

Walgett Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



Walgett Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



Walgett Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	87
On the Financial Statements (Sect 417 [3])	90

Walgett Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Walgett Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

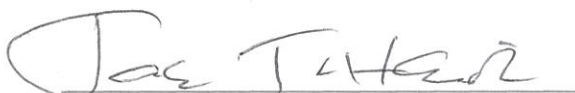
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

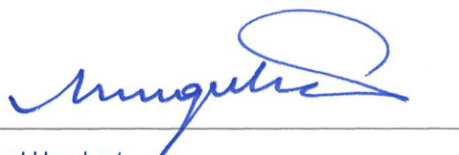
Signed in accordance with a resolution of Council made on 30 August 2022.



Jane Keir
Mayor
30 August 2022



Greg Rummary
Deputy Mayor
30 August 2022



Michael Urquhart
General Manager
30 August 2022



Tony Hughes
Responsible Accounting Officer
12 September 2022

Walgett Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Income from continuing operations				
9,828	Rates and annual charges	B2-1	9,696	9,418
5,985	User charges and fees	B2-2	1,983	6,903
2,270	Other revenues	B2-3	704	1,350
11,280	Grants and contributions provided for operating purposes	B2-4	17,477	17,470
12,466	Grants and contributions provided for capital purposes	B2-4	2,871	5,895
409	Interest and investment income	B2-5	510	475
1	Other income	B2-6	237	256
–	Net share of interests in joint ventures and associates using the equity method	D2a	–	41
42,239	Total income from continuing operations		33,478	41,808
Expenses from continuing operations				
8,505	Employee benefits and on-costs	B3-1	8,652	8,906
11,589	Materials and services	B3-2	15,260	18,588
102	Borrowing costs	B3-3	305	288
7,675	Depreciation, amortisation and impairment of non-financial assets	B3-4	7,085	6,334
4,477	Other expenses	B3-5	1,388	2,195
–	Net loss from the disposal of assets	B4-1	249	51
–	Net share of interests in joint ventures and associates using the equity method	D2a	40	–
32,348	Total expenses from continuing operations		32,979	36,362
9,891	Operating result from continuing operations		499	5,446
9,891	Net operating result for the year attributable to Council		499	5,446
Net operating result for the year before grants and contributions provided for capital purposes				
(2,575)			(2,372)	(449)

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

Walgett Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Net operating result for the year – from Income Statement		499	5,446
Other comprehensive income:			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	44,295	437
Total items which will not be reclassified subsequently to the operating result		44,295	437
Total other comprehensive income for the year		44,295	437
Total comprehensive income for the year attributable to Council		44,794	5,883

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

Walgett Shire Council

Statement of Financial Position

as at 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	9,116	11,040
Investments	C1-2	18,000	16,500
Receivables	C1-4	9,683	10,175
Inventories	C1-5	835	1,020
Other	C1-7	43	26
Total current assets		37,677	38,761
Non-current assets			
Investments	C1-2	9,000	6,000
Receivables	C1-4	60	80
Infrastructure, property, plant and equipment (IPPE)	C1-6	359,299	315,936
Right of use assets	C2-1	33	109
Investments accounted for using the equity method	D2-1	664	704
Total non-current assets		369,056	322,829
Total assets		406,733	361,590
LIABILITIES			
Current liabilities			
Payables	C3-1	3,364	2,087
Contract liabilities	C3-2	5,552	4,151
Lease liabilities	C2-1	26	78
Borrowings	C3-3	423	527
Employee benefit provisions	C3-4	1,922	2,221
Total current liabilities		11,287	9,064
Non-current liabilities			
Lease liabilities	C2-1	6	33
Borrowings	C3-3	913	1,336
Employee benefit provisions	C3-4	88	145
Provisions	C3-5	3,885	5,252
Total non-current liabilities		4,892	6,766
Total liabilities		16,179	15,830
Net assets		390,554	345,760
EQUITY			
Accumulated surplus		129,048	128,549
IPPE revaluation reserve	C4-1	261,506	217,211
Council equity interest		390,554	345,760
Total equity		390,554	345,760

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

Walgett Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		128,549	217,211	345,760	123,103	216,774	339,877
Net operating result for the year		499	–	499	5,446	–	5,446
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	44,295	44,295	–	437	437
Other comprehensive income		–	44,295	44,295	–	437	437
Total comprehensive income		499	44,295	44,794	5,446	437	5,883
Closing balance at 30 June		129,048	261,506	390,554	128,549	217,211	345,760

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

Walgett Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
9,763	Rates and annual charges		9,350	9,391
7,001	User charges and fees		2,705	7,125
413	Interest received		476	551
23,714	Grants and contributions		22,165	25,070
–	Bonds, deposits and retentions received		–	6
2,293	Other		2,404	4,314
<i>Payments:</i>				
(8,435)	Payments to employees		(9,077)	(8,821)
(11,755)	Payments for materials and services		(16,718)	(22,560)
(91)	Borrowing costs		(78)	(111)
–	Bonds, deposits and retentions refunded		(15)	–
(4,562)	Other		(3,115)	(1,451)
18,341	Net cash flows from operating activities	G1-1	8,097	13,514
Cash flows from investing activities				
<i>Receipts:</i>				
700	Redemption of term deposits		18,500	34,500
650	Proceeds from sale of IPPE		125	91
–	Deferred debtors receipts		28	30
<i>Payments:</i>				
–	Acquisition of term deposits		(23,000)	(36,000)
(22,711)	Payments for IPPE		(5,068)	(12,955)
(21,361)	Net cash flows from investing activities		(9,415)	(14,334)
Cash flows from financing activities				
<i>Receipts:</i>				
1,920	Proceeds from borrowings		–	–
<i>Payments:</i>				
(593)	Repayment of borrowings		(527)	(743)
–	Principal component of lease payments		(79)	(20)
1,327	Net cash flows from financing activities		(606)	(763)
(1,693)	Net change in cash and cash equivalents		(1,924)	(1,583)
6,617	Cash and cash equivalents at beginning of year		11,040	12,623
4,924	Cash and cash equivalents at end of year	C1-1	9,116	11,040
20,540	plus: Investments on hand at end of year	C1-2	27,000	22,500
25,464	Total cash, cash equivalents and investments		36,116	33,540

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

Walgett Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	15
B1 Functions or activities	15
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
B2 Sources of income	17
B2-1 Rates and annual charges	17
B2-2 User charges and fees	18
B2-3 Other revenues	19
B2-4 Grants and contributions	20
B2-5 Interest and investment income	23
B2-6 Other income	23
B3 Costs of providing services	24
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	25
B3-3 Borrowing costs	25
B3-4 Depreciation, amortisation and impairment of non-financial assets	26
B3-5 Other expenses	27
B4 Gains or losses	28
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
B5 Performance against budget	29
B5-1 Material budget variations	29
C Financial position	31
C1 Assets we manage	31
C1-1 Cash and cash equivalents	31
C1-2 Financial investments	31
C1-3 Restricted and allocated cash, cash equivalents and investments	33
C1-4 Receivables	35
C1-5 Inventories	37
C1-6 Infrastructure, property, plant and equipment	39
C1-7 Other	43
C2 Leasing activities	44
C2-1 Council as a lessee	44
C2-2 Council as a lessor	46
C3 Liabilities of Council	47
C3-1 Payables	47
C3-2 Contract Liabilities	48
C3-3 Borrowings	49
C3-4 Employee benefit provisions	51
C3-5 Provisions	53

Walgett Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

C4 Reserves	55
C4-1 Nature and purpose of reserves	55
D Council structure	56
D1 Results by fund	56
D1-1 Income Statement by fund	56
D1-2 Statement of Financial Position by fund	57
D2 Interests in other entities	58
D2-1 Interests in joint arrangements	58
E Risks and accounting uncertainties	61
E1-1 Risks relating to financial instruments held	61
E2-1 Fair value measurement	65
E3-1 Contingencies	72
F People and relationships	75
F1 Related party disclosures	75
F1-1 Key management personnel (KMP)	75
F1-2 Councillor and Mayoral fees and associated expenses	77
F2 Other relationships	78
F2-1 Audit fees	78
G Other matters	79
G1-1 Statement of Cash Flows information	79
G2-1 Commitments	80
G3-1 Events occurring after the reporting date	80
G4 Statement of performance measures	81
G4-1 Statement of performance measures – consolidated results	81
G4-2 Statement of performance measures by fund	82
H Additional Council disclosures (unaudited)	84
H1-1 Statement of performance measures – consolidated results (graphs)	84
H1-2 Council information and contact details	86

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 30 August 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated landfill and gravel pit remediation provisions – refer Note C3-5
- (iii) 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 held in the Council's Trust Fund.

A1-1 Basis of preparation (continued)

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

General purpose operations

Water Supply Fund

Walgett Water Supply Service

Lightning Ridge Water Supply Service

Collarenebri Water Supply Service

Villages Water Supply Service

Sewerage Fund

Walgett Sewerage Service

Lightning Ridge Sewerage Service

Collarenebri Sewerage Service

Domestic Waste Management Fund

The Trust Fund

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

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

The following Trust monies and properties are held by Council and are included in these financial statements:

Lightning Ridge Bore Baths Committee

Namoi Village Bingo - V Boney

Lightning Ridge Cemetery (Bequest)

Mooribul Day

Walgett Meals on Wheels

Burren Junction Hall Committee

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 Lightning Ridge Visitor Information Centre utilises a number of volunteers to assist visitors to the area. Council remits a stipend to these volunteers in recognition of their service to Walgett Shire's tourism industry. Any shortfall between the payment of this stipend and staff wages is considered immaterial to Council's financial statements.

A1-1 Basis of preparation (continued)

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2021:

- *AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- *AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*
- *AASB 2020-7 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions: Tier 2 disclosures [AASB 16 and AASB 1060]*
- *AASB 2021-3 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021*
- *AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*

There has been no material impact on the adoption of these standards on Council's financial statements.

