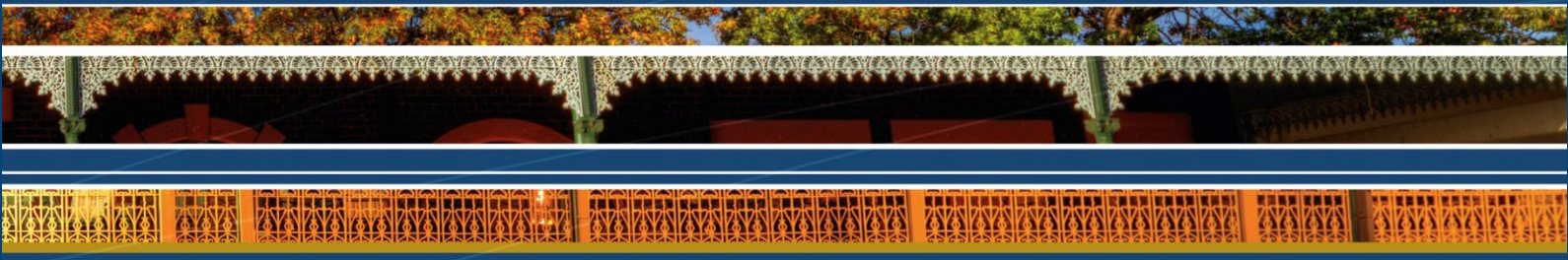


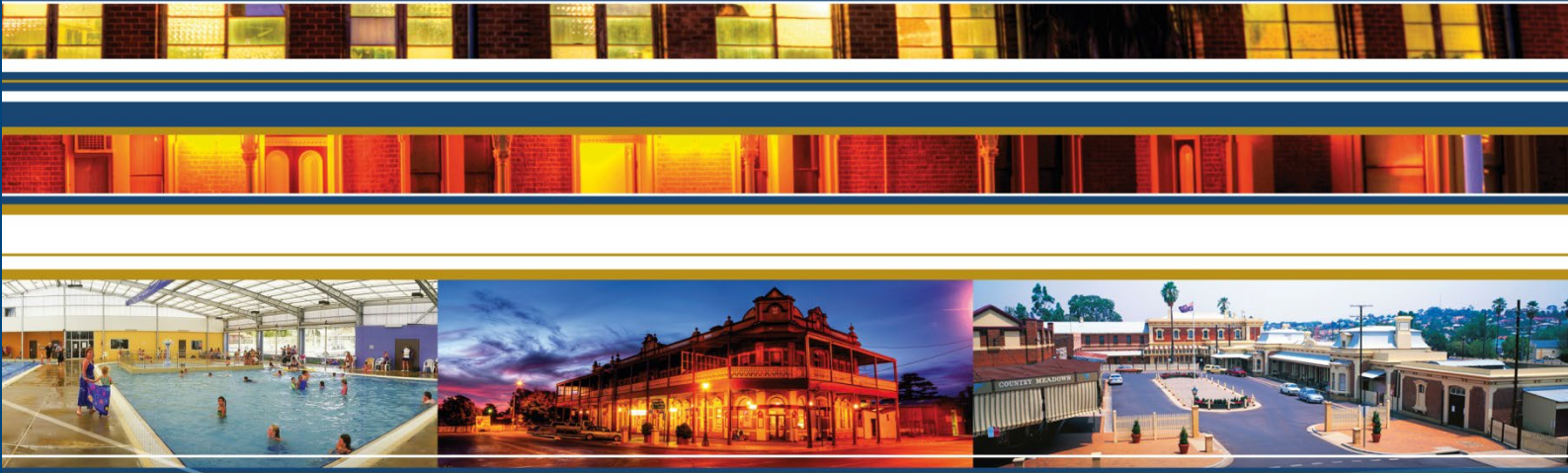


JUNEE SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2023

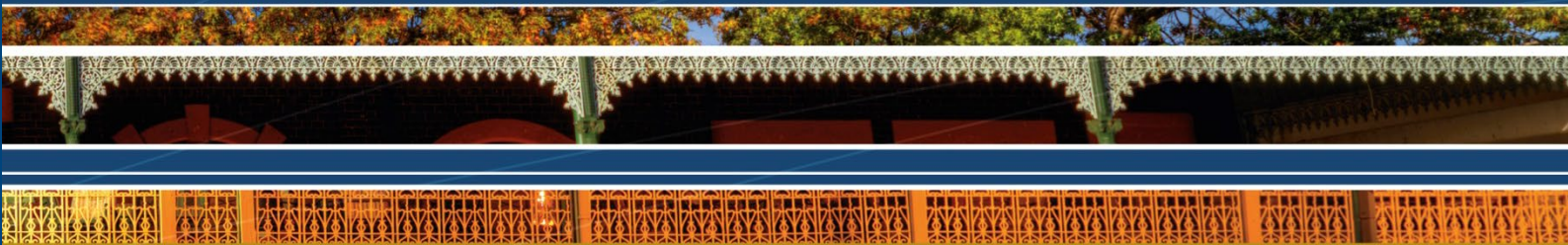




JUNEE SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2023



Junee Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

29 Belmore Street
Junee NSW 2663

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.junee.nsw.gov.au

Junee Shire Council

Consolidated Financial Statements

for the year ended 30 June 2023

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:

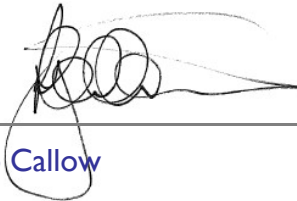
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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.

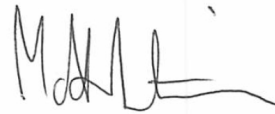
Signed in accordance with a resolution of Council made on 19 September 2023.



Cr Bob Callow

Mayor

19 September 2023



Cr Matt Austin

Councillor

19 September 2023



James Davis

General Manager

19 September 2023



Luke Taberner

Responsible Accounting Officer

19 September 2023

Junee Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
6,363	Rates and annual charges	B2-1	6,342	6,092
4,024	User charges and fees	B2-2	3,589	4,124
383	Other revenues	B2-3	456	551
3,483	Grants and contributions provided for operating purposes	B2-4	9,685	7,772
2,883	Grants and contributions provided for capital purposes	B2-4	2,403	1,697
79	Interest and investment income	B2-5	243	48
200	Other income	B2-6	251	259
–	Net gain from the disposal of assets	B4-1	–	1,115
17,415	Total income from continuing operations		22,969	21,658
	Expenses from continuing operations			
5,805	Employee benefits and on-costs	B3-1	5,756	5,165
6,457	Materials and services	B3-2	7,818	7,059
425	Borrowing costs	B3-3	414	430
3,617	Depreciation, amortisation and impairment of non-financial assets	B3-4	3,676	3,689
600	Other expenses	B3-5	617	755
–	Net loss from the disposal of assets	B4-1	167	–
16,904	Total expenses from continuing operations		18,448	17,098
511	Operating result from continuing operations		4,521	4,560
511	Net operating result for the year attributable to Council		4,521	4,560
(3,286)	Net operating result for the year before grants and contributions provided for capital purposes		2,118	2,863

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

Junee Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		4,521	4,560
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	14,907	44,922
Total items which will not be reclassified subsequently to the operating result		14,907	44,922
Total other comprehensive income for the year		14,907	44,922
Total comprehensive income for the year attributable to Council		19,428	49,482

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

Junee Shire Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	6,745	3,749
Investments	C1-2	6,000	2,000
Receivables	C1-4	1,530	3,119
Inventories	C1-5	328	195
Total current assets		14,603	9,063
Non-current assets			
Inventories	C1-5	58	58
Infrastructure, property, plant and equipment (IPPE)	C1-6	191,663	176,792
Investment property	C1-7	355	330
Right of use assets	C2-1	576	842
Total non-current assets		192,652	178,022
Total assets		207,255	187,085
LIABILITIES			
Current liabilities			
Payables	C3-1	1,343	1,262
Contract liabilities	C3-2	3,095	1,950
Lease liabilities	C2-1	261	269
Borrowings	C3-3	387	360
Employee benefit provisions	C3-4	1,890	1,759
Total current liabilities		6,976	5,600
Non-current liabilities			
Lease liabilities	C2-1	370	631
Borrowings	C3-3	7,376	7,763
Employee benefit provisions	C3-4	92	83
Provisions	C3-5	27	22
Total non-current liabilities		7,865	8,499
Total liabilities		14,841	14,099
Net assets		192,414	172,986
EQUITY			
Accumulated surplus	C4-1	102,668	98,147
IPPE revaluation reserve	C4-1	89,746	74,839
Total equity		192,414	172,986

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

Junee Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		98,147	74,839	172,986	93,587	29,917	123,504
Opening balance		98,147	74,839	172,986	93,587	29,917	123,504
Net operating result for the year		4,521	–	4,521	4,560	–	4,560
Net operating result for the period		4,521	–	4,521	4,560	–	4,560
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	14,907	14,907	–	44,922	44,922
Other comprehensive income		–	14,907	14,907	–	44,922	44,922
Total comprehensive income		4,521	14,907	19,428	4,560	44,922	49,482
Closing balance at 30 June		102,668	89,746	192,414	98,147	74,839	172,986

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

Junee Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
<i>Receipts:</i>				
6,613	Rates and annual charges		6,302	6,214
3,708	User charges and fees		3,593	4,101
76	Interest received		169	56
7,849	Grants and contributions		15,673	8,965
530	Other		1,070	1,470
<i>Payments:</i>				
(6,043)	Payments to employees		(5,452)	(5,401)
(6,813)	Payments for materials and services		(8,055)	(6,362)
(365)	Borrowing costs		(414)	(430)
(366)	Other		(1,722)	(1,493)
5,189	Net cash flows from operating activities	G1-1	11,164	7,120
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of real estate assets		37	1,926
–	Deferred debtors receipts		2	–
<i>Payments:</i>				
–	Acquisition of term deposits		(4,000)	(2,000)
–	Purchase of investment property		–	(276)
(5,433)	Payments for IPPE		(3,576)	(5,589)
–	Purchase of real estate assets		(2)	(111)
42	Deferred debtors and advances made		–	(8)
(5,391)	Net cash flows from investing activities		(7,539)	(6,058)
Cash flows from financing activities				
<i>Payments:</i>				
(360)	Repayment of borrowings		(360)	(635)
(241)	Principal component of lease payments		(269)	(265)
(601)	Net cash flows from financing activities		(629)	(900)
(803)	Net change in cash and cash equivalents		2,996	162
3,715	Cash and cash equivalents at beginning of year		3,749	3,587
2,912	Cash and cash equivalents at end of year	C1-1	6,745	3,749
–	plus: Investments on hand at end of year	C1-2	6,000	2,000
2,912	Total cash, cash equivalents and investments		12,745	5,749

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

Junee Shire Council

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Junee Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 19 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of the Council.

