Box 122  
MUSWELLBROOK NSW 2333

Contact: Furqan Yousuf  
Phone no: 02 9275 7470  
Our ref: D2224533/1765

18 November 2022

Dear Mayor

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

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

I expressed an unmodified opinion on the Council's GPFS.

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

## **INCOME STATEMENT**

### **Operating result**

	<b>2022</b>	<b>2021</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	28.7	27.8	↑ 3.2
Grants and contributions revenue	27.2	26.7	↑ 1.9
Operating result from continuing operations	25.3	20.9	↑ 21.1
Net operating result before capital grants and contributions	8.7	1.0	↑ 770

Rates and annual charges revenue (\$28.7 million) increased by \$0.9 million (3.2 per cent) in 2021–22 due to:

- annual rate peg increase applied to ordinary rates (2.0 per cent)
- increase of \$0.3 million in sewerage services revenue.

Grants and contributions revenue (\$27.2 million) increased by \$0.5 million (1.9 per cent) in 2021–22. Significant movements were as follows:

- increase of \$1.5 million of financial assistance grant revenue
- increase of \$2.4 million of special purpose economic development grant revenue
- increase of \$2.1 million in other non-cash contributions revenue
- decrease of \$6.8 million in other roads and bridges grant funding received during the year.

The Council's operating result from continuing operations (\$25.3 million including depreciation and amortisation expense of \$14.2 million), was \$4.4 million higher than the 2020-21 result. This was mainly due to increased other revenue relating to fair value increment of investment properties by \$9.0 million. This was offset by an increase in materials and services costs by \$3.0 million and increase in net loss from disposal of assets by \$1.5 million.

The net operating result before capital grants and contributions (\$8.7 million) was \$7.7 million higher than the 2020-21 result.

## STATEMENT OF CASH FLOWS

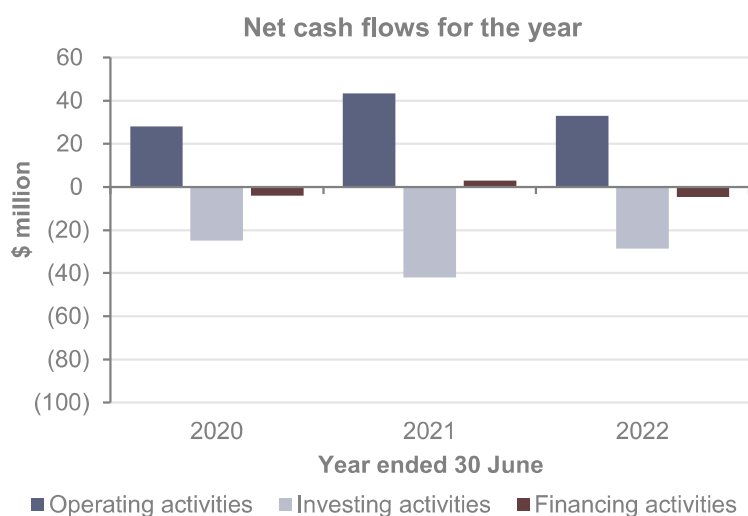
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The decrease in cash provided from operating activities is mainly due to increased payments for materials and services during the year.

The decrease in cash used in investing activities is mainly due to less acquisition of investment property and IPE assets compared to the prior year.

The decrease in cash used in financing activities is mainly due to no additional borrowings during the current the year.

The Council's cash and cash equivalent balances at 30 June 2022 was \$8.8 million (2021: \$9.1 million). The net cash flow for the year was a decrease of \$0.3 million.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>63.1</b>	<b>64.3</b>	<ul style="list-style-type: none"> <li>Cash and investments decrease by \$1.2 million.</li> <li>Externally restricted cash and investment are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have decreased by \$5.6 million primarily due to a decrease in restricted reserves relating to developer contributions - general, water fund and Road Network Efficiency programs.</li> </ul>
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	29.4	35.0	
• Internal allocations	33.6	29.4	<ul style="list-style-type: none"> <li>Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capital projects. The increase in internally restricted cash and investments is mainly due to increases in cash reserves relating to financial assistance grants, economic development, natural disaster and carry over works funding.</li> </ul>

### Debt

The Council has \$63.4 million of borrowings as at 30 June 2022 (2021: \$68.0 million).