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.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Functions or activities										
Community	1,148	1,419	4,618	6,034	(3,470)	(4,615)	610	884	–	–
Economic Development	468	1,331	3,934	4,374	(3,466)	(3,043)	160	221	–	–
Governance and Civic Leadership	12,958	11,324	6,288	4,342	6,670	6,982	6,571	4,838	73,942	58,814
Sustainable Living	14,003	8,435	5,251	15,582	8,752	(7,147)	43	13,422	74,069	69,803
Infrastructure	4,901	19,299	12,888	6,030	(7,987)	13,269	12,964	4,000	258,722	232,973
Total functions and activities	33,478	41,808	32,979	36,362	499	5,446	20,348	23,365	406,733	361,590

B1-2 Components of functions or activities

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

Community

- Develop a connected, informed, resilient and inviting community
- A safe, active and healthy Shire

Economic Development

- An attractive environment for business, tourism and industry
- Employment opportunities that supports local industries
- An efficient network of arterial roads and supporting infrastructure; town streets and footpaths that are adequate and maintained
- Communities that are well serviced with essential infrastructure

Governance and Civic Leadership

- An accountable and representative Council
- Implement governance and financial management process that support the effective administration of Council
- Promote community involvement in Government decision making
- Deliver the goals and strategies of the Community Strategic Plan

Sustainable Living

- Operate an urban waste management system that meets the community needs and environmental standards
- Provide potable and raw water supply systems that ensures enhanced water security and meets health standards
- A sustainable environment that recognises our rivers, natural environment, ecological systems and biodiversity
- Maintain a healthy balance between development and the environment

Infrastructure

- Provide and maintain an effective road network that meets the community needs and expectations
- A Regional and State Road network that is appropriately supported and resourced by the Government
- Maintain and improve Council's property assets to an optimal level
- Provision of facilities and communication services

B2 Sources of income

B2-1 Rates and annual charges

	2022 \$ '000	2021 \$ '000
Ordinary rates		
Residential	1,422	1,401
Farmland	4,032	3,950
Business	354	356
Less: pensioner rebates (mandatory)	(94)	(94)
Rates levied to ratepayers	5,714	5,613
Pensioner rate subsidies received	51	47
Total ordinary rates	5,765	5,660
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,467	1,387
Water supply services	1,564	1,498
Sewerage services	939	914
Less: pensioner rebates (mandatory)	(84)	(82)
Annual charges levied	3,886	3,717
Pensioner subsidies received:		
– Water	11	10
– Sewerage	10	9
– Domestic waste management	24	22
Total annual charges	3,931	3,758
Total rates and annual charges	9,696	9,418

Council has used 01/07/2019 valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

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

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

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

B2-2 User charges and fees

	Timing	2022 \$ '000	2021 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services		1	–
Water supply services	2	448	484
Sewerage services	2	–	1
Total specific user charges		449	485
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	4	26
Planning and building regulation	2	52	74
Private works – section 67	2	6	35
Regulatory/ statutory fees	2	40	34
Section 603 certificates	2	15	13
Other		1	–
Total fees and charges – statutory/regulatory		118	182
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	6	5
Caravan park	2	7	22
Cemeteries	2	65	71
Lease rentals	2	10	–
Multipurpose centre		2	–
Park rents		1	–
Transport for NSW works (state roads not controlled by Council)	2	1,025	5,825
Saleyards	2	2	2
Sundry sales	2	49	50
Swimming centres	2	3	4
Tourism	2	161	200
Waste disposal tipping fees	2	53	44
Water connection fees	2	9	13
Other		23	–
Total fees and charges – other		1,416	6,236
Total other user charges and fees		1,534	6,418
Total user charges and fees		1,983	6,903
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		1,983	6,903
Total user charges and fees		1,983	6,903

Accounting policy

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

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

Council does not charge upfront fees such as membership fees for a leisure centre and so does not recognise the fee on a straightline basis over the expected life of the membership.

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

B2-3 Other revenues

	Timing	2022 \$ '000	2021 \$ '000
Fines	2	2	3
Commissions and agency fees	2	173	159
Diesel rebate	2	61	137
Insurance claims recoveries	2	53	119
Sales of gravel stores	2	25	443
Sales – general	2	73	111
Maintain water and sewer aboriginal communities	2	267	289
Other	2	50	89
Total other revenue		704	1,350

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	704	1,350
Total other revenue	704	1,350

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

		Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,582	2,327	–	–
Financial assistance – local roads component	2	1,075	997	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	3,951	2,511	–	–
Financial assistance – local roads component	2	1,672	1,048	–	–
Amount recognised as income during current year		9,280	6,883	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Bushfire and emergency services	2	25	155	–	–
Child care	2	–	33	–	–
Community care	2	214	129	–	–
Economic development	2	155	220	141	39
Employment and training programs	2	39	–	–	–
Environmental programs	2	–	124	–	4
Floodplain management	2	(13)	63	–	–
Heritage and cultural	2	12	10	–	–
Library	2	55	60	–	–
Library – special projects	2	25	20	–	–
LIRS subsidy	2	30	45	–	–
Recreation and culture	2	–	–	737	1,809
Regional and local infrastructure	1	–	–	16	–
Storm/flood damage	2	3,629	1,243	–	–
Street lighting	2	32	32	–	–
Traffic route subsidy	2	62	62	–	–
Transport (roads to recovery)	2	1,236	1,853	–	–
Transport (other roads and bridges funding)	1	–	–	1,959	3,767
Water supplies	1	28	3,655	2	117
Youth services	2	174	323	–	–
Other specific grants	2	100	76	16	115
Previously contributions:					
Business development	2	5	1	–	–
Recreation and culture	2	–	–	–	18
Roads and bridges	2	–	51	–	26
Transport for NSW contributions (regional roads, block grant)	2	2,389	2,432	–	–
Total special purpose grants and non-developer contributions – cash		8,197	10,587	2,871	5,895
Total special purpose grants and non-developer contributions (tied)		8,197	10,587	2,871	5,895
Total grants and non-developer contributions		17,477	17,470	2,871	5,895

B2-4 Grants and contributions (continued)

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Timing				
Comprising:				
– Commonwealth funding	1,561	2,398	1,153	867
– State funding	15,611	15,019	1,718	4,984
– Other funding	305	53	–	44
	17,477	17,470	2,871	5,895
Total grants and contributions	17,477	17,470	2,871	5,895

Timing of revenue recognition for grants and contributions

Grants and contributions recognised over time (1)	–	–	1,965	1,956
Grants and contributions recognised at a point in time (2)	17,477	17,470	906	3,939
Total grants and contributions	17,477	17,470	2,871	5,895

Unspent grants and contributions

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

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	949	1,381	4,151	1,127
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	927	75	2,786	3,869
Add: Funds received and not recognised as revenue in the current year	–	241	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(305)	(748)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(1,385)	(845)
Unspent funds at 30 June	1,571	949	5,552	4,151

Unexpended capital grants held relate to major projects in progress at the end of the financial year.

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.

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

	2022 \$ '000	2021 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	94	42
– Cash and investments	416	433
Total interest and investment income (losses)	510	475
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	37	17
General Council cash and investments	392	429
Restricted investments/funds – external:		
Water fund operations	38	15
Sewerage fund operations	21	7
Domestic waste management operations	22	7
Total interest and investment income	510	475

Accounting policy

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

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

B2-6 Other income

	Notes	2022 \$ '000	2021 \$ '000
Rental income			
Other lease income			
Room/Facility Hire		72	88
Leaseback fees - council vehicles		40	31
Other		125	137
Total other lease income		237	256
Total rental income	C2-2	237	256
Total other income		237	256

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022 \$ '000	2021 \$ '000
Salaries and wages	6,492	6,875
Travel expenses	1	–
Employee leave entitlements (ELE)	1,142	1,428
Superannuation	715	703
Workers' compensation insurance	314	210
Fringe benefit tax (FBT)	90	93
Training costs (other than salaries and wages)	3	18
Other	1	2
Total employee costs	8,758	9,329
Less: capitalised costs	(106)	(423)
Total employee costs expensed	8,652	8,906
Number of 'full-time equivalent' employees (FTE) at year end	115	114
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	120	125

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

	Notes	2022 \$ '000	2021 \$ '000
Raw materials and consumables		7,684	7,502
Contractor and consultancy costs		12,184	19,182
Audit Fees	F2-1	96	87
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	158	156
Advertising		99	92
Bank charges		21	22
Election expenses		60	–
Electricity and heating		321	362
Insurance		855	784
Office expenses (including computer expenses)		59	57
Printing and stationery		95	66
Street lighting		140	178
Subscriptions and publications		15	78
Telephone and communications		144	162
Tourism expenses (excluding employee costs)		183	201
Valuation fees		120	40
Travel expenses		20	24
Swimming pools		289	322
Training costs (other than salaries and wages)		55	84
Legal expenses:			
– Legal expenses: debt recovery		1	1
– Legal expenses: other		482	64
Expenses from short-term leases		62	78
Total materials and services		23,143	29,542
Less: capitalised costs		(7,883)	(10,954)
Total materials and services		15,260	18,588

Accounting policy

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

B3-3 Borrowing costs

	Notes	2022 \$ '000	2021 \$ '000
(i) Interest bearing liability costs			
Interest on loans		77	107
Total interest bearing liability costs		77	107
Total interest bearing liability costs expensed		77	107
(ii) Other borrowing costs			
– Remediation liabilities	C3-5	228	181
Total other borrowing costs		228	181
Total borrowing costs expensed		305	288

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

	Notes	2022 \$ '000	2021 \$ '000
Depreciation and amortisation	C1-6		
Plant and equipment		656	597
Office equipment		88	30
Infrastructure:			
– Roads		3,003	2,666
– Other structures		1,269	764
– Water supply network		868	743
– Sewerage network		447	442
– Buildings – specialised		279	270
– Stormwater drainage		135	115
– Buildings – non-specialised		115	108
Right of use assets		76	21
Other assets		–	487
Reinstatement, rehabilitation and restoration assets:			
– Tip assets		143	85
– Quarry assets		6	6
Total gross depreciation and amortisation costs		7,085	6,334
Total depreciation and amortisation costs		7,085	6,334
Total depreciation, amortisation and impairment for non-financial assets		7,085	6,334

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

	Notes	2022 \$ '000	2021 \$ '000
Impairment of receivables			
Rates and annual charges		74	92
User charges and fees		3	68
Other		1	18
Total impairment of receivables	C1-4	78	178
Other			
Contributions/levies to other levels of government			
– CMCC noxious weeds		113	111
– Emergency services levy (includes FRNSW, SES, and RFS levies)		324	430
– Regional library		153	150
– Other contributions/levies		9	12
– Community and tourism programs (Section 356)		320	317
Donations, contributions and assistance to other organisations (Section 356)		11	–
– Donations, contributions and assistance (Section 356)		337	481
– Opal & Fossil (Section 356)		–	475
– Other donations, contributions and assistance (Section 356)		1	–
– Far North West Joint Organisation (Section 356)		42	41
Total other		1,310	2,017
Total other expenses		1,388	2,195