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

- General purpose operations

A1-1 Basis of preparation (continued)

- Sewerage service

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.

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 community transport service is supported by volunteers from the Junee community. Volunteer services contribution has been recognised within the financial statements - refer to Note B2-6. Volunteer services are required to be recognised in the financial statements if they can be measured reliably, are material, and would be purchased if not provided by the volunteers.

In other instances, Council would not purchase the service if it was not provided by volunteers.

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 2023 reporting period.

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

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

New accounting standards adopted during the year

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

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

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Administration	9,480	8,841	3,582	3,042	5,898	5,799	4,813	4,158	4,855	4,396
Community services and education	424	1,100	531	1,332	(107)	(232)	331	897	124	112
Economic affairs	2,536	4,123	2,812	2,556	(276)	1,567	200	92	5,861	5,313
Environment	1,290	1,260	1,441	1,199	(151)	61	54	86	8,160	7,390
Governance	–	–	129	180	(129)	(180)	–	–	2,340	2,114
Housing and community amenities	546	865	606	542	(60)	323	19	461	1,218	1,104
Mining, manufacturing and construction	–	–	2	4	(2)	(4)	–	–	21	19
Public order and safety	32	265	441	489	(409)	(224)	–	220	518	468
Recreation and culture	883	1,376	2,859	2,693	(1,976)	(1,317)	278	883	28,063	25,425
Sewerage services	1,377	1,138	1,214	1,294	163	(156)	–	–	29,865	27,071
Transport and communication	6,401	2,690	4,831	3,767	1,570	(1,077)	6,393	2,672	126,086	113,673
Other	–	–	–	–	–	–	–	–	144	–
Total functions and activities	22,969	21,658	18,448	17,098	4,521	4,560	12,088	9,469	207,255	187,085

B1-2 Components of functions or activities

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

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Community services and education

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

Economic affairs

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

Environment

Includes noxious plants and insect/vermin control, other environmental protection, solid waste management, including domestic waste, other waste management, other sanitation, and garbage, street cleaning, drainage and stormwater management.

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

Housing and community amenities

Includes public cemeteries, public conveniences, street lighting, town planning, other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Public order and safety

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

Recreation and culture

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

Sewerage services

Includes the provision of sewerage treatment and reticulation system for the collection of sewage within the Junee township.

Transport and communication

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

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	1,941	1,825
Farmland	2,077	2,061
Business	392	379
Less: Pensioner rebates	(49)	(49)
Rates levied to ratepayers	4,361	4,216
Pensioner rate subsidies received	44	45
Total ordinary rates	4,405	4,261
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	941	884
Stormwater management services	45	45
Sewerage services	890	844
Waste management services (non-domestic)	91	87
Less: Pensioner rebates	(66)	(65)
Annual charges levied	1,901	1,795
Pensioner annual charges subsidies received:		
– Sewerage	18	18
– Domestic waste management	18	18
Total annual charges	1,937	1,831
Total rates and annual charges	6,342	6,092

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	2023	2022
User charges		
Sewerage services	450	340
Waste management services (non-domestic)	112	121
Total user charges	562	461
Fees		
Private works – section 67	85	124
Regulatory/ statutory fees	285	325
Athenium	15	9
Cemeteries	113	81
Family day care	–	113
Junee Junction Recreation and Aquatic Centre	396	341
Transport for NSW works (state roads not controlled by Council)	2,133	2,670
Total fees	3,027	3,663
Total user charges and fees	3,589	4,124
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	3,229	3,611
User charges and fees recognised at a point in time	360	513
Total user charges and fees	3,589	4,124

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	2023	2022
Australian Track Corporation - Inland Rail Reimbursement	56	86
Commissions and agency fees	133	132
Energy Savings Certificates	–	45
Fines	15	18
Fuel tax credit - rebate	37	48
Insurance rebates	23	47
Legal fees recovery – rates and charges (extra charges)	26	18
Recycling income (non-domestic)	47	43
Sales – Junee Junction Recreation & Aquatic Centre	83	64
Other	36	50
Total other revenue	456	551
Timing of revenue recognition for other revenue		
Other revenue recognised at a point in time	456	551
Total other revenue	456	551

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 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
Current year allocation				
Financial assistance	944	1,633	-	-
Payment in advance - future year allocation				
Financial assistance	3,695	2,511	-	-
Amount recognised as income during current year	4,639	4,144	-	-
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Economic development	42	8	-	-
Family day care	-	657	-	-
Heritage and cultural	-	-	27	37
Junee Community Transport	71	64	-	-
Library – per capita	81	91	22	27
LIRS subsidy	8	12	-	-
Noxious weeds	53	83	-	-
NSW Rural Fire Services	56	81	-	139
Recreation and culture	120	-	147	924
Street lighting	19	215	62	84
Transport (community transport service)	154	151	-	-
Transport (other roads and bridges funding)	1,523	-	2,145	486
Transport (regional roads, block grant)	2,311	1,401	-	-
Transport (roads to recovery)	350	615	-	-
Waste management	1	3	-	-
Youth services	83	25	-	-
Other specific grants	6	12	-	-
Total special purpose grants and non-developer contributions – cash	4,878	3,418	2,403	1,697
Total grants and non-developer contributions	9,517	7,562	2,403	1,697
Comprising:				
– Commonwealth funding	5,118	7,032	373	1,240
– State funding	4,339	452	2,030	457
– Other funding	60	78	-	-
	9,517	7,562	2,403	1,697

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies	G4	168	210	–	–
Total developer contributions		168	210	–	–
Total contributions		168	210	–	–
Total grants and contributions		9,685	7,772	2,403	1,697
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		4,470	615	2,381	1,615
Grants and contributions recognised at a point in time		5,215	7,157	22	82
Total grants and contributions		9,685	7,772	2,403	1,697

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	386	1,148	1,547	506
Add: operating grants recognised as income in the current period but not yet spent	2,118	–	–	–
Add: Funds received and not recognised as revenue in the current year	25	322	2,361	1,531
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(222)	(1,084)	(1,021)	(490)
Unspent funds at 30 June	2,307	386	2,887	1,547

B2-4 Grants and contributions (continued)

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	28	29
– Cash and investments	215	11
– Deferred debtors	–	8
Total interest and investment income (losses)	243	48

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Fair value increment on investment properties			
Fair value increment on investment properties		25	54
Total fair value increment on investment properties	C1-7	25	54
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		23	22
Total Investment properties		23	22
Land and property			
Lease income (excluding variable lease payments not dependent on an index or rate)		105	86
Other lease income			
Leaseback fees - Council vehicles		5	13
Total other lease income		110	99
Total rental income	C2-2	133	121
Other			
Community Transport (Volunteer services)		93	84
Total other		93	84
Total other income		251	259

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	4,531	4,439
Employee leave entitlements (ELE)	1,045	645
Fringe benefit tax (FBT)	5	–
Superannuation	567	542
Workers' compensation insurance	112	99
Total employee costs	6,260	5,725
Less: capitalised costs	(504)	(560)
Total employee costs expensed	5,756	5,165

Accounting policy

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

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.

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

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

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		2,294	931
Contractor costs		3,651	4,294
Audit Fees	F2-1	55	53
Bank charges		23	21
Computer expenses		224	222
Councillor and Mayoral fees and associated expenses	F1-2	127	118
Election expenses		–	61
Electricity and heating		259	252
Fuel and oil		359	298
Insurance		399	345
Postage, printing and stationery		45	60
Street lighting		47	45
Subscriptions and publications		134	109
Telephone and communications		77	68
Valuer General fees		26	24
Other expenses		63	56
Legal expenses:			
– Legal expenses: planning and development		9	–
– Legal expenses: debt recovery		1	9
– Legal expenses: other		24	53
Expenses from leases of low value assets		–	3
Expenses from short-term leases		1	37
Total materials and services		7,818	7,059
Total materials and services		7,818	7,059

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
Interest on leases	37	47
Interest on loans	377	383
Total borrowing costs expensed	414	430

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		198	241
Office equipment		24	22
Furniture and fittings		10	9
Land improvements (depreciable)		63	65
Infrastructure:	C1-6		
– Buildings – non-specialised		110	87
– Buildings – specialised		498	381
– Other structures		284	242
– Roads		1,611	1,560
– Bridges		127	125
– Footpaths		73	71
– Stormwater drainage		169	156
– Sewerage network		227	431
Right of use assets	C2-1	266	283
Other assets:			
– Library books		1	1
Other assets		14	14
Reinstatement, rehabilitation and restoration assets:			
– Quarry assets	C3-5,C1-6	1	1
Total depreciation, amortisation and impairment for non-financial assets		3,676	3,689