The Council has an accumulated drawdown facility limit of \$0.8 million as at 30 June 2022 (2021: \$0.8 million), which remained unutilised at the end of the year.

# PERFORMANCE

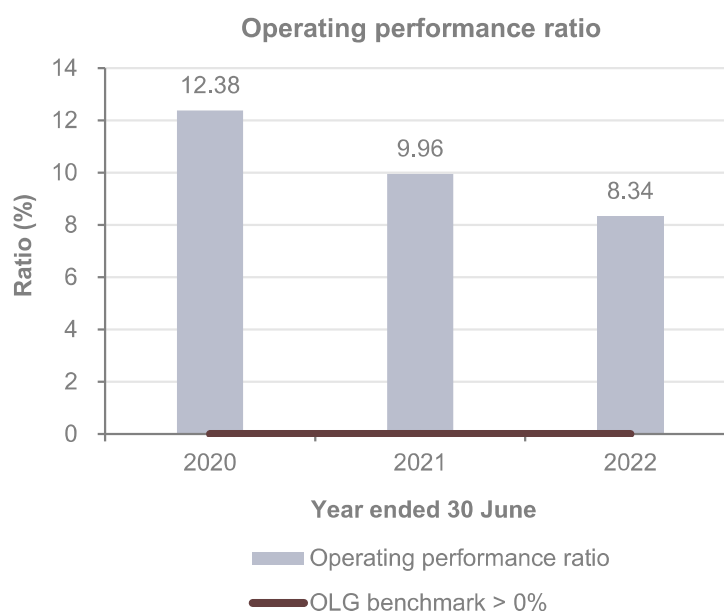
## Performance measures

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

### Operating performance ratio

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

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



### Own source operating revenue ratio

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

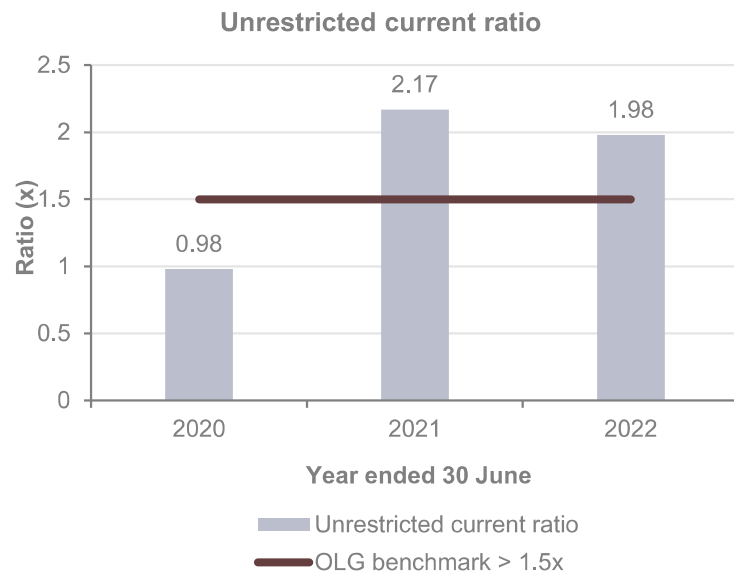
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