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

	Notes	2022 \$ '000	2021 \$ '000
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		125	91
Less: carrying amount of plant and equipment assets sold/written off		(110)	(79)
Gain (or loss) on disposal		15	12
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		18,500	34,500
Less: carrying amount of term deposits sold/redeemed/matured		(18,500)	(34,500)
Gain (or loss) on disposal		–	–
Other Structures assets			
Less: carrying amount of Other structures assets sold/written off	C1-6	(191)	(63)
Gain (or loss) on disposal		(191)	(63)
Roads, bridges and footpath assets			
Less: carrying amount of Roads, bridges and footpaths assets written off		(73)	–
Gain (or loss) on disposal		(73)	–
Net gain (or loss) from disposal of assets		(249)	(51)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	9,828	9,696	(132)	(1)% U
User charges and fees	5,985	1,983	(4,002)	(67)% U
Income from Council's road contract (RMCC) with Transport for NSW was less than budgeting expectations.				
Other revenues	2,270	704	(1,566)	(69)% U
Changes to accounting code moved some income to Other Income classification. The change was not picked up by the budgeting process.				
Operating grants and contributions	11,280	17,477	6,197	55% F
Receipt of operational grants exceeded budgeting expectations.				
Capital grants and contributions	12,466	2,871	(9,595)	(77)% U
Work completed on capital grant funded projects was delayed by adverse weather conditions.				
Interest and investment revenue	409	510	101	25% F
Recent improvements in the economic climate resulted in returns on investment in excess of budgeting expectations.				
Other income	1	237	236	23,600% F
Changes to accounting code moved some income from Other Revenues classification. The change was not picked up by the budgeting process.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Expenses				
Employee benefits and on-costs	8,505	8,652	(147)	(2)% U
Materials and services	11,589	15,260	(3,671)	(32)% U
Changes in the Accounting Code not reflected in the budget.				
Borrowing costs	102	305	(203)	(199)% U
Remediation borrowing costs exceeded budgeting expectations.				
Depreciation, amortisation and impairment of non-financial assets	7,675	7,085	590	8% F
Other expenses	4,477	1,388	3,089	69% F
Changes in the Accounting Code not reflected in the budget.				
Net losses from disposal of assets	–	249	(249)	∞ U
Demolition of assets not predicted at time of budgeting.				
Joint ventures and associates – net losses	–	40	(40)	∞ U
Joint Organisation effect on Council's Income Statement not factored into the budget.				
Statement of cash flows				
Cash flows from operating activities	18,341	8,097	(10,244)	(56)% U
Adverse weather patterns affected operational work patterns.				
Cash flows from investing activities	(21,361)	(9,415)	11,946	(56)% F
Capital work unable to commence or be completed due to adverse weather patterns.				
Cash flows from financing activities	1,327	(606)	(1,933)	(146)% U
Economic depression was under-estimated in budget.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2022 \$ '000	2021 \$ '000
Cash assets		
Cash on hand and at bank	1,801	4,511
Cash equivalent assets		
– Deposits at call	6,315	6,529
– Short-term deposits	1,000	–
Total cash and cash equivalents	9,116	11,040

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	9,116	11,040
Balance as per the Statement of Cash Flows	9,116	11,040

Accounting policy

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

C1-2 Financial investments

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Debt securities at amortised cost				
Long term deposits	18,000	9,000	16,500	6,000
Total	18,000	9,000	16,500	6,000
Total financial investments	18,000	9,000	16,500	6,000
Total cash assets, cash equivalents and investments	27,116	9,000	27,540	6,000

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.

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Financial assets at amortised cost

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Council does not hold any financial assets as available for sale. All financial assets are recognised at cost on the date of investment and Council has the positive intention and ability to hold all financial assets/investments until maturity. Council recognises any such assets at face value at the maturity date.

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

	2022 \$ '000	2021 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	36,116	33,540
Less: Externally restricted cash, cash equivalents and investments	(20,067)	(17,468)
Cash, cash equivalents and investments not subject to external restrictions	16,049	16,072
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	1,224	1,301
Specific purpose unexpended grants – general fund	5,552	4,151
External restrictions – included in liabilities	6,776	5,452
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants (recognised as revenue) – general fund	1,525	899
Specific purpose unexpended grants (recognised as revenue) – water fund	6	12
Specific purpose unexpended grants (recognised as revenue) – domestic waste management	40	38
Water fund	2,307	1,941
Sewer fund	6,966	6,792
Domestic waste management	2,437	2,332
Other	10	2
External restrictions – other	13,291	12,016
Total external restrictions	20,067	17,468

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

	2022 \$ '000	2021 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	16,049	16,072
Less: Internally restricted cash, cash equivalents and investments	(15,761)	(14,325)
Unrestricted and unallocated cash, cash equivalents and investments	288	1,747

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

	2022	2021
	\$ '000	\$ '000
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	3,532	3,777
Infrastructure replacement	371	749
Employees leave entitlement	502	815
Carry over works	372	132
Rehabilitation	320	320
FAG advance	5,623	3,559
Shire Signage	176	176
Local Environmental Plan Update	88	88
Lightning Ridge Urban Expansion Plan	17	17
Regional Infrastructure Program	27	27
Council Elections	8	70
RMCC Contract Warranty	350	350
Tourism, Marketing & Promotion	430	504
Arts Projects	120	120
Economic Development	1,139	1,139
Corporate Restructure	11	11
Matching Government Grants	96	96
Property Maintenance	168	191
Postponed Major Projects	1,306	931
Council Administration Centre Facilities Upgrade	233	233
Walgett Animal Pound	240	240
Other	632	780
Total internal allocations	15,761	14,325

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

	2022	2021
	\$ '000	\$ '000
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	288	1,747

C1-4 Receivables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Rates and annual charges	1,897	–	1,498	–
Interest and extra charges	99	–	68	–
User charges and fees	2,114	–	2,638	–
Accrued revenues				
– Interest on investments	186	–	183	–
Deferred debtors	20	60	28	80
Government grants and subsidies	5,673	–	5,888	–
Net GST receivable	150	–	252	–
Other debtors	1	–	1	–
Total	10,140	60	10,556	80
Less: provision for impairment				
Rates and annual charges	(436)	–	(362)	–
User charges and fees	(21)	–	(19)	–
Total provision for impairment – receivables	(457)	–	(381)	–
Total net receivables	9,683	60	10,175	80
Externally restricted receivables				
Water supply				
– Specific purpose grants	–	–	12	–
– Rates and availability charges	434	–	319	–
– Other	420	–	269	–
Sewerage services				
– Rates and availability charges	228	–	176	–
– Other	4	–	–	–
Domestic waste management	288	–	229	–
Total external restrictions	1,374	–	1,005	–
Unrestricted receivables	8,309	60	9,170	80
Total net receivables	9,683	60	10,175	80

	2022 \$ '000	2021 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	381	391
+ new provisions recognised during the year	76	95
– amounts already provided for and written off this year	–	(105)
Balance at the end of the year	457	381

C1-4 Receivables (continued)

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 2 years past due, whichever occurs first.

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

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

C1-5 Inventories

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	–	–	132	–
Stores and materials	835	–	888	–
Total inventories at cost	835	–	1,020	–
Total inventories	835	–	1,020	–

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Total unrestricted assets	835	–	1,020	–
Total inventories	835	–	1,020	–

(ii) Other disclosures

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(a) Details for real estate development				
Residential	–	–	132	–
Total real estate for resale	–	–	132	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	–	–	132	–
Total costs	–	–	132	–
Total real estate for resale	–	–	132	–

Movements:

Real estate assets at beginning of the year	132	–	132	–
– Transfers in from (out to) Note C1-6	(132)	–	–	–
Total real estate for resale	–	–	132	–

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

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

	2022 \$ '000	2021 \$ '000
Real estate for resale	–	132
	–	132

C1-5 Inventories (continued)

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	4,992	–	4,992	4,751	430	–	–	(1,550)	–	–	–	–	8,623	–	8,623
Plant and equipment	12,969	(7,841)	5,128	–	806	(110)	(656)	–	–	–	–	110	13,909	(8,631)	5,278
Office equipment	1,467	(1,379)	88	–	–	–	(88)	–	–	–	–	–	1,468	(1,468)	–
Land:															
– Operational and Community Land	5,877	–	5,877	–	17	–	–	–	–	–	–	–	5,894	–	5,894
Infrastructure:															
– Buildings – non-specialised	5,379	(1,151)	4,228	–	–	–	(115)	–	–	132	–	694	6,571	(1,632)	4,939
– Buildings – specialised	20,268	(9,816)	10,452	–	–	–	(279)	–	7,348	–	–	8,490	43,706	(17,695)	26,011
– Other structures	29,074	(16,821)	12,253	952	183	(191)	(1,269)	151	1,529	–	–	9,384	35,143	(12,151)	22,992
– Roads inc Bulk earthworks	269,979	(74,920)	195,059	176	–	(73)	(3,003)	1,313	–	–	–	20,914	300,662	(86,276)	214,386
– Stormwater drainage	19,111	(3,863)	15,248	151	–	–	(135)	69	–	–	–	1,021	20,617	(4,263)	16,354
– Water supply network	49,296	(19,705)	29,591	–	–	–	(868)	–	962	–	–	4,600	51,759	(17,474)	34,285
– Sewerage network	30,680	(11,487)	19,193	35	–	–	(447)	–	–	–	(898)	–	31,074	(13,191)	17,883
Other assets:															
– Other	13,815	(4,387)	9,428	–	414	–	–	17	(9,839)	–	(20)	–	–	–	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Quarry assets	266	(48)	218	–	–	–	(6)	–	(87)	–	–	–	179	(54)	125
– Tip assets	4,681	(500)	4,181	–	–	–	(143)	–	(1,509)	–	–	–	3,173	(644)	2,529
Total infrastructure, property, plant and equipment	467,854	(151,918)	315,936	6,065	1,850	(374)	(7,009)	–	(1,596)	132	(918)	45,213	522,778	(163,479)	359,299

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	9,413	—	9,413	274	3,885	—	—	(8,580)	—	4,992	—	4,992
Plant and equipment	12,646	(7,345)	5,301	—	426	(79)	(597)	77	—	12,969	(7,841)	5,128
Office equipment	1,467	(1,349)	118	—	—	—	(30)	—	—	1,467	(1,379)	88
Land:												
– Operational land	5,829	—	5,829	—	46	—	—	2	—	5,877	—	5,877
Infrastructure:												
– Buildings – non-specialised	5,167	(1,043)	4,124	—	212	—	(108)	—	—	5,379	(1,151)	4,228
– Buildings – specialised	19,985	(9,546)	10,439	198	68	—	(270)	17	—	20,268	(9,816)	10,452
– Other structures	28,938	(16,147)	12,791	—	289	(63)	(764)	—	—	29,074	(16,821)	12,253
– Roads inc Bulk Earthworks	259,297	(72,254)	187,043	822	4,258	—	(2,666)	5,602	—	269,979	(74,920)	195,059
– Stormwater drainage	18,725	(3,748)	14,977	—	13	—	(115)	373	—	19,111	(3,863)	15,248
– Water supply network	45,839	(18,782)	27,057	79	427	—	(743)	2,509	262	49,296	(19,705)	29,591
– Sewerage network	30,372	(10,940)	19,432	—	28	—	(442)	—	175	30,680	(11,487)	19,193
Other assets:												
– Other	13,419	(3,900)	9,519	14	382	—	(487)	—	—	13,815	(4,387)	9,428
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	4,253	(415)	3,838	428	—	—	(85)	—	—	4,681	(500)	4,181
– Quarry assets	265	(42)	223	1	—	—	(6)	—	—	266	(48)	218
Total infrastructure, property, plant and equipment	455,615	(145,511)	310,104	1,816	10,034	(142)	(6,313)	—	437	467,854	(151,918)	315,936

(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:

	Useful lives
Equipment, furniture and fittings	3 to 20
Land	Infinite
Infrastructure:	
– Buildings and other structures	20 to 100
– Roads, bridges and footpaths	8 to 100
– Bulk earthworks	Infinite
– Stormwater drainage	80 to 100
– Water supply network	15 to 100
– Sewerage network	15 to 100
– Open space / recreational assets	20
– Other infrastructure	20
Other assets	2 to 15
Tip and quarry assets	20

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

Revaluation model

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

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

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

Land under roads

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

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

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

Crown reserves

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

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".