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
Other		(1)	54
Total impairment of receivables	C1-4	(1)	54
Other			
Bushfire fighting fund		292	359
Community Transport contribution		92	84
Donations, contributions and assistance to other organisations (s356)		1	2
Emergency services levy (includes FRNSW, SES, and RFS levies)		22	14
EPA Waste Station Licence Fee's		4	54
NSW fire brigade levy		26	23
Riverina Eastern Regional Organisation of Councils contribution		27	26
Riverina Joint Organisation contribution		19	19
Riverina Regional Library contribution		135	120
Total other		618	701
Total other expenses		617	755

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of real estate assets held for sale			
Proceeds from disposal – real estate assets	C1-5	37	1,926
Less: carrying amount of real estate assets sold/written off		(2)	(811)
Gain (or loss) on disposal		35	1,115
Gain (or loss) on disposal of sewerage network assets			
Less: carrying amount of sewerage assets sold/written off		(202)	–
Gain (or loss) on disposal		(202)	–
Net gain (or loss) from disposal of assets		(167)	1,115

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	6,363	6,342	(21)	0% U
User charges and fees	4,024	3,589	(435)	(11)% U
The budgeted service delivery for RMCC did not proceed as initially outlined, largely due to weather-related interruptions sustained throughout the financial year. It is anticipated that the outstanding tasks will be completed in the forthcoming financial year.				
Other revenues	383	456	73	19% F
The Council received supplementary, unplanned revenue from the Australian Track Corporation for Inland Rail Reimbursement, as well as experienced an enhancement in retail sales attributable to the Junee Junction Recreation and Aquatic Centre.				
Operating grants and contributions	3,483	9,685	6,202	178% F
The Council adopts a conservative approach in its budgeting for operating grants and contributions to mitigate reliance on unsecured funding sources.				
Subsequently, the Council unexpectedly received supplementary, unbudgeted income in the form of operating grants and contributions, primarily due to the advanced disbursement of the 2023/2024 Financial Assistance Grants (FAGS) and road maintenance grant income.				
Capital grants and contributions	2,883	2,403	(480)	(17)% U
The construction and execution of the 2022/2023 capital works program deviated from the initial budgeted plan for a substantial number of capital projects. Consequently, the capital grants and contributions earmarked for these projects were not realised during the stated financial period and are anticipated to be received in subsequent years.				
Notable projects affected by this deviation encompass the Junee Library Refurbishment, Lord Street Bridge, and Junee Streets and Village Improvements.				
Interest and investment revenue	79	243	164	208% F
Junee Shire Council's interest earnings on investments surpassed the budgeted expectations for the financial year 2022/23. This outcome can be attributed to the sustained magnitude of the investment portfolio, which maintained a higher balance than initially anticipated.				
The larger balance primarily arises from a series of substantial capital projects that were initially budgeted but have not progressed as originally projected.				
Other income	200	251	51	26% F
Other income surpassed the budgeted figures due to an increase in the value of Council's investment properties throughout the financial year, coupled with additional rental and lease income.				

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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Expenses

Employee benefits and on-costs	5,805	5,756	49	1%	F
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Materials and services	6,457	7,818	(1,361)	(21)%	U
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The Council incurred supplementary unanticipated costs pertaining to materials and services, primarily attributable to heightened expenditures in road maintenance, as well as the utilisation of grants and contributions acquired over the course of the fiscal year.

Borrowing costs	425	414	11	3%	F
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Depreciation, amortisation and impairment of non-financial assets	3,617	3,676	(59)	(2)%	U
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Other expenses	600	617	(17)	(3)%	U
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Net losses from disposal of assets	-	167	(167)	∞	U
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Mainly as a consequence of the transfer of a transformer asset to Essential Energy within the scope of the sewerage treatment plant construction project, the process entails the reversion of ownership and operational authority of the said asset to the utility company.

Statement of cash flows

Cash flows from operating activities	5,189	11,164	5,975	115%	F
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The Council adheres to a prudent budgeting strategy for operating grants and contributions to diminish dependency on unguaranteed funding sources.

As a result, the Council unexpectedly received supplemental unanticipated revenue in the form of operating grants and contributions, primarily attributed to the early disbursement of the 2023/2024 Financial Assistance Grants (FAGs) and income from road maintenance grants.

Cash flows from investing activities	(5,391)	(7,539)	(2,148)	40%	U
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Surplus funds were diligently invested in numerous term deposits over the course of the fiscal year to capitalise on the rising interest rates associated with such deposits.

Cash flows from financing activities	(601)	(629)	(28)	5%	U
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C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	1,698	1,248
Cash equivalent assets		
– Deposits at call	1,797	1,001
– Short-term deposits	3,250	1,500
Total cash and cash equivalents	6,745	3,749

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	6,745	3,749
Balance as per the Statement of Cash Flows	6,745	3,749

Accounting policy

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

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Term deposits	6,000	–	2,000	–
Total financial investments	6,000	–	2,000	–
Total cash assets, cash equivalents and investments	12,745	–	5,749	–

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

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

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

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

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

\$ '000	2023	2022
Total cash, cash equivalents and investments	12,745	5,749
Less: Externally restricted cash, cash equivalents and investments	<u>(7,398)</u>	<u>(3,784)</u>
Cash, cash equivalents and investments not subject to external restrictions	5,347	1,965
External restrictions – included in liabilities		
Employee leave entitlement - Sewer and waste	137	173
Specific purposes unexpended grants - General	<u>3,074</u>	<u>1,933</u>
External restrictions – included in liabilities	3,211	2,106
External restrictions – other		
Asset Management - Vehicle replacement fund (Community Transport)	87	103
Developer contributions – general	378	210
Domestic waste management	146	175
Sewer fund	1,384	1,156
Specific purpose unexpended grants (recognised as revenue) – General	2,118	–
Stormwater and Drainage Fund Reserve	<u>74</u>	<u>34</u>
External restrictions – other	4,187	1,678
Total external restrictions	7,398	3,784
\$ '000	2023	2022
Internal allocations		
Asset Management - General Fund	125	125
Asset Management - Plant and vehicle replacement	396	125
Bethungra Dam Reserve	61	35
Employees leave entitlement	550	356
Financial Assistance Grant Advance	3,695	624
Junee Caravan Park, Burns Park and Laurie Daley Oval	49	–
Junee Historical Society - Property sale proceeds	15	14
Martel Memorial Trust Fund	4	4
Property sale proceeds	–	479
Rehabilitation of gravel pits	27	22
Sale of land for unpaid rates and charges	–	11
Specific purpose grants - Co-contribution Amount	<u>377</u>	<u>–</u>
Total internal allocations	5,299	1,795

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

C1-4 Receivables

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Rates and annual charges	547	–	473	–
Interest and extra charges	38	–	30	–
User charges and fees	7	–	8	–
Accrued revenues				
– Interest on investments	72	–	6	–
– Other income accruals	16	–	7	–
Deferred debtors	–	165	–	167
Government grants and subsidies	764	–	2,443	–
Net GST receivable	15	–	43	–
Other debtors	79	–	117	–
Total	1,538	165	3,127	167
Less: provision for impairment				
User charges and fees	(8)	–	(8)	–
Other debtors	–	(165)	–	(167)
Total	(8)	(165)	(8)	(167)
Net receivables	1,530	–	3,119	–

Accounting policy

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

Impairment

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

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

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

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

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

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

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

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
At cost:				
Real estate	–	58	–	58
Stores and materials	328	–	195	–
Total inventories	328	58	195	58

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 2022			Asset movements during the reporting period								At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	2,540	–	2,540	365	1,314	–	–	(2,199)	–	–	–	2,020	–	2,020
Plant and equipment	3,522	(2,782)	740	–	75	–	(198)	–	–	–	–	3,597	(2,980)	617
Office equipment	308	(237)	71	–	–	–	(24)	–	–	–	–	308	(261)	47
Furniture and fittings	210	(154)	56	–	–	–	(10)	16	–	–	–	226	(164)	62
Land:														
– Operational land	3,662	–	3,662	–	–	–	–	–	–	–	2,585	6,247	–	6,247
– Community land	3,685	–	3,685	–	–	–	–	–	–	–	1,777	5,462	–	5,462
Land improvements – depreciable	1,756	(1,251)	505	–	–	–	(63)	–	–	–	22	1,843	(1,379)	464
Infrastructure:														
– Buildings – non-specialised	4,529	(2,950)	1,579	–	–	–	(110)	–	–	–	104	5,296	(3,723)	1,573
– Buildings – specialised	20,467	(10,284)	10,183	42	9	–	(498)	156	–	–	1,024	27,302	(16,386)	10,916
– Other structures	6,418	(2,512)	3,906	179	294	–	(284)	329	–	(59)	–	7,527	(3,162)	4,365
– Roads	75,874	(35,732)	40,142	803	90	–	(1,611)	1,698	–	–	1,380	81,486	(38,984)	42,502
– Bridges	12,557	(4,321)	8,236	–	–	–	(127)	–	–	–	489	13,314	(4,716)	8,598
– Footpaths	3,550	(1,128)	2,422	–	–	–	(73)	–	1	–	118	3,729	(1,261)	2,468
– Bulk earthworks (non-depreciable)	68,764	–	68,764	–	295	–	–	–	–	–	3,459	72,518	–	72,518
– Stormwater drainage	18,444	(7,755)	10,689	–	–	–	(169)	–	(1)	–	811	19,866	(8,536)	11,330
– Sewerage network	28,928	(9,425)	19,503	9	102	(208)	(227)	–	–	–	3,197	30,875	(8,499)	22,376
Other assets:														
– Library books	30	(24)	6	–	–	–	(1)	–	–	–	–	30	(25)	5
– Other	155	(73)	82	–	–	–	(14)	–	–	–	–	155	(87)	68
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Quarry assets	22	(1)	21	–	–	–	(1)	–	5	–	–	27	(2)	25
Total infrastructure, property, plant and equipment	255,421	(78,629)	176,792	1,398	2,179	(208)	(3,410)	–	5	(59)	14,966	281,828	(90,165)	191,663