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

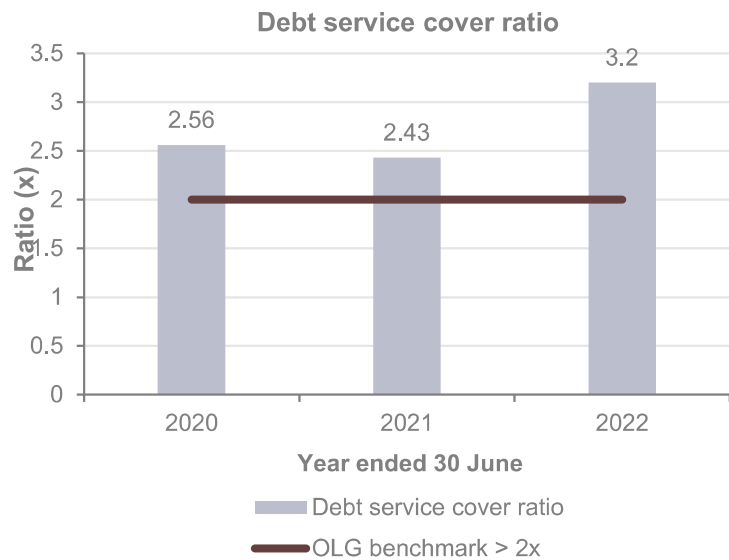
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

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

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

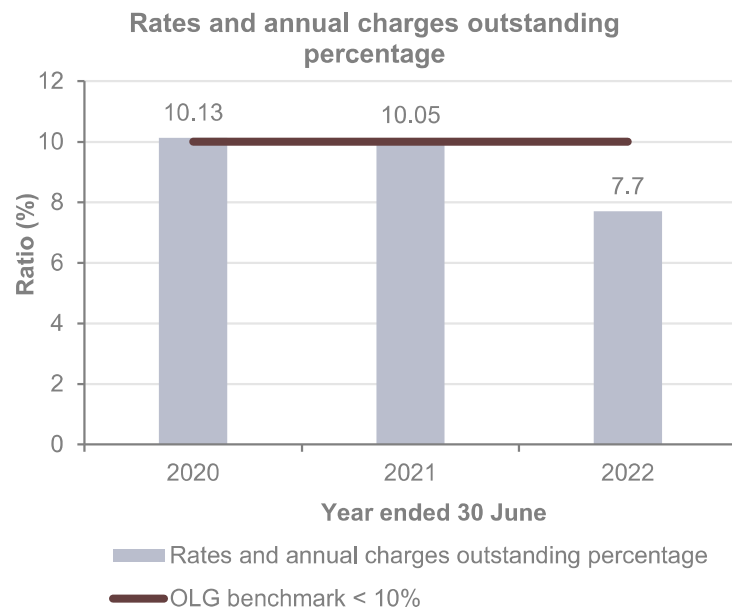




## Rates and annual charges outstanding percentage

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

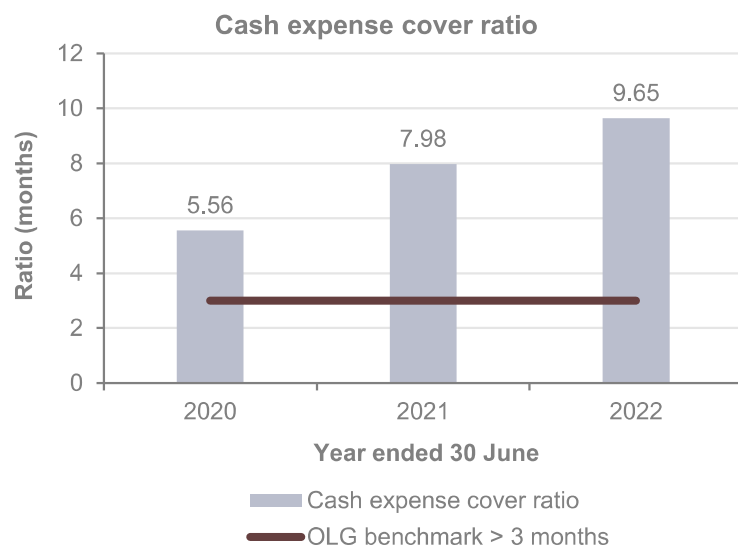
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

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

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



## Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$4.5 million in 2021-22 (\$8.0 million in 2020-21). Significant renewals included:

- water supply network renewals of \$1.2 million (\$1.5 million in 2020-21)
- stormwater drainage asset renewals of \$0.9 million (\$0.3 million in 2020-21)
- sewerage assets renewals of \$0.8 million (\$0.7 million in 2020-21).