Walgett Shire Council has reviewed the information on Rural Fire Services "Red Fleet" assets for the year ending 30 June 2022 and has determined the carrying value of these assets to be immaterial and has therefore not disclosed these assets in the financial statements.

The Rural Fire Services land and buildings within the Walgett Local Government Area are accounted for in these statements under the signed agreement with Council's Zone RFS.

Externally restricted infrastructure, property, plant and equipment

	as at 30/06/22			as at 30/06/21		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	863	–	863	614	–	614
Infrastructure	51,759	17,474	34,285	49,296	19,705	29,591
Total water supply	52,622	17,474	35,148	49,910	19,705	30,205
Sewerage services						
WIP	283	–	283	56	–	56
Infrastructure	31,074	13,191	17,883	30,680	11,487	19,193
Total sewerage services	31,357	13,191	18,166	30,736	11,487	19,249
Domestic waste management						
Buildings	110	27	83	48	–	48
Other structures	868	282	586	308	30	278
Other assets	–	–	–	635	242	393
Remediation Assets	2,538	515	2,023	3,687	343	3,344
WIP	–	–	–	35	–	35
Total domestic waste management	3,516	824	2,692	4,713	615	4,098
Total restricted infrastructure, property, plant and equipment	87,495	31,489	56,006	85,359	31,807	53,552

C1-7 Other

Other assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Prepayments	43	–	26	–
Total other assets	43	–	26	–

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Leases are on a short-term basis with the building lease and the lease over IT equipment (photocopiers) expiring in the 2022/23 financial year.

Buildings

Council has leased land and a buildings for their Lightning Ridge Centrelink Agency. The lease is for 3 years with the option to renew for a further 3 years.

The building lease contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The lease is for 3 years with no renewal option, the payments are fixed with an annual CPI increase. Usage costs are additional to the lease contract under a maintenance agreement.

Extension options

Council includes options in building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

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

There are \$64,950 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

	Plant & Equipment \$ '000	Ready to use \$ '000	Total \$ '000
2022			
Opening balance at 1 July	59	50	109
Depreciation charge	(55)	(21)	(76)
Balance at 30 June	4	29	33
2021			
Opening balance at 1 July	59	7	66
Additions to right-of-use assets	—	64	64
Depreciation charge	—	(21)	(21)
Balance at 30 June	59	50	109

(b) Lease liabilities

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Lease liabilities	26	6	78	33
Total lease liabilities	26	6	78	33

C2-1 Council as a lessee (continued)

(c) The maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2022					
Cash flows	26	6	–	32	32
2021					
Cash flows	78	26	7	111	111

(d) Income Statement

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

	2022 \$ '000	2021 \$ '000
Depreciation of right of use assets	76	21
Expenses relating to short-term leases	62	132
	138	153

(e) Statement of Cash Flows

Total cash outflow for leases	(140)	(194)
	(140)	(194)

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

All Council leases at market value which are for:

- Residential housing
- Commercial premises

C2-1 Council as a lessee (continued)

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, these leases have been classified as operating leases for financial reporting purposes and the assets are included in IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

	2022	2021
	\$ '000	\$ '000

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	237	256
Total income relating to operating leases for Council assets	237	256

C3 Liabilities of Council

C3-1 Payables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Goods and services – operating expenditure	802	–	787	–
Goods and services – capital expenditure	1,514	–	263	–
Accrued expenses:				
– Borrowings	4	–	5	–
– Salaries and wages	125	–	98	–
– Other expenditure accruals	168	–	221	–
Advances	92	–	91	–
Security bonds, deposits and retentions	180	–	195	–
Government departments and agencies	–	–	1	–
Prepaid rates	479	–	426	–
Total payables	3,364	–	2,087	–

Payables relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	170	–	145	–
Payables relating to externally restricted assets	170	–	145	–
Total payables relating to restricted assets	170	–	145	–
Total payables relating to unrestricted assets	3,194	–	1,942	–
Total payables	3,364	–	2,087	–

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

		2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	5,552	–	4,151	–
Total grants received in advance		5,552	–	4,151	–
Total contract liabilities		5,552	–	4,151	–

Notes

(i) Council has received funding to construct assets. 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.

Contract liabilities relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	5,552	–	4,151	–
Contract liabilities relating to externally restricted assets	5,552	–	4,151	–
Total contract liabilities relating to restricted assets	5,552	–	4,151	–
Total contract liabilities	5,552	–	4,151	–

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

	2022 \$ '000	2021 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	4,151	1,127
Total revenue recognised that was included in the contract liability balance at the beginning of the period	4,151	1,127

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Loans – secured ¹	423	913	527	1,336
Total borrowings	423	913	527	1,336

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

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

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	Opening Balance \$ '000	Cash flows \$ '000	New loans \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	1,863	(527)	–	–	–	–	1,336
Lease liability (Note C2-1b)	111	(79)	–	–	–	–	32
Total liabilities from financing activities	1,974	(606)	–	–	–	–	1,368

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	New loans \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	2,606	(743)	–	–	–	–	1,863
Lease liability (Note C2-1b)	67	(20)	64	–	–	–	111
Total liabilities from financing activities	2,673	(763)	64	–	–	–	1,974

(b) Financing arrangements

	2022 \$ '000	2021 \$ '000
Total facilities		
Credit cards/purchase cards	23	23
Total financing arrangements	23	23

C3-3 Borrowings (continued)

	2022 \$ '000	2021 \$ '000
Drawn facilities		
– Credit cards/purchase cards	9	7
Total drawn financing arrangements	9	7
Undrawn facilities		
– Credit cards/purchase cards	14	16
Total undrawn financing arrangements	14	16

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 held by Walgett Shire Council with banks are secured by future cash flows.

Bank overdraft

Walgett Shire Council does not have a bank overdraft arrangement.

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Annual leave	913	–	1,027	–
Sick leave	98	–	101	–
Long service leave	886	88	1,066	145
Other leave (time in lieu.)	25	–	27	–
Total employee benefit provisions	1,922	88	2,221	145

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

	2022 \$ '000	2021 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	961	1,110
	961	1,110

Description of and movements in provisions

	ELE provisions				
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	Other (Time in Lieu) \$ '000	Total \$ '000
2022					
At beginning of year	1,027	101	1,211	27	2,366
Additional provisions	583	9	167	–	759
Amounts used (payments)	(579)	–	(267)	(2)	(848)
Remeasurement effects	(118)	(12)	(137)	–	(267)
Total ELE provisions at end of year	913	98	974	25	2,010
2021					
At beginning of year	1,021	105	1,114	20	2,260
Additional provisions	625	–	197	7	829
Amounts used (payments)	(598)	(2)	(85)	–	(685)
Remeasurement effects	(21)	(2)	(15)	–	(38)
Total ELE provisions at end of year	1,027	101	1,211	27	2,366

C3-4 Employee benefit provisions (continued)

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

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,885	–	5,252
Sub-total – asset remediation/restoration	–	3,885	–	5,252
Total provisions	–	3,885	–	5,252

Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	–	2,942	–	3,977
Provisions relating to externally restricted assets	–	2,942	–	3,977
Total provisions relating to restricted assets	–	2,942	–	3,977
Total provisions relating to unrestricted assets	–	943	–	1,275
Total provisions	–	3,885	–	5,252

Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2022		
At beginning of year	5,252	5,252
Unwinding of discount	228	228
Remeasurement effects	(1,595)	(1,595)
Total other provisions at end of year	3,885	3,885
2021		
At beginning of year	4,642	4,642
Unwinding of discount	181	181
Remeasurement effects	429	429
Total other provisions at end of year	5,252	5,252

Nature and purpose of provisions

Asset remediation

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

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
Income from continuing operations			
Rates and annual charges	7,231	1,544	921
User charges and fees	1,258	725	—
Interest and investment revenue	451	38	21
Other revenues	704	—	—
Grants and contributions provided for operating purposes	17,429	38	10
Grants and contributions provided for capital purposes	2,869	2	—
Other income	237	—	—
Total income from continuing operations	30,179	2,347	952
Expenses from continuing operations			
Employee benefits and on-costs	8,170	345	137
Materials and services	13,936	1,014	310
Borrowing costs	305	—	—
Depreciation, amortisation and impairment of non-financial assets	5,770	868	447
Other expenses	1,225	150	13
Net losses from the disposal of assets	249	—	—
Share of interests in joint ventures and associates using the equity method	40	—	—
Total expenses from continuing operations	29,695	2,377	907
Operating result from continuing operations	484	(30)	45
Net operating result for the year	484	(30)	45
Net operating result attributable to each council fund	484	(30)	45
Net operating result for the year before grants and contributions provided for capital purposes	(2,385)	(32)	45

D1-2 Statement of Financial Position by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	837	2,313	5,966
Investments	17,000	–	1,000
Receivables	8,597	854	232
Inventories	835	–	–
Other	43	–	–
Total current assets	27,312	3,167	7,198
Non-current assets			
Investments	9,000	–	–
Receivables	60	–	–
Infrastructure, property, plant and equipment	305,985	35,148	18,166
Investments accounted for using the equity method	664	–	–
Right of use assets	33	–	–
Total non-current assets	315,742	35,148	18,166
Total assets	343,054	38,315	25,364
LIABILITIES			
Current liabilities			
Payables	3,194	170	–
Contract liabilities	5,552	–	–
Lease liabilities	26	–	–
Borrowings	423	–	–
Employee benefit provision	1,922	–	–
Total current liabilities	11,117	170	–
Non-current liabilities			
Lease liabilities	6	–	–
Borrowings	913	–	–
Employee benefit provision	88	–	–
Provisions	3,885	–	–
Total non-current liabilities	4,892	–	–
Total liabilities	16,009	170	–
Net assets	327,045	38,145	25,364
EQUITY			
Accumulated surplus	104,734	12,100	12,214
Revaluation reserves	222,311	26,045	13,150
Council equity interest	327,045	38,145	25,364
Total equity	327,045	38,145	25,364

D2 Interests in other entities

		Council's share of net assets	
		2022 \$ '000	2021 \$ '000
Council's share of net income			
Net share of interests in joint ventures and associates using the equity method – income			
Joint ventures		–	41
Total net share of interests in joint ventures and associates using the equity method – income		–	41
Net share of interests in joint ventures and associates using the equity method – expenses			
Joint ventures		40	–
Total net share of interests in joint ventures and associates using the equity method – expenses		40	–
Total Council's share of net income		(40)	41
Council's share of net assets			
Net share of interests in joint ventures and associates using the equity method – assets			
Joint arrangements		664	704
Total net share of interests in joint ventures and associates using the equity method – assets		664	704
Total Council's share of net assets		664	704

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

	Place of business	Nature of relationship	Interest in ownership		2022 \$ '000	2021 \$ '000
			2022	2021		
Far North Northwest Joint Organisation	Cobar Shire Council	Joint Organisation of 3 councils	33.3%	33.3%	664	704
Total carrying amounts – material joint ventures					664	704

D2-1 Interests in joint arrangements (continued)

Far North West Joint Organisation

Council is a member of the Far North West Joint Organisation (which is a body incorporated under the Local Government Act 1993) along with Cobar Shire Council and Bourke Shire Council.