(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 2021			Asset movements during the reporting period							At 30 June 2022			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	1,759	–	1,759	1,572	968	–	–	(1,746)	(13)	–	–	2,540	–	2,540
Plant and equipment	3,440	(2,613)	827	–	170	(16)	(241)	–	–	–	–	3,522	(2,782)	740
Office equipment	264	(215)	49	–	44	–	(22)	–	–	–	–	308	(237)	71
Furniture and fittings	210	(145)	65	–	–	–	(9)	–	–	–	–	210	(154)	56
Land:														
– Operational land	1,281	–	1,281	–	–	–	–	–	–	–	2,381	3,662	–	3,662
– Community land	3,465	–	3,465	–	–	–	–	–	–	–	220	3,685	–	3,685
Land improvements – depreciable	1,799	(1,382)	417	42	–	–	(65)	–	–	–	111	1,756	(1,251)	505
Infrastructure:														
– Buildings – non-specialised	4,128	(2,602)	1,526	–	–	–	(87)	–	–	–	140	4,529	(2,950)	1,579
– Buildings – specialised	18,577	(8,994)	9,583	81	–	–	(381)	–	–	–	900	20,467	(10,284)	10,183
– Other structures	5,643	(2,050)	3,593	209	–	–	(242)	–	–	–	346	6,418	(2,512)	3,906
– Roads	72,113	(31,990)	40,123	541	566	–	(1,560)	1,558	–	(1,086)	–	75,874	(35,732)	40,142
– Bridges	7,751	(2,993)	4,758	–	–	–	(125)	–	–	–	3,603	12,557	(4,321)	8,236
– Footpaths	2,913	(1,092)	1,821	27	102	–	(71)	80	–	–	463	3,550	(1,128)	2,422
– Bulk earthworks (non-depreciable)	31,755	–	31,755	768	–	–	–	–	–	–	36,241	68,764	–	68,764
– Stormwater drainage	17,244	(7,189)	10,055	66	49	–	(156)	108	–	–	567	18,444	(7,755)	10,689
– Sewerage network	29,211	(10,694)	18,517	115	266	–	(431)	–	–	–	1,036	28,928	(9,425)	19,503
Other assets:														
– Library books	30	(23)	7	–	–	–	(1)	–	–	–	–	30	(24)	6
– Other	141	(59)	82	–	14	–	(14)	–	–	–	–	155	(73)	82
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Quarry assets	4	–	4	–	–	–	(1)	–	18	–	–	22	(1)	21
Total infrastructure, property, plant and equipment	201,728	(72,041)	129,687	3,421	2,179	(16)	(3,406)	–	5	(1,086)	46,008	255,421	(78,629)	176,792

(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

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	5		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 120
Bores	20 to 40	Culverts	50 to 120
Reticulation pipes: PVC	177	Flood control structures	80 to 120
Reticulation pipes: other	80 to 97		
Pumps and telemetry	10 to 20		
Transportation assets		Other infrastructure assets	
Bridges	100	Swimming pools	50
Major Culverts	100	Other open space/recreational assets	20
Footpaths	50	Other infrastructure	20
Pavement Sub-Base	152		
Pavement Base	76		
Unsealed Pavement Base	27		
Primer Seal	5		
Wearin Course (Seal)	20		
Kerb & Gutter	75		

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 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.

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

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

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

Land under roads

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

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

Crown reserves

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

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".

Notwithstanding this, Council is of the view that it does not control the Rural Fire Service assets and has made representations to the NSW Government proposing that the legislation to be changed to remove any ambiguity.

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire assets including buildings, and plant and vehicles.

C1-7 Investment properties

\$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	355	330
Total owned investment property	355	330
At fair value		
Opening balance at 1 July	330	–
Acquisitions	–	276
Net gain/(loss) from fair value adjustments	25	54
Closing balance at 30 June	355	330

Investment property, principally freehold rental property, is held for long-term rental yields and is not occupied by Council. Changes in fair value are recorded in the Income Statement as part of other income.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Vehicles and machinery

Council leases vehicles and machinery with lease terms varying from two to 10 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally low-value assets, except for significant items such as photocopiers. The leases are between two and five years with no renewal option, the payments are fixed, however, some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Plant & Equipment	Office and IT Equipment	Vehicles	Total
2023				
Opening balance at 1 July	742	70	30	842
Depreciation charge	(237)	(14)	(15)	(266)
Balance at 30 June	505	56	15	576
2022				
Opening balance at 1 July	1,009	–	27	1,036
Additions to right-of-use assets	–	71	18	89
Depreciation charge	(267)	(1)	(15)	(283)
Balance at 30 June	742	70	30	842

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	261	370	269	631
Total lease liabilities	261	370	269	631

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	284	381	10	675	631
2022					
Cash flows	307	665	10	982	900

C2-1 Council as a lessee (continued)

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	37	47
Depreciation of right of use assets	266	283
Expenses relating to short-term leases	1	37
Expenses relating to low-value leases	–	3
	304	370

(e) Statement of Cash Flows

Total cash outflow for leases	307	352
	307	352

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-7)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

\$ '000	2023	2022
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(i) Assets held as investment property

Investment property operating leases relate to 6 George St and Willow Park Cottage.

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)	23	22
Total income relating to operating leases for investment property assets	23	22

Operating lease expenses

Investment properties

Direct operating expenses that generated rental income	12	6
Total expenses relating to operating leases	12	6

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council owned buildings for the purpose of service delivery objectives, as well as entering into leaseback arrangements with some staff for use of Council owned vehicles. The table below relates to operating leases on assets disclosed in C1-6.

Lease income (excluding variable lease payments not dependent on an index or rate)	110	99
Total income relating to operating leases for Council assets	110	99

Operating lease expenses

Land and property

Direct operating expenses that generated rental income	10	11
--	----	----

other leased assets expenses

Leaseback vehicle expenses	18	22
Total expenses relating to other leases assets	28	33

Amount of IPPE leased out by Council under operating leases

Land and buildings	775	750
Plant and equipment (Motor vehicles)	40	49
Total amount of IPPE leased out by Council under operating leases	815	799

(ii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

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

< 1 year	102	102
1–2 years	81	96
2–3 years	86	86
3–4 years	30	92
4–5 years	31	31
> 5 years	32	31
Total undiscounted lease payments to be received	362	438

continued on next page ...

C2-2 Council as a lessor (continued)

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services	568	-	672	-
Accrued expenses:				
– Interest on loans	23	-	31	-
– Interest on leases	4	-	5	-
– Salaries and wages	332	-	168	-
– Other expenditure accruals	187	-	194	-
Security bonds, deposits and retentions	18	-	15	-
Prepaid rates	211	-	177	-
Total payables	1,343	-	1,262	-

Accounting policy

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

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

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Funds to construct Council controlled assets	(i)	2,887	-	1,547	-
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	(ii)	188	-	386	-
Total grants received in advance		3,075	-	1,933	-
User fees and charges received in advance:					
Upfront fees – leisure centre	(iii)	20	-	17	-
Total user fees and charges received in advance		20	-	17	-
Total contract liabilities		3,095	-	1,950	-

Notes

(i) Council has received funding to construct assets including sporting facilities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion.

The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

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

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

\$ '000	2023	2022
Grants and contributions received in advance:		
Funds to construct Council controlled assets	589	550
User fees and charges received in advance:		
Upfront fees – leisure centre	17	21
Total revenue recognised that was included in the contract liability balance at the beginning of the period	606	571

Accounting policy

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

C3-3 Borrowings

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Loans – secured ¹	387	7,376	360	7,763
Total borrowings	387	7,376	360	7,763

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	8,123	(360)	-	-	-	-	7,763
Lease liability (Note C2-1b)	900	(269)	-	-	-	-	631
Total liabilities from financing activities	9,023	(629)	-	-	-	-	8,394

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	8,758	(635)	-	-	-	-	8,123
Lease liability (Note C2-1b)	1,076	(176)	-	-	-	-	900
Total liabilities from financing activities	9,834	(811)	-	-	-	-	9,023

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	250	250
Credit cards/purchase cards	10	10
Total financing arrangements	260	260
Undrawn facilities		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	10	10
Total undrawn financing arrangements	260	260

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loans are backed by anticipated future cash flows.

Lease liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured over future cash flows.

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Annual leave	631	–	603	–
Long service leave	1,207	92	1,091	83
Other leave - RDO	36	–	39	–
Other leave - TIL	16	–	26	–
Total employee benefit provisions	1,890	92	1,759	83

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,134	1,298
	1,134	1,298

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	27	–	22
Sub-total – asset remediation/restoration	–	27	–	22
Total provisions	–	27	–	22

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2023		
At beginning of year	22	22
Other	5	5
Total other provisions at end of year	27	27
2022		
At beginning of year	4	4
Other	18	18
Total other provisions at end of year	22	22

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

C3-5 Provisions (continued)

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.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

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

D Council structure

D1 Results by fund

General fund refers to all Council activities other than 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 sewer column are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General ¹ 2023	Sewer 2023
Income from continuing operations		
Rates and annual charges	5,467	875
User charges and fees	3,123	466
Interest and investment revenue	206	37
Other revenues	456	–
Grants and contributions provided for operating purposes	9,685	–
Grants and contributions provided for capital purposes	2,403	–
Other income	251	–
Total income from continuing operations	21,591	1,378
Expenses from continuing operations		
Employee benefits and on-costs	5,393	363
Materials and services	7,459	359
Borrowing costs	299	115
Depreciation, amortisation and impairment of non-financial assets	3,449	227
Other expenses	617	–
Net losses from the disposal of assets	(35)	202
Total expenses from continuing operations	17,182	1,266
Operating result from continuing operations	4,409	112
Net operating result for the year	4,409	112
Net operating result attributable to each council fund	4,409	112
Net operating result for the year before grants and contributions provided for capital purposes	2,006	112