## OTHER MATTERS

### Legislative compliance

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

The Council's:

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



Furqan Yousuf  
Delegate of the Auditor-General for New South Wales

cc: Mr Derek Finnigan, Acting General Manager  
Mr Mitchell Morley, Chair of the Audit, Risk and Improvement Committee

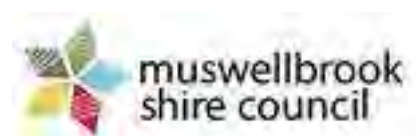
# Muswellbrook Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



# Muswellbrook Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2022

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### Background

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

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

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

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

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

## Muswellbrook Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 27/09/2022.



Steve Reynolds  
**Mayor**

Nov 17, 2022



Jennifer Lecky  
**Deputy Mayor**

Nov 17, 2022



Derek Finnigan (Nov 16, 2022 18:33 GMT+11)

Derek Finnigan  
**Acting General Manager**

Nov 16, 2022



David Walsh  
**Responsible Accounting Officer**

Nov 16, 2022

## Muswellbrook Shire Council

### Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
<b>Income from continuing operations</b>		
Access charges	1,769	1,649
User charges	3,014	3,078
Interest and investment income	204	289
Grants and contributions provided for operating purposes	151	38
Net gain from the disposal of assets	16	16
Other income	275	272
<b>Total income from continuing operations</b>	<b>5,429</b>	<b>5,342</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,279	779
Borrowing costs	60	81
Materials and services	2,211	2,770
Depreciation, amortisation and impairment	1,893	1,828
Other expenses	964	251
<b>Total expenses from continuing operations</b>	<b>6,407</b>	<b>5,709</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(978)</b>	<b>(367)</b>
Grants and contributions provided for capital purposes	307	69
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(671)</b>	<b>(298)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(671)</b>	<b>(298)</b>
<b>Surplus (deficit) after tax</b>	<b>(671)</b>	<b>(298)</b>
<b>Plus accumulated surplus</b>	<b>40,328</b>	<b>40,626</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Closing accumulated surplus</b>	<b>39,657</b>	<b>40,328</b>
<b>Return on capital %</b>	<b>(1.7)%</b>	<b>(0.5)%</b>
<b>Subsidy from Council</b>	<b>2,940</b>	<b>1,175</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(671)	(298)
Less: capital grants and contributions (excluding developer contributions)	(203)	(69)
<b>Surplus for dividend calculation purposes</b>	<b>—</b>	<b>—</b>
<b>Potential dividend calculated from surplus</b>	<b>—</b>	<b>—</b>

## Muswellbrook Shire Council

### Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
<b>Income from continuing operations</b>		
Access charges	4,361	4,021
User charges	630	602
Liquid trade waste charges	68	63
Interest and investment income	69	57
Grants and contributions provided for operating purposes	40	38
Net gain from the disposal of assets	28	17
Other income	393	356
<b>Total income from continuing operations</b>	<b>5,589</b>	<b>5,154</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	637	677
Borrowing costs	697	730
Materials and services	1,692	1,546
Depreciation, amortisation and impairment	2,158	2,139
Other expenses	382	358
<b>Total expenses from continuing operations</b>	<b>5,566</b>	<b>5,450</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>23</b>	<b>(296)</b>
Grants and contributions provided for capital purposes	481	78
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>504</b>	<b>(218)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>504</b>	<b>(218)</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(6)	—
<b>Surplus (deficit) after tax</b>	<b>498</b>	<b>(218)</b>
<b>Plus accumulated surplus</b>	<b>54,504</b>	<b>54,722</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	6	—
<b>Closing accumulated surplus</b>	<b>55,008</b>	<b>54,504</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>2,723</b>	<b>825</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	498	(218)
Less: capital grants and contributions (excluding developer contributions)	(365)	(78)
<b>Surplus for dividend calculation purposes</b>	<b>133</b>	<b>—</b>
<b>Potential dividend calculated from surplus</b>	<b>67</b>	<b>—</b>