	Far North Northwest Joint Organisation	
	2022	2021
	\$ '000	\$ '000
Summarised Statement of financial position		
Current assets		
Cash and cash equivalents	2,029	2,990
Investments	4,000	4,000
Other current assets	11	42
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	1,375	1,725
Other current liabilities	229	54
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	2,446	3,143
Net assets	1,990	2,110
Income	1,227	1,809
Interest income	27	45
Other expenses	(1,374)	(1,730)
Profit/(loss) from continuing operations	(120)	124
Profit/(loss) for the period	(120)	124
Total comprehensive income	(120)	124
Summarised Statement of cash flows		
Cash flows from operating activities	(461)	(1,347)
Cash flows from investing activities	–	2,000
Cash flows from financing activities	27	45
Net increase (decrease) in cash and cash equivalents	(434)	698
Reconciliation of the carrying amount		
Opening net assets (1 July)	704	663
Walgett Shire Council's share of 33.33% of Net Assets for 2021/2022	(40)	41
Dividends paid	–	–
Dividends received	–	–
Other adjustments to equity	–	–
Carrying amount	664	704
Council's share of net assets (%)	33.3%	33.3%
Council's share of net assets (\$)	664	704

County Councils

Council is a member of the following county councils (which are bodies incorporated under the Local Government Act 1993):

- Castlereagh Macquarie County Council

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

D2-1 Interests in joint arrangements (continued)

Accounting policy

Council has determined that it has both joint operations and joint ventures.

Joint operations

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

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

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

Joint ventures

Interests in joint ventures are accounted for using the equity method where the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, Council discontinues recognising its share of further losses.

Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

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.

	Carrying value 2022 \$ '000	Carrying value 2021 \$ '000	Fair value 2022 \$ '000	Fair value 2021 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	9,116	11,040	9,116	11,040
Receivables	9,743	10,255	9,743	10,255
Investments				
– Debt securities at amortised cost	27,000	22,500	27,000	22,500
Total financial assets	45,859	43,795	45,859	43,795
Financial liabilities				
Payables	3,364	2,087	3,364	2,087
Loans/advances	1,336	1,863	1,336	1,863
Total financial liabilities	4,700	3,950	4,700	3,950

Fair value is determined as follows:

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

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.

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

(a) Market risk – interest rate and price risk

	2022	2021
	\$ '000	\$ '000
<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	341	313

(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.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2022				
Gross carrying amount	–	254	1,643	1,897
2021				
Gross carrying amount	–	1,330	168	1,498

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	Total \$ '000
2022						
Gross carrying amount	6,243	10	10	7	2,033	8,303
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.03%	0.25%
ECL provision	–	–	–	–	21	21
2021						
Gross carrying amount	6,515	169	9	217	2,228	9,138
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.85%	0.21%
ECL provision	–	–	–	–	19	19

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.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2022							
Payables	0.00%	180	2,705	–	–	2,885	3,364
Borrowings	4.71%	–	474	710	417	1,601	1,336
Lease liabilities	1.42%	–	26	7	–	33	33
Total financial liabilities		180	3,205	717	417	4,519	4,733
2021							
Payables	0.00%	195	1,466	–	–	1,661	2,087
Borrowings	4.90%	–	605	1,060	477	2,142	1,863
Lease liabilities	1.42%	–	78	26	7	111	111
Total financial liabilities		195	2,149	1,086	484	3,914	4,061

Loan agreement breaches

There have been no breaches to loan agreements which have occurred during the reporting year.

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

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:

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-6								
Plant and equipment		30/06/18	30/06/18	5,278	5,128	—	—	5,278	5,128
Office equipment		30/06/18	30/06/18	—	88	—	—	—	88
Operational and community land		30/06/18	30/06/18	5,894	5,877	—	—	5,894	5,877
Buildings – non-specialised		30/06/18	30/06/18	4,939	4,228	—	—	4,939	4,228
Buildings specialised		30/06/18	30/06/18	—	—	26,011	10,452	26,011	10,452
Other structures		30/06/22	30/06/18	—	—	22,992	12,253	22,992	12,253
Roads bridges and footpaths inc Bulk Earthworks		30/06/20	30/06/20	—	—	214,386	195,059	214,386	195,059
Stormwater drainage		30/06/20	30/06/20	—	—	16,354	15,248	16,354	15,248
Water supply network		30/06/22	30/06/17	—	—	34,285	29,591	34,285	29,591
Sewerage network		30/06/22	30/06/17	—	—	17,883	19,193	17,883	19,193
Other assets		30/06/22	30/06/16	—	—	—	9,428	—	9,428
Quarry Assets		30/06/22	30/06/21	—	—	125	218	125	218
Tip Assets		30/06/22	30/06/21	—	—	2,529	4,181	2,529	4,181
Total infrastructure, property, plant and equipment				16,111	15,321	334,565	295,623	350,676	310,944

Non-recurring fair value measurements

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment

Plant and equipment are valued at cost but are disclosed at fair value in the notes excepting major items of plant which were revalued based on observable market values as at 30 June 2018 by Australis Asset Advisory Group. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows: Graders, trucks, rollers, tractors and motor vehicles. These types of assets have been indexed this year using movement in inflation from 2018 to 2022.

Operational, crown and community land

Operational and Community Land are were revalued as at 30 June 2018 to observable market values by Australis Asset Advisory Group. Crown land is based on the Valuer-General's land value as these are representative of actual market values within the Walgett LGA or an average unit rate based on the Land Value for Crown Land.

As these rates are considered to be observable market evidence they have been classified as a Level 2.

Buildings – specialised

Specialised buildings were valued by Australis Asset Advisory Group as at 30th June 2018, at Fair or Market Value.

This approach estimated the fair value for each building by either componentising the building into significant parts where there was not a comparable building within the Walgett LGA or by using observable market prices for comparable properties within the Walgett LGA..

All buildings were physically inspected and elements such as useful life reassessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2023. These assets have been indexed this year from 2018 to 2022 using the NSW Non-residential building construction index. These assets have been classified as Level 2 valuation inputs.

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

Buildings - non-specialised

Non Specialised buildings were valued by Australis Asset Advisory Group as at 30th June 2018, at Fair Value.

This approach estimated the fair value for each building by componentising the building into significant parts.

All buildings were physically inspected and elements such as useful life reassessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2023. These assets have been indexed this year from 2018 to 2022 using the NSW Non-residential building construction index. These assets have been classified as Level 3 valuation inputs.

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

E2-1 Fair value measurement (continued)

Other structures

Other Structures were valued by APV Valuers & Asset Management as at 30th June 2022, at Fair Value.

These assets have been classified as Level 3 valuation inputs.

Examples of assets within these classes are as follows:

Waste Depot, Structures other than Buildings and Sale Yards

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

Roads

Roads comprise of road carriageway, roadside shoulders, islands, kerb and guttering. They include sections that are sealed and unsealed. Road assets were independently valued as at 30th June 2020 by AssetVal, at Current Replacement Cost. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been indexed this year from 2020 to 2022 using the NSW Road and bridge construction index.

These assets have been classified as Level 3 valuation inputs.

Bridges

Bridge assets were independently valued as at 30th June 2020, at Current Replacement Cost. This category consists of all bridges and causeways greater than 6 metres. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market based evidence (Level 2 inputs) other inputs such as, pattern of consumption, traffic load and frequency, residual value, asset condition and useful life will impact significantly on the final determination of the fair value.

These assets have been indexed this year from 2020 to 2022 using the NSW Road and bridge construction index.

These assets have been classified as Level 3 valuation inputs.

Footpaths

Footpath assets were independently valued as at 30th June 2020, at Current Replacement Cost.

The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been indexed this year from 2020 to 2022 using the NSW Road and bridge construction index.

These assets have been classified as at Level 3 valuation inputs. Footpaths are inspected annually and condition assessed.

Drainage infrastructure

Stormwater Drainage assets were independently valued as at 30th June 2020, at Current Replacement Cost. Assets within this class comprise pit, traps, pipes and channels. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors in determination of fair value.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

E2-1 Fair value measurement (continued)

Water supply network

Water Supply assets were valued by APV Valuers and Asset Management as at 30th June 2022 at Current Replacement Cost and utilising Fair Value measurement. Assets within this class comprise reservoirs, pumping stations, treatment plant and pipelines.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

In non comprehensive valuation years, these assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

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

Sewerage network

Sewerage Network assets were valued by APV Valuers and Asset Management as at 30th June 2022 at Current Replacement Cost and utilising Fair Value measurement. Assets within this class comprise pumping stations, treatment plant and pipelines. The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

In non comprehensive valuation years, these assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

Sewerage assets are independently valued every five years and are scheduled for revaluation in 2022.

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

Other assets

Assets within this class comprise Council's swimming pools and bore baths, other open space/recreational assets and assets that do not fit in any other category.

Valuations for this asset class were undertaken by APV Valuers & Asset Management as at 30 June 2022.

These assets have been classified as Level 3 valuation inputs.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, required extensive professional judgement and impact significantly on the final determination of fair value.

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

E2-1 Fair value measurement (continued)

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.

	Fair value (30/6/22) 2022 \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Buildings specialised	26,011	Cost approach	Unit price
Other structures	22,992	Cost approach	Unit price
Roads, bridges and footpaths	214,386	Cost approach	Unit price
Stormwater drainage	16,354	Cost approach	Asset condition, remaining lives
Water supply network	34,285	Cost approach	Asset condition, remaining lives
Sewer network	17,883	Cost approach	Asset condition, remaining lives
Tip assets	2,529	Cost approach	Unit price
Quarry assets	125	Cost approach	Unit price

E2-1 Fair value measurement (continued)

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

	Buildings specialised		Other structures		Roads, bridges and footpaths		Stormwater drainage	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	10,452	10,439	12,253	12,791	195,059	187,043	15,248	14,977
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	7,348	17	1,680	–	1,313	5,602	69	373
Purchases (GBV)	–	266	1,135	289	176	5,080	151	13
Disposals (WDV)	–	–	(191)	(63)	(73)	–	–	–
Depreciation and impairment	(279)	(270)	(1,269)	(764)	(3,003)	(2,666)	(135)	(115)
Revaluation increment to equity (ARR)	8,490	–	9,384	–	20,914	–	1,021	–
Closing balance	26,011	10,452	22,992	12,253	214,386	195,059	16,354	15,248

	Water supply network		Sewer network		Other assets		Tip assets	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	29,591	27,057	19,193	19,432	9,428	9,519	4,181	3,838
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	962	2,509	–	–	(9,822)	–	–	–
Purchases (GBV)	–	506	35	28	414	396	(1,509)	428
Depreciation and impairment	(868)	(743)	(447)	(442)	–	(487)	(143)	(85)
Revaluation increment to equity (ARR)	4,600	262	(898)	175	(20)	–	–	–
Closing balance	34,285	29,591	17,883	19,193	–	9,428	2,529	4,181

E2-1 Fair value measurement (continued)

	Quarry assets		Total	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	218	223	295,623	285,319
Transfers from/(to) another asset class	–	–	1,550	8,501
Purchases (GBV)	(87)	1	315	7,007
Disposals (WDV)	–	–	(264)	(63)
Depreciation and impairment	(6)	(6)	(6,150)	(5,578)
Revaluation increment to equity (ARR)	–	–	43,491	437
Closing balance	125	218	334,565	295,623

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

(i) Defined benefit superannuation contribution plans

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

- 1) Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- 2) 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.
- 3) Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- 4) 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).