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

D1-2 Statement of Financial Position by fund

\$ '000	General ¹ 2023	Sewer 2023
ASSETS		
Current assets		
Cash and cash equivalents	5,361	1,384
Investments	6,000	–
Receivables	1,408	122
Inventories	328	–
Total current assets	13,097	1,506
Non-current assets		
Inventories	58	–
Infrastructure, property, plant and equipment	169,254	22,409
Investment property	355	–
Right of use assets	576	–
Total non-current assets	170,243	22,409
Total assets	183,340	23,915
LIABILITIES		
Current liabilities		
Payables	1,343	–
Contract liabilities	3,095	–
Lease liabilities	261	–
Borrowings	328	59
Employee benefit provision	1,759	131
Total current liabilities	6,786	190
Non-current liabilities		
Lease liabilities	370	–
Borrowings	4,850	2,526
Employee benefit provision	86	6
Provisions	27	–
Total non-current liabilities	5,333	2,532
Total liabilities	12,119	2,722
Net assets	171,221	21,193
EQUITY		
Accumulated surplus	93,413	9,255
Revaluation reserves	77,808	11,938
Council equity interest	171,221	21,193
Total equity	171,221	21,193

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

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

Risks summary

The risks associated with the financial instruments held are:

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

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
<p>The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.</p>		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	110	45

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

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

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

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

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

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

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

The Council engaged in a re-negotiation of repayment terms with a single counterparty. This re-negotiation was necessitated by a variety of factors, including changes in the financial standing of the counterparty and broader economic environment. As a result of the re-negotiations, certain modifications were made to the original repayment terms, including alterations to payment schedules. The Council has carefully evaluated the impact of these changes on its financial position and has made appropriate adjustments and discloses at Note C1-4 to reflect the new terms of the receivable.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

\$ '000	Not yet overdue	< 5 years	> 5 years overdue	Total
2023				
Gross carrying amount	–	510	37	547
2022				
Gross carrying amount	–	455	18	473

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		31 - 60 days	0 - 30 days	61 - 90 days	> 91 days	
2023						
Gross carrying amount	24	19	1	1	172	217
Expected loss rate (%)	0.00%	0.00%	0.00%	100.00%	100.00%	79.72%
ECL provision	–	–	–	1	172	173
2022						
Gross carrying amount	8	–	7	–	182	197
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	96.15%	88.83%
ECL provision	–	–	–	–	175	175

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Payables	0.00%	–	1,343	–	–	1,343	1,343
Borrowings	4.80%	–	791	2,828	8,286	11,905	7,763
Lease liabilities	5.20%	–	284	381	10	675	631
Total financial liabilities		–	2,418	3,209	8,296	13,923	9,737
2022							
Payables	0.00%	–	1,262	–	–	1,262	1,262
Borrowings	5.80%	–	780	3,160	8,490	12,430	8,123
Lease liabilities	5.20%	–	307	665	10	982	900
Total financial liabilities		–	2,349	3,825	8,500	14,674	10,285

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

Fair value hierarchy

All assets and liabilities measured at fair value are 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: Unobservable inputs for the asset or liability

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

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
Recurring fair value measurements									
Infrastructure, property, plant and equipment C1-6									
Plant & Equipment		30/06/23	30/06/18	–	–	617	740	617	740
Office Equipment		30/06/23	30/06/18	–	–	47	71	47	71
Furniture & Fittings		30/06/23	30/06/18	–	–	62	56	62	56
Land									
– Operational Land		30/06/23	30/06/18	–	–	6,247	3,662	6,247	3,662
– Community Land		30/06/23	30/06/22	–	–	5,462	3,685	5,462	3,685
Land Improvements – depreciable		30/06/23	30/06/21	–	–	464	505	464	505
Buildings – Non Specialised		30/06/23	30/06/18	–	–	1,573	1,579	1,573	1,579
Buildings – Specialised		30/06/23	30/06/18	–	–	10,916	10,183	10,916	10,183
Other Structures		30/06/23	30/06/18	–	–	4,365	3,906	4,365	3,906
Infrastructure:									
– Roads		30/06/22	30/06/22	–	–	42,502	40,142	42,502	40,142
– Bridges		30/06/22	30/06/22	–	–	8,598	8,236	8,598	8,236
– Footpaths		30/06/22	30/06/22	–	–	2,468	2,422	2,468	2,422
– Bulk Earthworks (non-depreciable)		30/06/22	30/06/22	–	–	72,518	68,764	72,518	68,764
– Stormwater Drainage		30/06/20	30/06/20	–	–	11,330	10,689	11,330	10,689
– Sewerage Network		30/06/23	30/06/17	–	–	22,376	19,503	22,376	19,503
Other Assets		30/06/23	30/06/18	–	–	68	82	68	82
Library books		30/06/23	30/06/18	–	–	5	6	5	6
Quarry assets		30/06/23	30/06/18	–	–	25	21	25	21
Total infrastructure, property, plant and equipment				–	–	189,643	174,252	189,643	174,252
Investment property									
Residential property		30/06/23	30/06/22	355	330	–	–	355	330
Total investment property				355	330	–	–	355	330

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).

E2-1 Fair value measurement (continued)

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

Investment property

The Council presently possesses a singular investment property located at:

- 6 George Street, Junee

A comprehensive and independent revaluation of the Council's investment properties is conducted annually, specifically at the conclusion of each financial year. The value disclosed in the financial statements reflects the most current valuation available.

The valuation methodology employed for this properties is based on the Market Approach. As at 30 June 2023, the valuation of this particular property was conducted by Ray White Real Estate.

It is noteworthy that there have been no alterations in the valuation technique utilised throughout the reporting year.

Infrastructure, property, plant and equipment (IPPE)

Plant, equipment, furniture, fittings, office equipment and library books

These asset classes are valued at cost, albeit disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of asset types within these classes are as follows:

- Plant & Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computer, photocopiers, tablets etc.
- Furniture & Fittings - Chairs, desks, cupboards etc.
- Library Books - Books

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

Community and operational land

Community land was revalued as of 30 June 2023 in-house using the Land Value Search reports provided by the NSW Valuer-General.

Council obtains fair values for operational land from an external valuer.

Council's operational land was valued externally by Egan Valuers during the 2022/23 using the market approach.

Land Improvements - Depreciable and Other Structures

Land improvements - depreciable and other structures comprise of playgrounds, lighting, irrigation systems, fencing, shade structures etc.

Adopting level 3 inputs, the cost approach has been applied as there is insufficient market based evidence for the adoption of level 2 inputs.

Council's land improvements was valued externally by Egan Valuers during 2022/23.

Throughout the reporting period, it is imperative to note that there have been no modifications made to the valuation procedure, except for a necessary adjustment pertaining to Other Structures valued at less than \$50,000. This adjustment aligns with the external valuations conducted on Other Structures exceeding the \$50,000 threshold.

Buildings - Non-specialised and specialised

Council's buildings were valued externally by Egan Valuers during 2022/23 using the cost approach for each asset.

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

Roads (including bridges, footpaths, bulk earthworks) and other similar assets

The cost approach using level 3 inputs was used to value these asset classes. An internal revaluation was undertaken at February 2022 based on actual costs and assumptions from Council's Engineering Department.

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

An assessment has been undertaken resulting in indexation being applied to these assets classes for 30 June 2023.

E2-1 Fair value measurement (continued)

Stormwater drainage

Stormwater drainage asset class includes stormwater pits, stormwater pipes and open channels.

These assets were revalued internally during 2019/20 using the cost approach.

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

An assessment has been undertaken resulting in indexation being applied to these assets classes for 30 June 2023.

Sewerage Network

Assets within this class comprise Sewer Mains and Sewerage Treatment Plants.

The cost approach has been adopted to estimate the replacement cost for each componentised asset with different useful lives. These assets are indexed each year in accordance with the NSW Reference Rate Manual for Water Supply, Sewerage and Stormwater Assets as published by the Office of Water.

An in-house valuation of the Sewerage Network was undertaken during 2022/23, and has been valued using the cost method.

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant, equipment, furniture, fittings and office equipment	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Operational land	Market approach	Price per square metre
Community land	Market approach. Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Land improvements - Depreciable	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Buildings (including swimming pools and other recreational buildings)	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Other structures	Cost approach	Unit rates per m2 Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Roads (including bridges, footpaths, bulk earthworks) and other similar assets	Cost approach	Unit rates per m2 Asset condition, remaining useful lives using componentisation.
Stormwater drainage	Cost approach	Unit rates per m2 Asset condition, remaining lives
		Unit rates per m2

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Sewerage network infrastructure	Cost approach	Asset condition, remaining useful lives using componentisation Unit rates per m2 NSW Reference Rate Manual for Water Supply, Sewerage and Stormwater Assets and checked against recent construction costs.
Library books	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Quarry assets	Cost approach	Environmental legislation, timing of expected cash outflow, asset condition
Other	Cost approach	Asset condition, remaining lives

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

\$ '000	2023	2022
Opening balance	174,225	125,109
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	14,907	44,922
Other movements		
Purchases (GBV)	4,129	7,616
Disposals (WDV)	(208)	(16)
Depreciation and impairment	(3,410)	(3,406)
Closing balance	189,643	174,225

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.

CONTINGENT LIABILITIES

Defined benefit plan

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

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

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

Description of the funding arrangements.

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which 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 allocation of any surplus which may be present at the date of withdrawal of an employer.

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$94,854.75. The last formal valuation of the fund was undertaken by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$80,499.84.

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

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

* excluding other accumulation accounts and reserves in both assets and liabilities.