## Muswellbrook Shire Council

## Income Statement of Commercial Buildings

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>Income from continuing operations</b>		
User charges	6,643	6,692
<b>Total income from continuing operations</b>	<b>6,643</b>	<b>6,692</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	222	201
Borrowing costs	840	963
Materials and services	1,291	1,565
Depreciation, amortisation and impairment	614	614
Other expenses	696	812
<b>Total expenses from continuing operations</b>	<b>3,663</b>	<b>4,155</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,980</b>	<b>2,537</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,980</b>	<b>2,537</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,980</b>	<b>2,537</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(745)	(660)
<b>Surplus (deficit) after tax</b>	<b>2,235</b>	<b>1,877</b>
<b>Plus accumulated surplus</b>	<b>37,694</b>	<b>32,492</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	745	660
<b>Add:</b>		
– Subsidy paid/contribution to operations	9,483	2,665
<b>Closing accumulated surplus</b>	<b>50,157</b>	<b>37,694</b>
<b>Return on capital %</b>	<b>21.4%</b>	<b>19.4%</b>



## Muswellbrook Shire Council

### Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	7,348	5,034
Receivables	1,932	1,970
<b>Total current assets</b>	<b>9,280</b>	<b>7,004</b>
<b>Non-current assets</b>		
Investments	5,416	8,570
Receivables	1,079	1,235
Infrastructure, property, plant and equipment	55,252	59,669
<b>Total non-current assets</b>	<b>61,747</b>	<b>69,474</b>
<b>Total assets</b>	<b>71,027</b>	<b>76,478</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	181	321
Borrowings	375	351
Employee benefit provisions	249	244
<b>Total current liabilities</b>	<b>805</b>	<b>916</b>
<b>Non-current liabilities</b>		
Borrowings	278	655
<b>Total non-current liabilities</b>	<b>278</b>	<b>655</b>
<b>Total liabilities</b>	<b>1,083</b>	<b>1,571</b>
<b>Net assets</b>	<b>69,944</b>	<b>74,907</b>
<b>EQUITY</b>		
Accumulated surplus	39,512	40,183
Revaluation reserves	30,432	34,724
<b>Total equity</b>	<b>69,944</b>	<b>74,907</b>

## Muswellbrook Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	2,876	1,682
Receivables	1,116	1,081
<b>Total current assets</b>	<b>3,992</b>	<b>2,763</b>
<b>Non-current assets</b>		
Investments	2,119	2,865
Infrastructure, property, plant and equipment	94,076	84,493
<b>Total non-current assets</b>	<b>96,195</b>	<b>87,358</b>
<b>Total assets</b>	<b>100,187</b>	<b>90,121</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	60	125
Borrowings	743	710
Employee benefit provisions	80	157
<b>Total current liabilities</b>	<b>883</b>	<b>992</b>
<b>Non-current liabilities</b>		
Borrowings	14,166	14,910
<b>Total non-current liabilities</b>	<b>14,166</b>	<b>14,910</b>
<b>Total liabilities</b>	<b>15,049</b>	<b>15,902</b>
<b>Net assets</b>	<b>85,138</b>	<b>74,219</b>
<b>EQUITY</b>		
Accumulated surplus	54,994	54,490
Revaluation reserves	30,144	19,729
<b>Total equity</b>	<b>85,138</b>	<b>74,219</b>