(a) Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum for 1 July 2019 to 31 December 2021 and \$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 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

c) Description of any agreed allocation of a deficit or surplus on:

(i) wind up of the plan

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

(ii) withdrawal from the plan

E3-1 Contingencies (continued)

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

d) *Given Walgett Shire Council accounts for the plan as if it were a defined contribution plan in accordance with paragraph 34, the following information applies:*

- (i) the fact that the plan is a defined benefit plan is confirmed by Mercer Australia.
 - (ii) the reason why sufficient information is not available to enable the entity to enable Walgett Shire Council to account for the plan as a defined benefit plan is explained earlier in this note.
 - (iii) Council's expected contribution to the plan for the next annual reporting period is \$18,928.80.
 - (iv) The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$29,883.84.
- Based on a Past Service Liabilities methodology the share of any funding surplus or deficit that can be attributed to Walgett Shire Council is 0.07%. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

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

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

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2022 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

E3-1 Contingencies (continued)

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

(iv) Other liabilities

Council has pending legal matters that do not qualify for inclusion in the 2021/2022 Annual Financial Statements although they are significant enough to mention in order to inform statement users of their potential impact.

Council's potential cost in respect to these matters may be approximately \$835,000.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2022 \$ '000	2021 \$ '000
Compensation:		
Short-term benefits	1,108	1,091
Post-employment benefits	74	50
Termination benefits	8	70
Total	1,190	1,211

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

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2022						
Water cart hire	1	118	–	Annual contracted rate for adhoc work	–	–
				Negotiated lease for 2 years with 2 x 3		
Property Lease	2	20	–	year options	–	–
Plant and equipment hire	3	560	–	Annual contracted rate for adhoc work	–	–
				NSW Local Government State Award		
Employee expenses relating to close family members of KMP	4	119	–	2017	–	–
2021						
Water cart hire	1	617	–	Annual contracted rate for adhoc work	–	–
				Negotiated lease for 2 years with 2 x 3		
Property Lease	2	23	51	year options	–	–
Plant and equipment hire	3	353	–	Annual contracted rate for adhoc work	–	–
				NSW Local Government State Award		
Employee expenses relating to close family members of KMP	4	124	–	2017	–	–

- 1 Council hires plant for water cartage from a Council KMP. The plant hire by Council is subject to an annual plant hire tender process;
- 2 Council leases a building in Lightning Ridge from a business trading as Opal Court and this business has 2 KMP as partners in the business;
- 3 Council hires plant items from Wintergreen Investments and a Director of the Company is a KMP of Council. The plant hire by Council is subject to an annual plant hire tender process;
- 4 Close family members (2) of a Council KMP are employed by the Council under the Local Government Award, on an arms length basis.

F1-2 Councillor and Mayoral fees and associated expenses

	2022	2021
	\$ '000	\$ '000

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

Mayoral fee	19	20
Councillors' fees	107	113
Other Councillors' expenses (including Mayor)	32	23
Total	158	156

F2 Other relationships

F2-1 Audit fees

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

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	94	87
--	----	----

Remuneration for audit and other assurance services

Total Auditor-General remuneration

	94	87
--	----	----

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements

	2	—
--	---	---

Remuneration for audit and other assurance services

Total remuneration of non NSW Auditor-General audit firms

	2	—
--	---	---

Total audit fees

	96	87
--	----	----

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2022 \$ '000	2021 \$ '000
Net operating result from Income Statement	499	5,446
Add / (less) non-cash items:		
Depreciation and amortisation	7,085	6,334
(Gain) / loss on disposal of assets	249	51
Unwinding of discount rates on reinstatement provisions	228	181
Share of net (profits)/losses of associates/joint ventures using the equity method	40	(41)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	408	(1,325)
Increase / (decrease) in provision for impairment of receivables	76	(10)
(Increase) / decrease of inventories	53	(25)
(Increase) / decrease of other current assets	(17)	143
Increase / (decrease) in payables	15	(1,103)
Increase / (decrease) in accrued interest payable	(1)	(4)
Increase / (decrease) in other accrued expenses payable	(26)	221
Increase / (decrease) in other liabilities	38	87
Increase / (decrease) in contract liabilities	1,401	3,024
Increase / (decrease) in employee benefit provision	(356)	106
Increase / (decrease) in other provisions	(1,595)	429
Net cash flows from operating activities	8,097	13,514

G2-1 Commitments

Capital commitments (exclusive of GST)

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

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

Property, plant and equipment

Sewerage and water infrastructure	86	—
Buildings	1,780	—
Plant and equipment	1,303	502
Road infrastructure	645	—
Total commitments	3,814	502

These expenditures are payable as follows:

Within the next year	3,814	502
Total payable	3,814	502

Sources for funding of capital commitments:

Unrestricted general funds	115	—
Future grants and contributions	1,443	—
Unexpended grants	615	—
Externally restricted reserves	86	—
Internally restricted reserves	1,303	502
Unexpended loans	252	—
Total sources of funding	3,814	502

Details of capital commitments

Reconstruction and sealing of Shire Road 103 Bugilbone Road, and Goangra Bridge funded by grants.

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 performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,083)	(6.81)%	(1.22)%	(0.39)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	30,607				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	13,130	39.22%	44.06%	36.33%	> 60.00%
Total continuing operating revenue ¹	33,478				
3. Unrestricted current ratio					
Current assets less all external restrictions	25,236	5.48x	7.15x	4.47x	> 1.50x
Current liabilities less specific purpose liabilities	4,604				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5,307	5.83x	5.88x	7.77x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	911				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,560	14.19%	11.39%	10.84%	< 10.00%
Rates and annual charges collectable	10,994				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	36,116	14.64 months	11.94 months	13.80 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	2,467				

(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

G4-2 Statement of performance measures by fund

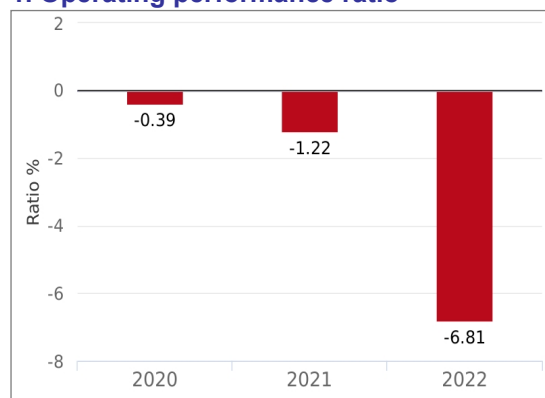
\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(7.67)%	1.39%	(1.36)%	(2.03)%	4.73%	(59.69)%	> 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	32.74%	43.87%	98.30%	36.78%	98.95%	99.01%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.48x	7.15x	18.63x	No liabilities	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.37x	5.63x	∞	∞	∞	∞	> 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	18.29%	5.60%	0.00%	38.17%	0.00%	19.47%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.88 months	11.37 months	∞	3.86 months	∞	55.86 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio (6.81)%

The Council's ratio is a negative percentage which is below the OLG benchmark of 0% and indicates for this year that the operating expenditure of Council exceeded operating income.

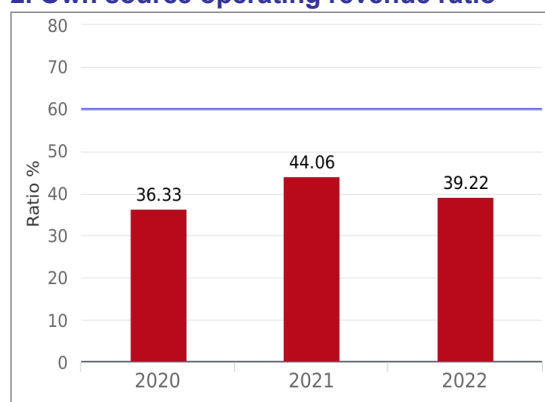
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 39.22%

This ratio has decreased compared to last year as Council performed less works on State Highways which is disclosed as part of user charges and fees. As a result the percentage of Council income received via grant income was higher which decreases this ratio.

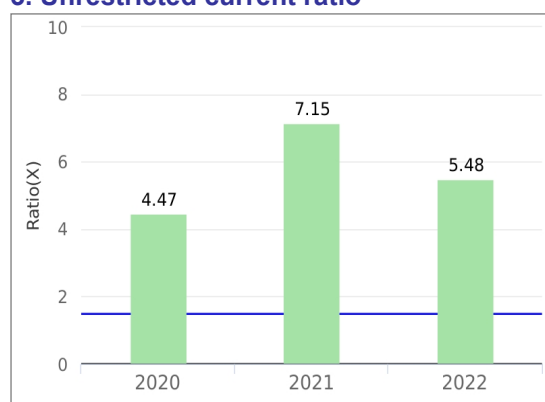
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 5.48x

Council has a very strong unrestricted current ratio. This allows Council to continue the planned work while enabling it to meet current and future expenditure commitments.

Benchmark: — > 1.50x

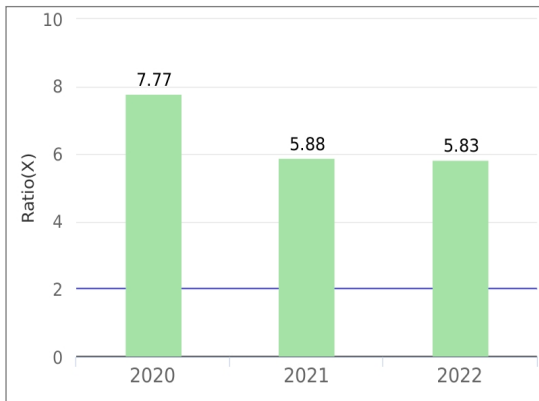
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 5.83x

Council's ratio is well above the industry benchmark and is considered to be sound.