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

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

Investment return	6% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 23/23 2.5% per annum thereafter

* Plus promotional increases

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

CONTINGENT ASSETS

(i) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	936	850
Post-employment benefits	83	79
Other long-term benefits	40	19
Total	1,059	948

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	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2023					
Junee District Co-Operative Society (trading as Junee IGA)	10	1	30 Day Account	-	-
Mark Halliburton - Advanced Roofing & Plumbing	15	-	30 Day Account	-	-
R S Taylor Plumbing Services	113	-	30 Day Account	-	-
2022					
Junee District Co-Operative Society (trading as Junee IGA)	8	1	30 Day Account	-	-
Mark Halliburton - Advanced Roofing & Plumbing	67	-	30 Day Account	-	-
R S Taylor Plumbing Services	88	3	30 Day Account	-	-

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	28	27
Councillors' fees	80	71
Other Councillors' expenses (including Mayor)	19	20
Total	127	118

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
<p>During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms</p>		
<p>Auditors of the Council - NSW Auditor-General:</p>		
<p>(i) Audit and other assurance services</p>		
Audit and review of financial statements	44	37
Remuneration for audit and other assurance services	44	37
Total Auditor-General remuneration	44	37
<p>Non NSW Auditor-General audit firms</p>		
<p>(i) Audit and other assurance services</p>		
Internal audit and other assurance services	11	16
Remuneration for audit and other assurance services	11	16
Total remuneration of non NSW Auditor-General audit firms	11	16
Total audit fees	55	53

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	4,521	4,560
Add / (less) non-cash items:		
Depreciation and amortisation	3,676	3,689
(Gain) / loss on disposal of assets	167	(1,115)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(25)	(54)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	1,589	(1,598)
Increase / (decrease) in provision for impairment of receivables	(2)	55
(Increase) / decrease of inventories	(133)	25
Increase / (decrease) in payables	(104)	672
Increase / (decrease) in other accrued expenses payable	157	(206)
Increase / (decrease) in other liabilities	28	–
Increase / (decrease) in contract liabilities	1,145	1,299
Increase / (decrease) in employee benefit provision	140	(225)
Increase / (decrease) in other provisions	5	18
Net cash flows from operating activities	11,164	7,120

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings	1,091	680
Plant and equipment	433	203
Road infrastructure	2,763	1,135
Sewerage Treatment Plant	276	95
Other	270	–
Total commitments	4,833	2,113
These expenditures are payable as follows:		
Within the next year	4,833	2,113
Total payable	4,833	2,113

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

	Opening balance at 1 July 2022 Restated	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
\$ '000									
S7.12 levies – under a plan	210	168	–	–	–	–	–	378	–
Total S7.12 revenue under plans	210	168	–	–	–	–	–	378	–
Total contributions	210	168	–	–	–	–	–	378	–

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.

S7.12 Levies – under a plan

	Opening balance at 1 July 2022 Restated	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
\$ '000									
Contribution Plan 2021 - 2026									
Civil Infrastructure - K&G	–	53	–	–	–	–	–	53	–
Civil Infrastructure - Footpaths	70	5	–	–	–	–	–	75	–
Community Facilities - JJRAC	140	10	–	–	–	–	–	150	–
Open Space & Recreation	–	100	–	–	–	–	–	100	–
Total	210	168	–	–	–	–	–	378	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,259	11.00%	9.30%	(3.33)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	20,541				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	10,856	47.32%	53.78%	48.92%	> 60.00%
Total continuing operating revenue ¹	22,944				
3. Unrestricted current ratio					
Current assets less all external restrictions	7,083	2.90x	2.58x	2.02x	> 1.50x
Current liabilities less specific purpose liabilities	2,441				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,349	6.09x	4.41x	2.23x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,043				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	585	8.48%	7.43%	9.83%	< 10.00%
Rates and annual charges collectable	6,899				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	12,745	9.40	4.73	2.81	> 3.00
Monthly payments from cash flow of operating and financing activities	1,356	months	months	months	months

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2023	2022	2023	2022	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	11.20%	11.12%	8.13%	(17.75)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹	43.95%	50.95%	100.00%	100.00%	> 60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	2.90x	2.58x	7.93x	6.16x	> 1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.35x	4.56x	3.95x	2.87x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	7.86%	6.51%	12.09%	13.26%	< 10.00%
Rates and annual charges collectable					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	8.38	3.78	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	months	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 sewer activities which are listed separately.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Junee Shire Council

To the Councillors of Junee Shire Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting assets and buildings

As disclosed in Note C1-6 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment and buildings located on land that is controlled and recognised by the Council as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 21 August 2007
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

Rural fire-fighting buildings are controlled by the Council where the buildings are located on land that is controlled and recognised by the Council. This gives the Council the ability to allow or prevent other entities from directing the use of, and obtaining the benefits from these assets.

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

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

- support the carrying values of rural fire-fighting equipment and buildings located on land that is controlled and recognised by the Council that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Hong Wee Soh
Delegate of the Auditor-General for New South Wales

24 October 2023
SYDNEY



Cr Bob Callow
Mayor
Junee Shire Council
PO Box 93
SYDNEY NSW 2000

Contact: Hong Wee Soh
Phone no: 02 9275 7397
Our ref: R008-16585809-46633/1745

24 October 2023

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment and buildings

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 21 August 2007
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

Rural fire-fighting buildings are controlled by the Council where the buildings are located on land that is controlled and recognised by the Council. This gives the Council the ability to allow or prevent other entities from directing the use of, and obtaining the benefits from these assets.

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

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

This has resulted in the audit opinion on the Council's 30 June 2023 GPFS to be modified.

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

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	6.3	6.1	↑ 3.3
Grants and contributions revenue	12.1	9.5	↑ 27.4
Operating result from continuing operations	4.5	4.6	↓ 2.2
Net operating result before capital grants and contributions	2.1	2.9	↓ 27.6

Rates and annual charges revenue (\$6.3 million) increased by \$0.2 million (3.3 per cent) in 2022–23, due to increase in rateable properties and the IPART approved increase of 2.5 per cent.

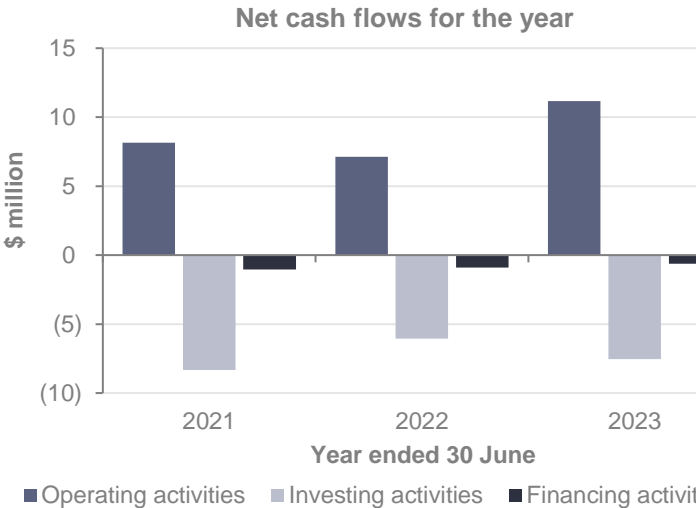
Grants and contributions revenue (\$12.1 million) increased by \$2.6 million (27.4 per cent) in 2022–23 due to \$3.8 million increase in transport grants.

The Council's operating result from continuing operations \$4.5 million (including depreciation and amortisation expense of \$3.7 million) was \$0.1 million lower than the 2021–22 result.

The net operating result before capital grants and contributions (\$2.1 million) was \$0.8 million lower than the 2021–22 result, due to net gain from disposal of assets of \$1.1 million in 2021-22.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$6.7 million at 30 June 2023 (\$3.7 million at 30 June 2022). There was a net increase in cash and cash equivalents of \$3.0 million during 2022-23 financial year.
- Net cash provided by operating activities has increased by \$4.0 million. The increase is due to the increase in grants and contributions receipts.
- Net cash used in investing activities has increased by \$1.5 million. The increase is due to:
 - proceeds from sale of real estate assets of \$1.9 million in 2021-22,
 - lower purchase of infrastructure, property, plant and equipment by \$2.0 million
 - increase in acquisition of term deposit investments of \$2.0 million
- There were no significant movement in the net cash flows from financing activities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	12.7	5.7	<ul style="list-style-type: none"> • Externally restricted cash and investments comprise mainly specific purpose unexpended grants and sewer fund. The externally restricted funds as at 30 June 2023 has increased due to increase in specific purpose unexpended grants by \$3.3 million. • Internal allocations are determined by council policies or decisions, which are subject to change. The increase is mainly due to the increase in Financial Assistance Grant allocation of \$3.0 million paid in advance.
Restricted and allocated cash, cash equivalents and investments:			
<ul style="list-style-type: none"> • External restrictions • Internal allocations 	7.3 5.3	3.7 1.8	

Debt

Council has \$7.8 million of borrowings as at 30 June 2023 (2022: \$8.1 million). The decrease in 2023 relates to payment of borrowings (\$0.3 million) with no additional new loans.

Council has a \$0.3 million bank overdraft facility (2022: \$0.3 million), which was not drawn as at 30 June 2023 and 30 June 2022.

PERFORMANCE

Performance measures

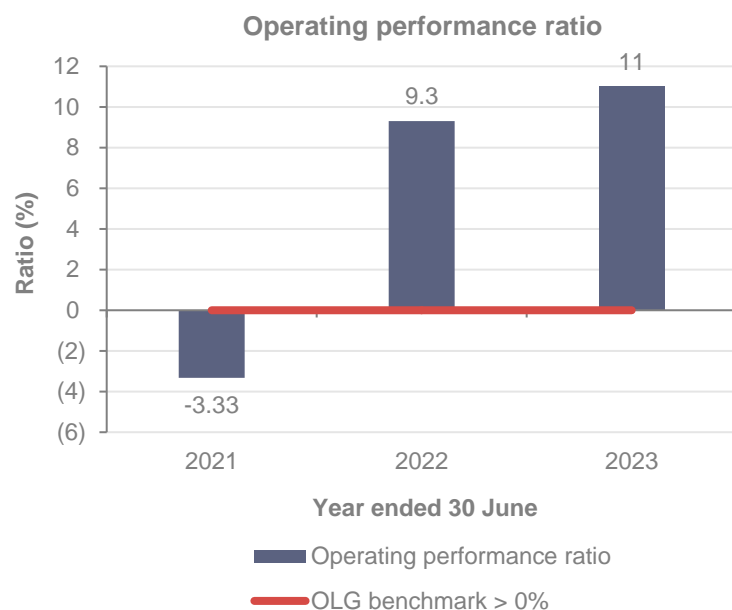
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

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

The operating performance ratio increased to 11.00 per cent (2022: 9.30 per cent) due to the increase in operating grants received.