## Muswellbrook Shire Council

### Statement of Financial Position of Commercial Buildings

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	644	576
Receivables	839	540
<b>Total current assets</b>	<b>1,483</b>	<b>1,116</b>
<b>Non-current assets</b>		
Investments	474	983
Inventories	1,239	1,202
Infrastructure, property, plant and equipment	17,892	18,009
Investment property	71,720	61,984
<b>Total non-current assets</b>	<b>91,325</b>	<b>82,178</b>
<b>Total assets</b>	<b>92,808</b>	<b>83,294</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	4,270	5,447
<b>Total current liabilities</b>	<b>4,270</b>	<b>5,447</b>
<b>Non-current liabilities</b>		
Borrowings	38,381	40,153
<b>Total non-current liabilities</b>	<b>38,381</b>	<b>40,153</b>
<b>Total liabilities</b>	<b>42,651</b>	<b>45,600</b>
<b>Net assets</b>	<b>50,157</b>	<b>37,694</b>
<b>EQUITY</b>		
Accumulated surplus	50,157	37,694
<b>Total equity</b>	<b>50,157</b>	<b>37,694</b>

## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

##### a. Water Supplies

Provision of portable water for the communities of Muswellbrook, Denman and Sandy Hollow.

##### b. Sewerage Services

Provision of sewerage treatment of the communities of Muswellbrook and Denman

##### c. Commercial Buildings

The provision of residential and commercial properties for the lease and the sale of both development ready and surplus vacant land.

### Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

## Note – Significant Accounting Policies (continued)

### Corporate income tax rate – 26%

**Land tax** – the first \$755,000 of combined land values attracts 0%. For the combined land values in excess of \$755,001 up to \$4,616,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.

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

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

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26%.

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

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

The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

#### (i) Subsidies

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

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

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

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

## Note – Significant Accounting Policies (continued)

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

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

#### (iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the 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 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Muswellbrook Shire Council**

To the Councillors of Muswellbrook Shire Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Commercial Buildings.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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



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

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

A handwritten signature in black ink, appearing to read 'Furqan' followed by a stylized flourish.

Furqan Yousuf  
Delegate of the Auditor-General for New South Wales

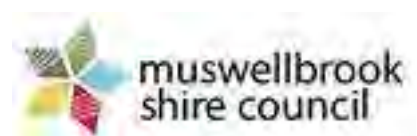
18 November 2022  
SYDNEY

# Muswellbrook Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2022

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*To do what is best for our community through leadership,  
excellent service and encouragement of sustainable  
development.*



Muswellbrook Shire Council

Special Schedules

for the year ended 30 June 2022

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<b>Special Schedules:</b>	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2022	4

## Muswellbrook Shire Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2021/22 *	Calculation 2022/23
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	19,518	19,963
Plus or minus adjustments <sup>2</sup>	b	38	299
<b>Notional general income</b>	c = a + b	<b>19,556</b>	<b>20,262</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	391	507
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>19,947</b>	<b>20,769</b>
Plus (or minus) last year's carry forward total	l	5	(11)
<b>Sub-total</b>	n = (l + m)	<b>5</b>	<b>(11)</b>
<b>Total permissible income</b>	o = k + n	<b>19,952</b>	<b>20,758</b>
Less notional general income yield	p	19,963	—
<b>Catch-up or (excess) result</b>	q = o – p	<b>(11)</b>	<b>20,758</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(11)</b>	<b>20,758</b>