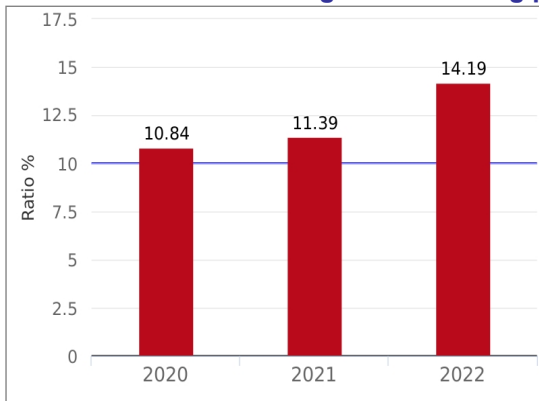
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 14.19%

This ratio has continued its steady increase from the past few years. The impact of the Covid-19 pandemic and the associated restrictions put in place has resulted in a loss of income within the Council's ratepayer base. The mandated restrictions in debt recovery actions resulting from the pandemic measures has also impacted this ratio.

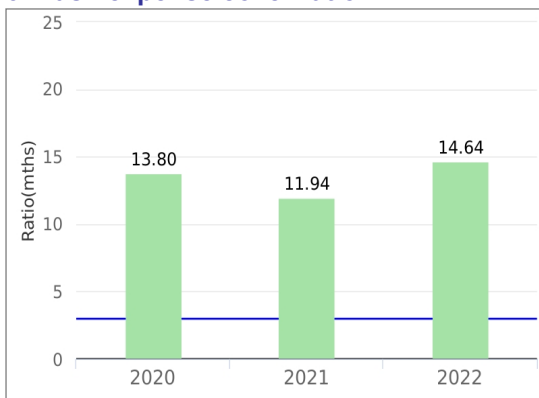
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 14.64 months

Council is performing significantly higher than the OLG benchmark and remains in a strong position.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

77 Fox Street
Walgett NSW 2832

Contact details

Mailing Address:

PO Box 31
Walgett NSW 2832

Telephone: 02 6828 6100

Facsimile: 02 6828 1608

Opening hours:

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

Internet: www.walgett.nsw.gov.au

Email: admin@walgett.nsw.gov.au

Officers

GENERAL MANAGER

Michael Urquhart

RESPONSIBLE ACCOUNTING OFFICER

Tony Hughes

Public Officer

Michael Urquhart

Auditors

Auditor General
New South Wales

Elected members

Mayor

Cr Jane Keir

Councillors

Cr Greg Rummery (Deputy Mayor)

Cr Michael Cooke

Cr Sue Currey

Cr Colin Hundy

Cr Jasen Ramien

Cr Alf Seaton

Cr Daniel Walford

Cr Ian Woodcock

Other information

ABN: 88 769 076 385



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Walgett Shire Council

To the Councillors of Walgett Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Manuel Moncada', with a stylized flourish at the end.

Manuel Moncada
Delegate of the Auditor-General for New South Wales

26 October 2022
SYDNEY



Cr Jane Keir
Mayor
Walgett Shire Council
PO Box 31
Walgett NSW 2330

Contact: Manuel Moncada
Phone no: 02 9275 7333
Our ref: D2221970/1801

26 October 2022

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	9.7	9.4	3.2
Grants and contributions revenue	20.3	23.4	13.2
Operating result from continuing operations	0.5	5.4	90.7
Net operating result before capital grants and contributions	(2.4)	(0.4)	500

Rates and annual charges revenue (\$9.7 million) decreased by \$0.3 million (3.2 per cent) in 2021–2022.

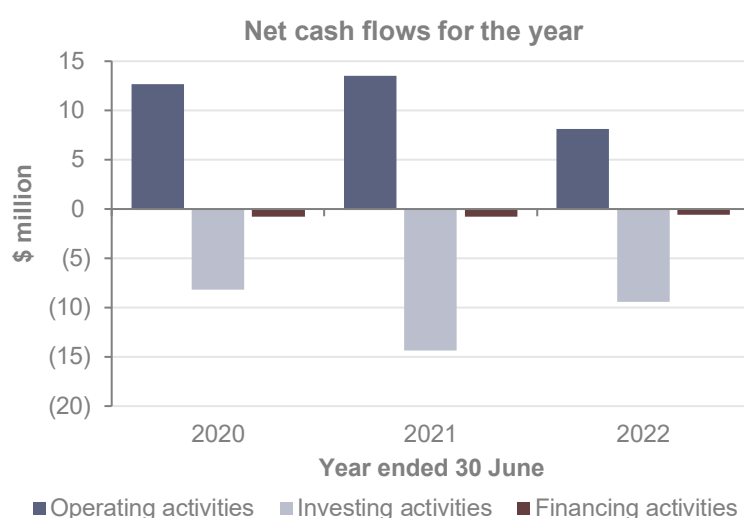
Grants and contributions revenue (\$20.3 million) decreased by \$3.1 million (13.2 per cent) in 2021–2022 due to a reduced in revenue recognised from grants for capital projects.

Council's operating result (\$0.5 million including the effect of depreciation and amortisation expense of \$7.1 million) was \$4.9 million lower than the 2020–21 result. This was mainly due to reduced revenue for Transport for NSW works and capital grants.

The net operating result before capital grants and contributions (a deficit of \$2.4 million) was \$2 million lower than the 2020–21 result. This was primarily due to the reduced revenue for Transport for NSW works.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$1.9 million to \$9.1 million at the close of the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	36.1	33.5	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants and contributions, and domestic waste management, water and sewerage charges, and unexpended loans. Balances are internally allocated due to Council policy or decisions for forward plans including works program.
Restricted cash and investments:			
• External restrictions	20.1	17.5	
• Internal allocations	15.8	14.3	

Debt

After repaying principal and interest of \$0.9 million during the financial year, total debt as at 30 June 2021 was \$1.3 million (2021: \$1.9 million).

PERFORMANCE

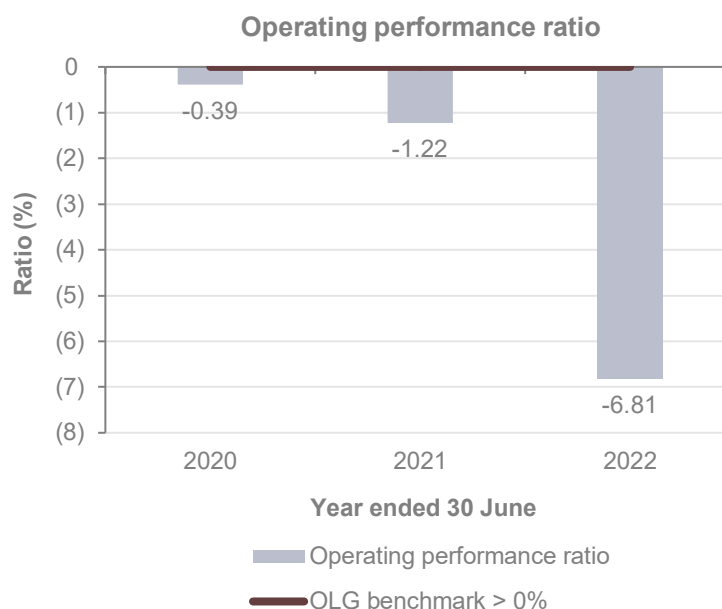
Performance measures

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

Operating performance ratio

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

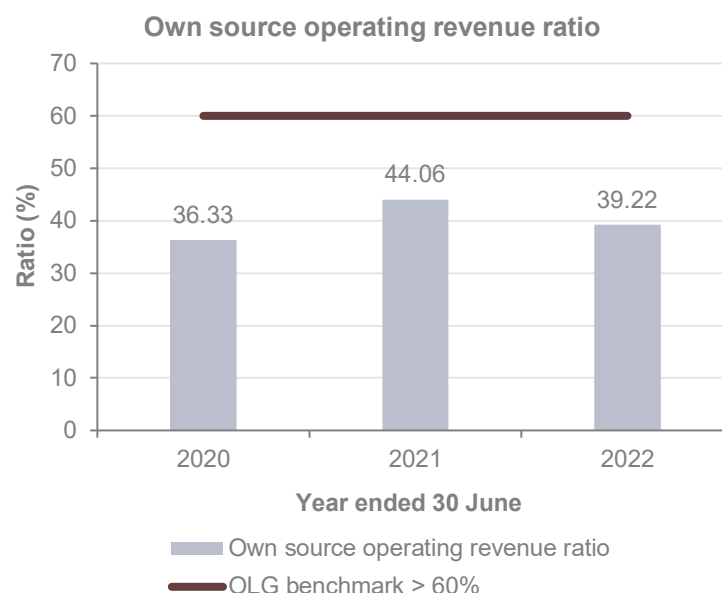
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

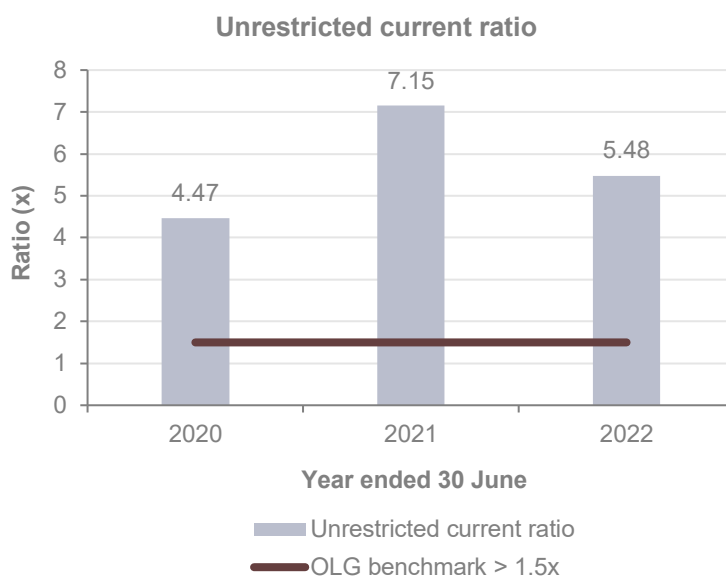
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

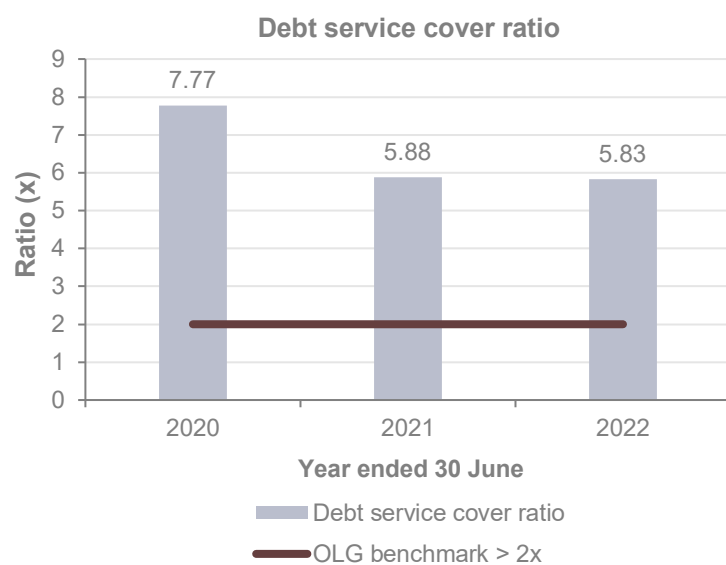
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