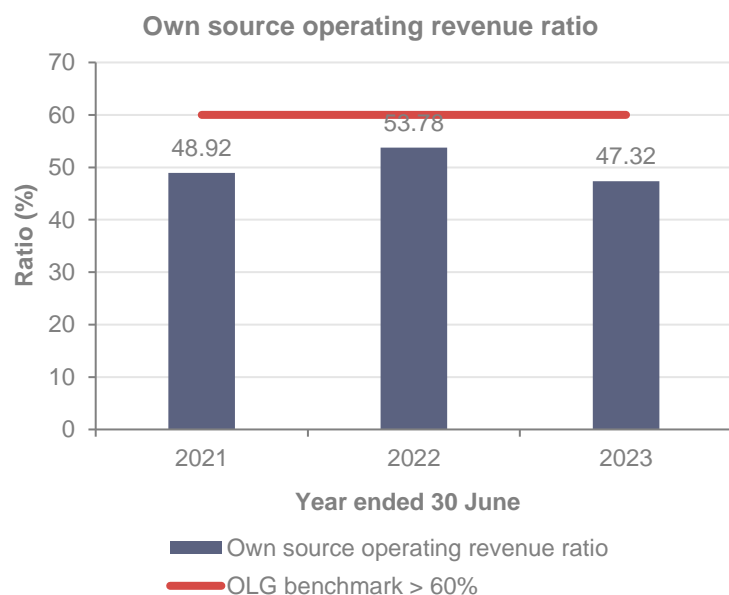


Own source operating revenue ratio

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

Council did not meet the OLG benchmark for the current reporting period. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.

The own source operating revenue ratio has decreased in 2023, due to the overall increase in grants and contributions revenue of \$2.6 million.

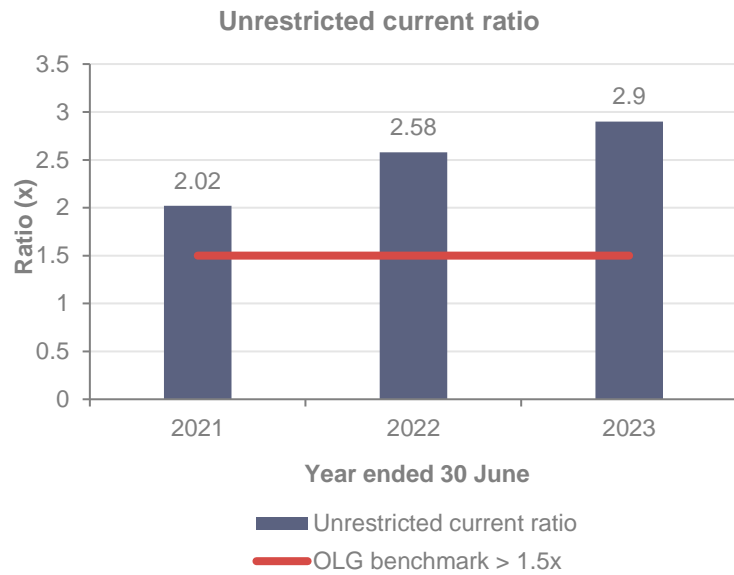


Unrestricted current ratio

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

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

Council's unrestricted current ratio has improved, due to the increase in current assets from increase in cash and cash equivalents and investments balance from the Financial Assistance Grant of \$3.7 million paid in advance at 30 June 2023 (2022: \$2.5 million).

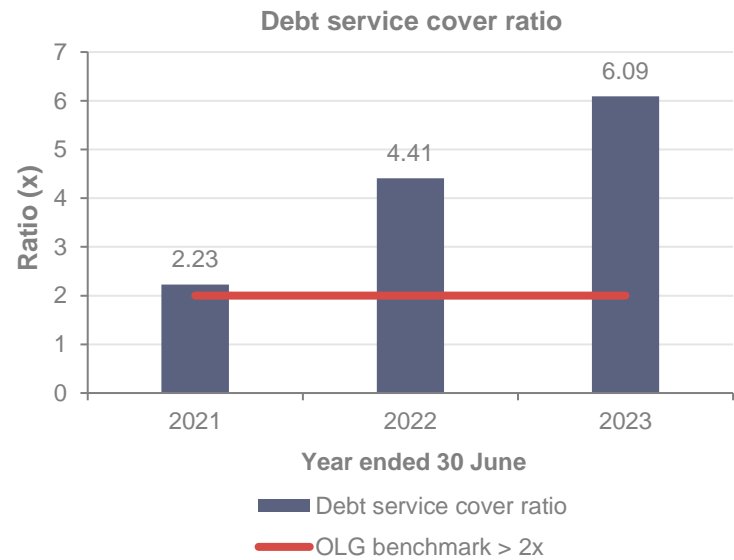


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period. This indicates that the Council has sufficient operating revenue to service its debts.

The debt service cover ratio increased to 6.09 times (2022: 4.41 times) due to reduced loan repayments.

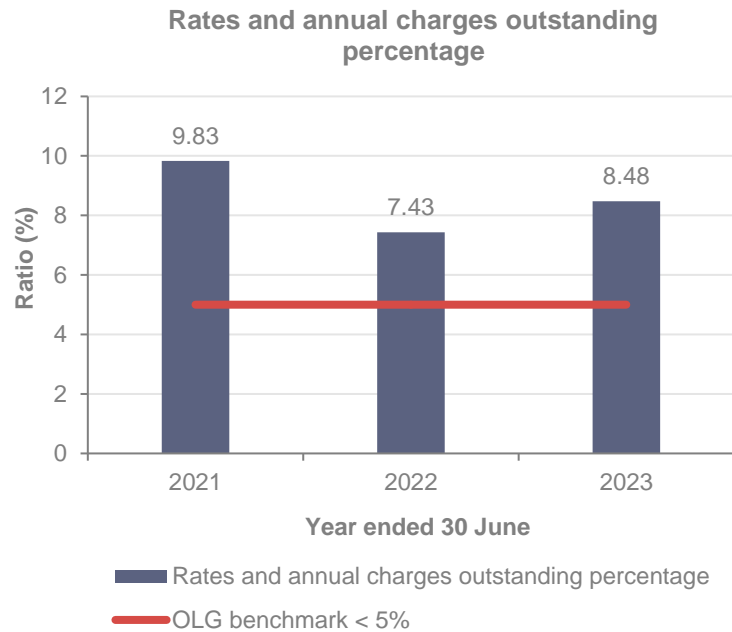


Rates and annual charges outstanding percentage

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

The Council met the OLG benchmark for the current reporting period which is a reflection of sound debt recovery procedures at the Council.

The rates and annual charges outstanding percentage has increased from the previous year, but still remains below the OLG benchmark.

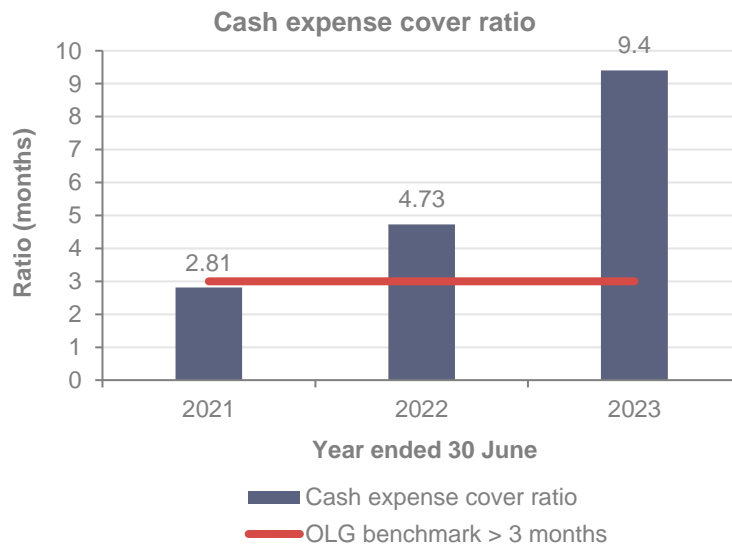


Cash expense cover ratio

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

The Council's cash expense cover ratio was 9.40 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 9.40 months of operating cash expenditure without additional cash inflows at 30 June 2023.

The cash expense cover ratio has increased due to increase in cash and cash equivalent and investment by \$7.0 million.



Infrastructure, property, plant and equipment renewals

The Council renewed \$1.4 million of assets in the 2022-23 financial year, compared to \$3.4 million of assets in the 2021-22 financial year. This decline is largely due to \$0.8 million decrease in bulk earthworks and \$1.2 million decrease in capital work in progress.