**Notes**

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

(\*) Restated

## Muswellbrook Shire Council

### Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost			2021/22 Required maintenance <sup>a</sup>	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	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Other	5,016	15,990	1,260	696	53,611	84,681	38.0%	24.0%	19.0%	12.0%	7.0%	
	<b>Sub-total</b>	<b>5,016</b>	<b>15,990</b>	<b>1,260</b>	<b>696</b>	<b>53,611</b>	<b>84,681</b>	<b>38.0%</b>	<b>24.0%</b>	<b>19.0%</b>	<b>12.0%</b>	<b>7.0%</b>	
<b>Other structures</b>	Other structures	–	–	500	625	14,826	19,441	48.0%	45.0%	7.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>500</b>	<b>625</b>	<b>14,826</b>	<b>19,441</b>	<b>48.0%</b>	<b>45.0%</b>	<b>7.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Roads</b>	Other	4,590	16,732	5,470	2,198	430,180	534,204	44.0%	31.0%	22.0%	2.0%	1.0%	
	<b>Sub-total</b>	<b>4,590</b>	<b>16,732</b>	<b>5,470</b>	<b>2,198</b>	<b>430,180</b>	<b>534,204</b>	<b>44.0%</b>	<b>31.0%</b>	<b>22.0%</b>	<b>2.0%</b>	<b>1.0%</b>	
<b>Water supply network</b>	Other	2,733	12,907	1,640	1,363	54,019	99,541	16.0%	38.0%	33.0%	12.0%	1.0%	
	<b>Sub-total</b>	<b>2,733</b>	<b>12,907</b>	<b>1,640</b>	<b>1,363</b>	<b>54,019</b>	<b>99,541</b>	<b>16.0%</b>	<b>38.0%</b>	<b>33.0%</b>	<b>12.0%</b>	<b>1.0%</b>	
<b>Sewerage network</b>	Other	3,296	9,053	2,370	1,184	92,380	125,021	54.0%	24.0%	15.0%	4.0%	3.0%	
	<b>Sub-total</b>	<b>3,296</b>	<b>9,053</b>	<b>2,370</b>	<b>1,184</b>	<b>92,380</b>	<b>125,021</b>	<b>54.0%</b>	<b>24.0%</b>	<b>15.0%</b>	<b>4.0%</b>	<b>3.0%</b>	
<b>Stormwater drainage</b>	Other	–	–	210	50	61,351	87,541	24.0%	33.0%	43.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>210</b>	<b>50</b>	<b>61,351</b>	<b>87,541</b>	<b>24.0%</b>	<b>33.0%</b>	<b>43.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Total – all assets</b>		<b>15,635</b>	<b>54,682</b>	<b>11,450</b>	<b>6,116</b>	<b>706,367</b>	<b>950,429</b>	<b>40.1%</b>	<b>30.7%</b>	<b>23.6%</b>	<b>4.0%</b>	<b>1.7%</b>	

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

#### Infrastructure asset condition assessment 'key'

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

## Muswellbrook Shire Council

## Report on infrastructure assets as at 30 June 2022

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals <sup>1</sup>	8,584	68.33%	75.02%	102.90%	>= 100.00%
Depreciation, amortisation and impairment	12,562				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	15,635	2.13%	2.39%	2.90%	< 2.00%
Net carrying amount of infrastructure assets	733,589				
Asset maintenance ratio					
Actual asset maintenance	6,116	53.41%	78.67%	106.41%	> 100.00%
Required asset maintenance	11,450				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	54,682	5.75%	5.83%	6.93%	
Gross replacement cost	950,429				

(\*) 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.

## Muswellbrook Shire Council

### Report on infrastructure assets as at 30 June 2022

#### Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>	75.47%	82.48%	67.65%	85.94%	39.57%	35.98%	>= 100.00%
Depreciation, amortisation and impairment							
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard	1.64%	1.26%	5.06%	8.84%	3.57%	4.57%	< 2.00%
Net carrying amount of infrastructure assets							
<b>Asset maintenance ratio</b>							
Actual asset maintenance	47.97%	70.47%	83.11%	102.79%	49.96%	88.32%	> 100.00%
Required asset maintenance							
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	4.51%	3.37%	12.97%	12.91%	7.24%	12.20%	
Gross replacement cost							

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