OTHER MATTERS

Legislative compliance

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

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

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



Hong Wee Soh
Delegate of the Auditor-General for New South Wales

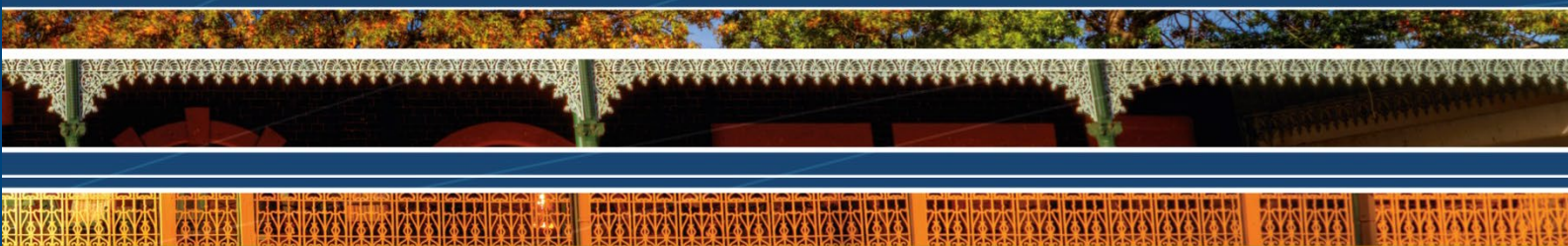
cc: Mr James Davis, General Manager
Mr Luke Taberner, Chief Financial Officer
Mr Steve McGrath, Chair of the Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning and Environment



JUNEE SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2023



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Income Statement of sewerage business activity	4
Statement of Financial Position of sewerage business activity	5
Note – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	9

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).

Junee Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

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

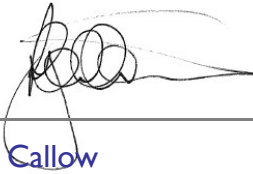
- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections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

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

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

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

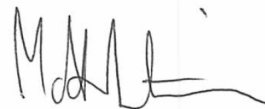
Signed in accordance with a resolution of Council made on 19 September 2023.



Cr Bob Callow

Mayor

19 September 2023



Cr Matt Austin

Councillor

19 September 2023



James Davis

General Manager

19 September 2023



Luke Taberner

Responsible Accounting Officer

19 September 2023

Junee Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	875	804
User charges	466	365
Interest	37	9
Other income	–	5
Total income from continuing operations	1,378	1,183
Expenses from continuing operations		
Employee benefits and on-costs	363	253
Materials and services	359	591
Borrowing costs	115	118
Depreciation, amortisation and impairment	227	431
Loss from the disposal of assets	202	–
Total expenses from continuing operations	1,266	1,393
Surplus (deficit) from continuing operations before capital amounts	112	(210)
Surplus (deficit) from continuing operations after capital amounts	112	(210)
Surplus (deficit) from all operations before tax	112	(210)
Less: corporate taxation equivalent (25%) [based on result before capital]	(28)	–
Surplus (deficit) after tax	84	(210)
Plus accumulated surplus	9,143	9,353
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	28	–
Closing accumulated surplus	9,255	9,143
Return on capital %	1.0%	(0.5)%
Subsidy from Council	674	806
Calculation of dividend payable:		
Surplus (deficit) after tax	84	(210)
Surplus for dividend calculation purposes	84	–
Potential dividend calculated from surplus	42	–

Junee Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	1,384	1,156
Receivables	122	107
Total current assets	1,506	1,263
Non-current assets		
Infrastructure, property, plant and equipment	22,409	19,504
Total non-current assets	22,409	19,504
Total assets	23,915	20,767
LIABILITIES		
Current liabilities		
Borrowings	59	57
Employee benefit provisions	131	148
Total current liabilities	190	205
Non-current liabilities		
Borrowings	2,526	2,586
Employee benefit provisions	6	3
Total non-current liabilities	2,532	2,589
Total liabilities	2,722	2,794
Net assets	21,193	17,973
EQUITY		
Accumulated surplus	9,255	9,144
Revaluation reserves	11,938	8,829
Total equity	21,193	17,973

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Junee Sewerage Service with gross operating turnover less than \$2 million

Comprising the activities and net assets of Council's Sewerage Reticulation & Treatment Operations servicing the town of Junee.

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 (%)

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

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

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

In accordance with section 4 of Department of Planning and Environment (DPE) - Water's regulatory and assurance framework, 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.

Note – Significant Accounting Policies (continued)

The payment of taxation equivalent charges, referred to in the regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to sections 3 and 4 of DPE – Water's regulatory and assurance framework is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25% (21/22 25%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water's regulatory and assurance framework and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

Note – Significant Accounting Policies (continued)

In accordance with section 4 of DPE - Water's regulatory and assurance framework, statement of compliance and statement of dividend payment, dividend payment form and unqualified independent financial audit report are submitted to DPE – Water.



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

To the Councillors of Junee Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Junee Shire Council's (the Council) Declared Business Activity, Sewerage Business Activity, which comprise the Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of the Declared Business Activity as at 30 June 2023 and the Significant accounting policies note.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2023, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Hong Wee Soh
Delegate of the Auditor-General for New South Wales

24 October 2023
SYDNEY



JUNEE SHIRE COUNCIL

SPECIAL SCHEDULES

For the year ended 30 June 2023



Junee Shire Council

Special Schedules

for the year ended 30 June 2023

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Junee Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	4,304	4,438
Plus or minus adjustments ²	b	27	17
Notional general income	c = a + b	4,331	4,455
Permissible income calculation			
Special variation percentage ³	d	0.00%	13.70%
Or rate peg percentage	e	2.50%	3.80%
Plus special variation amount	h = d x (c + g)	–	610
Or plus rate peg amount	i = e x (c + g)	108	169
Sub-total	k = (c + g + h + i + j)	4,439	5,234
Plus (or minus) last year's carry forward total	l	(1)	–
Sub-total	n = (l + m)	(1)	–
Total permissible income	o = k + n	4,438	5,234
Less notional general income yield	p	4,438	5,234
Catch-up or (excess) result	q = o – p	1	1
Carry forward to next year ⁶	t = q + r – s	1	1

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Junee Shire Council

To the Councillors of Junee Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

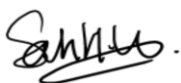
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Hong Wee Soh
Delegate of the Auditor-General for New South Wales

24 October 2023
SYDNEY

Junee Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Council offices / Administration Centres	7	7	55	81	1,057	2,967	0.0%	7.8%	92.2%	0.0%	0.0%
	Council Works Depot	17	17	50	66	356	1,915	1.1%	8.9%	33.3%	41.1%	15.5%
	Council Public Halls	445	445	109	107	2,354	7,814	8.5%	0.0%	0.0%	91.5%	0.0%
	Council Houses	54	54	17	7	392	868	39.2%	28.6%	0.0%	32.3%	0.0%
	Museum	13	13	62	14	545	3,430	8.2%	0.0%	0.0%	91.9%	0.0%
	Library	–	–	31	17	1,086	1,903	0.0%	100.0%	0.0%	0.0%	0.0%
	Amenities/Toilets	33	33	74	26	1,708	3,559	0.9%	58.4%	38.5%	2.1%	0.0%
	Recreation Centre	40	40	147	988	3,201	7,476	4.0%	0.0%	95.0%	0.0%	0.9%
	Other	96	96	62	–	1,790	2,666	83.8%	10.4%	0.0%	4.9%	0.9%
	Sub-total	705	705	607	1,306	12,489	32,598	11.9%	15.1%	36.4%	35.5%	1.1%
Other structures	Other structures	95	95	229	132	2,520	4,748	41.8%	32.4%	13.0%	10.8%	2.1%
	Swimming Pool	36	36	55	124	1,845	2,779	20.9%	79.1%	0.0%	0.0%	0.0%
	Sub-total	131	131	284	256	4,365	7,527	34.1%	49.7%	8.2%	6.8%	1.2%
Roads	Bridges	369	369	127	–	8,598	13,314	0.0%	71.8%	21.4%	6.8%	(0.0%)
	Footpaths	62	62	73	29	2,468	3,729	10.2%	63.6%	24.4%	1.8%	0.0%
	Kerb & Gutter	251	251	71	2	2,753	5,390	14.9%	35.5%	38.6%	10.9%	0.0%
	Sealed Roads Structure	1,402	1,402	679	905	82,103	108,895	34.5%	45.5%	18.5%	1.5%	(0.0%)
	Sealed Roads Surface	193	193	583	525	6,532	12,211	43.4%	37.2%	16.4%	3.1%	0.0%
	Unsealed roads	584	584	255	675	24,341	28,229	10.4%	60.0%	26.6%	2.9%	0.0%
	Sub-total	2,861	2,861	1,788	2,136	126,086	171,768	27.4%	49.4%	20.7%	2.5%	0.0%
Sewerage network	Mains	2,627	2,627	132	201	11,146	18,692	37.9%	3.7%	3.2%	55.1%	0.1%
	Treatment	–	–	101	355	10,520	11,454	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	2,627	2,627	233	556	22,376	30,146	61.5%	2.3%	2.0%	34.2%	0.0%
Stormwater drainage	Pipes/Culverts	14	14	44	37	2,487	4,977	2.0%	96.1%	1.0%	0.9%	(0.0%)
	Urban Drainage Infrastructure	144	144	126	89	8,844	14,889	18.6%	66.1%	14.3%	1.0%	0.0%
	Sub-total	158	158	170	126	11,330	19,866	14.4%	73.6%	11.0%	1.0%	0.0%
	Total – all assets	6,482	6,482	3,082	4,380	176,646	261,905	28.6%	41.6%	19.4%	10.3%	0.1%

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

Junee Shire Council

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

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

Junee Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	1,398	45.11%	112.05%	144.54%	> 100.00%
Depreciation, amortisation and impairment	3,099				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	6,482	3.63%	5.90%	4.39%	< 2.00%
Net carrying amount of infrastructure assets	178,666				
Asset maintenance ratio					
Actual asset maintenance	4,380	142.12%	101.91%	142.39%	> 100.00%
Required asset maintenance	3,082				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	6,482	2.47%	5.80%	2.82%	
Gross replacement cost	261,905				

(*) 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.

Junee Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Sewer fund		Benchmark
	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio					
Asset renewals ¹					
Depreciation, amortisation and impairment	48.68%	130.47%	0.00%	0.00%	> 100.00%
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	2.47%	3.46%	11.74%	24.49%	< 2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	134.22%	96.96%	238.63%	153.88%	> 100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost	1.66%	3.62%	8.71%	16.51%	

(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.