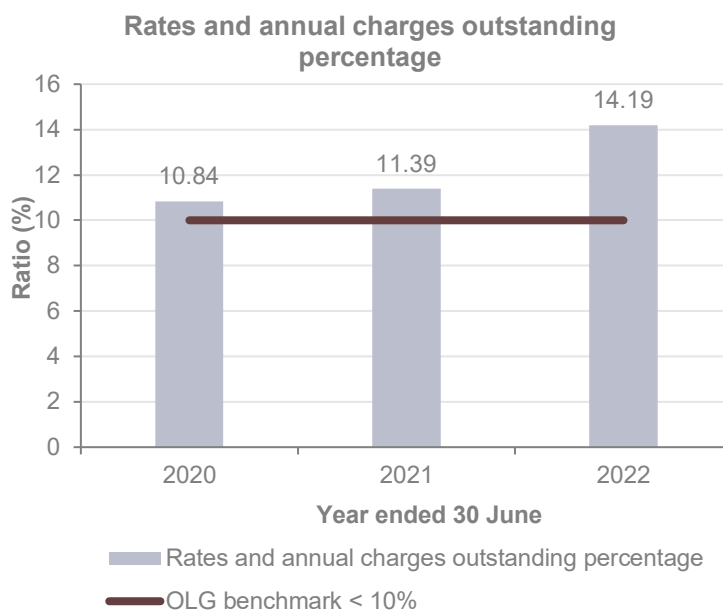
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

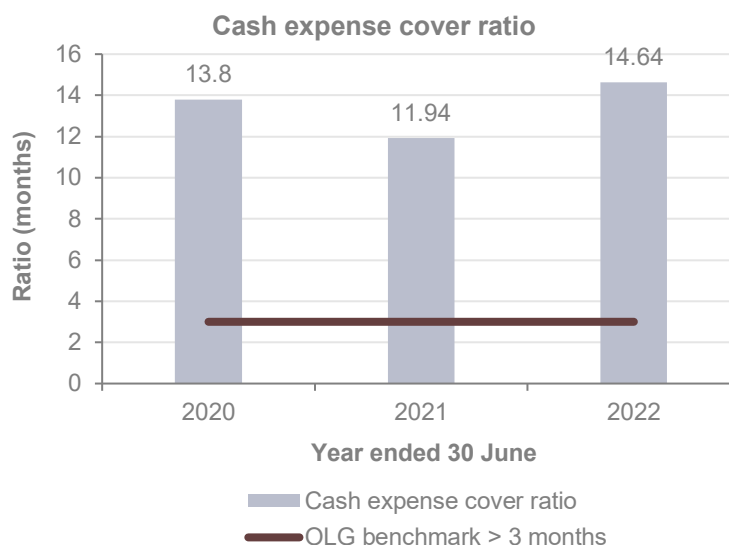
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent regional and rural councils.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$6.1 million compared \$1.8 million for the prior year
- The level of asset renewals during the year represented 87 percent of the total depreciation expense (\$7 million) for the year.

OTHER MATTERS

Legislative compliance

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

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited

- staff provided all accounting records and information relevant to the audit.

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.

A handwritten signature in black ink, appearing to read 'Manuel Moncada', with a stylized flourish at the end.

Manuel Moncada
Delegate of the Auditor-General for New South Wales

Walgett Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
Statement of Financial Position of sewerage business activity	7
Note – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

Walgett Shire Council

Special Purpose Financial Statements for the year ended 30 June 2022

Statement by Councillors and Management

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

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

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

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

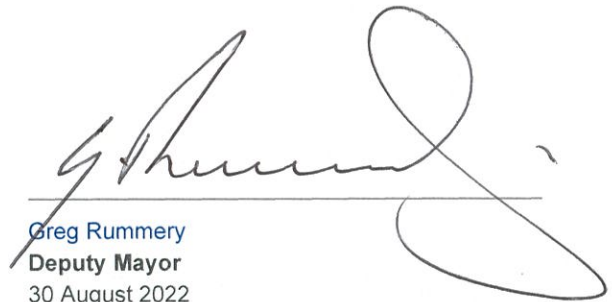
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

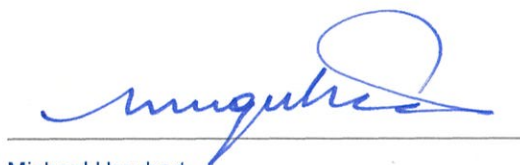
Signed in accordance with a resolution of Council made on 30 August 2022.



Jane Keir
Mayor
30 August 2022



Greg Rummary
Deputy Mayor
30 August 2022



Michael Urquhart
General Manager
30 August 2022



Tony Hughes
Responsible Accounting Officer
12 September 2022

Walgett Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	1,544	1,396
User charges	446	481
Fees	279	306
Interest and investment income	38	15
Grants and contributions provided for operating purposes	38	3,665
Other income	—	2
Total income from continuing operations	2,345	5,865
Expenses from continuing operations		
Employee benefits and on-costs	345	472
Materials and services	1,014	4,655
Depreciation, amortisation and impairment	868	751
Other expenses	150	191
Total expenses from continuing operations	2,377	6,069
Surplus (deficit) from continuing operations before capital amounts	(32)	(204)
Grants and contributions provided for capital purposes	2	117
Surplus (deficit) from continuing operations after capital amounts	(30)	(87)
Surplus (deficit) from all operations before tax	(30)	(87)
Surplus (deficit) after tax	(30)	(87)
Plus accumulated surplus	12,130	12,217
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	12,100	12,130
Return on capital %	(0.1)%	(0.7)%
Subsidy from Council	1,318	654
Calculation of dividend payable:		
Surplus (deficit) after tax	(30)	(87)
Less: capital grants and contributions (excluding developer contributions)	(2)	(117)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Walgett Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	921	896
Fees	–	1
Interest and investment income	21	7
Grants and contributions provided for operating purposes	10	9
Total income from continuing operations	952	913
Expenses from continuing operations		
Employee benefits and on-costs	137	159
Materials and services	310	842
Depreciation, amortisation and impairment	447	442
Other expenses	13	16
Total expenses from continuing operations	907	1,459
Surplus (deficit) from continuing operations before capital amounts	45	(546)
Surplus (deficit) from continuing operations after capital amounts	45	(546)
Surplus (deficit) from all operations before tax	45	(546)
Less: corporate taxation equivalent (25%) [based on result before capital]	(11)	–
Surplus (deficit) after tax	34	(546)
Plus accumulated surplus	12,169	12,715
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	11	–
Closing accumulated surplus	12,214	12,169
Return on capital %	0.2%	(2.8)%
Subsidy from Council	620	833
Calculation of dividend payable:		
Surplus (deficit) after tax	34	(546)
Surplus for dividend calculation purposes	34	–
Potential dividend calculated from surplus	17	–

Walgett Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2,313	1,953
Receivables	854	600
Total current assets	3,167	2,553
Non-current assets		
Infrastructure, property, plant and equipment	35,148	30,205
Total non-current assets	35,148	30,205
Total assets	38,315	32,758
LIABILITIES		
Current liabilities		
Payables	23	—
Income received in advance	147	145
Total current liabilities	170	145
Total liabilities	170	145
Net assets	38,145	32,613
EQUITY		
Accumulated surplus	12,100	12,130
Revaluation reserves	26,045	20,483
Total equity	38,145	32,613

Walgett Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	6,966	6,792
Receivables	232	176
Total current assets	7,198	6,968
Non-current assets		
Infrastructure, property, plant and equipment	18,166	19,249
Total non-current assets	18,166	19,249
Total assets	25,364	26,217
Net assets	25,364	26,217
EQUITY		
Accumulated surplus	12,214	12,169
Revaluation reserves	13,150	14,048
Total equity	25,364	26,217

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 (NSW), the *Local Government (General) Regulation 2005*, 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, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Walgett Shire Council Combined Water Supply Services

Council's water supply activities servicing the towns of Walgett, Lightning Ridge and villages.

Category 2

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

a. Walgett Shire Council Combined Sewerage Services

Council's sewerage reticulation & treatment activity servicing the towns of Walgett, Lightning Ridge and Collarenebri.

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 the 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%** (2020/21 26%)

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

Note – Significant Accounting Policies (continued)

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

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

The payment of taxation equivalent charges, referred to in the DPIE – Best Practice Water & Sewer Guidelines as a ‘dividend for taxation equivalent’, may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Walgett Shire Council did not pay a dividend in this financial year.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (in 2020/21 the rate was 26%)..

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 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 payable on all category 1 businesses has been applied to all land 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.

Council has no borrowings on its Category 1 businesses this financial year.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when 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.

Accordingly, ‘subsidies disclosed’ (in relation to National Competition Policy) represents the difference between revenue generated from ‘rate of return’ pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

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:

Note – Significant Accounting Policies (continued)

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

Walgett Shire Council did not pay a dividend in this financial year. All dividends stated within these accounts are notional.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Walgett Shire Council

To the Councillors of Walgett Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Manuel Moncada', with a stylized flourish at the end.

Manuel Moncada
Delegate of the Auditor-General for New South Wales

26 October 2022
SYDNEY

Walgett Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

*That the community utilise the opportunities that arise from
our environment, to improve their quality of life, while
embracing its ethnic and social diversity to the benefit of all.*



Walgett Shire Council

Special Schedules

for the year ended 30 June 2022

Contents

Page

Special Schedules:

Permissible income for general rates

3

Report on infrastructure assets as at 30 June 2022

7

Walgett Shire Council

Permissible income for general rates

	Notes	Calculation 2021/22 \$ '000	Calculation 2022/23 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	5,805	5,919
Plus or minus adjustments ²	b	5	5
Notional general income	c = a + b	5,810	5,924
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.00%
Or plus rate peg amount	i = e x (c + g)	116	119
Sub-total	k = (c + g + h + i + j)	5,926	6,043
Plus (or minus) last year's carry forward total	l	7	14
Sub-total	n = (l + m)	7	14
Total permissible income	o = k + n	5,933	6,057
Less notional general income yield	p	5,919	6,029
Catch-up or (excess) result	q = o - p	14	28
Less unused catch-up ³	s	(2)	-
Carry forward to next year ⁴	t = q + r + s	12	28

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) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Walgett Shire Council

To the Councillors of Walgett Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

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

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

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

A handwritten signature in black ink, appearing to read 'Manuel Moncada', with a stylized flourish at the end.

Manuel Moncada
Delegate of the Auditor-General for New South Wales

26 October 2022
SYDNEY

Walgett Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – non-specialised	1,000	1,000	100	533	5,054	6,724	20.0%	30.0%	30.0%	15.0%	5.0%
	Buildings – specialised	1,500	558	417	176	24,781	42,897	35.0%	23.0%	17.0%	20.0%	5.0%
	Sub-total	2,500	1,558	517	709	30,950	49,621	33.0%	23.9%	18.8%	19.3%	5.0%
Other structures	Other structures	2,000	2,500	500	7,000	22,992	35,544	30.0%	22.0%	20.0%	10.0%	18.0%
	Sub-total	2,000	2,500	500	7,000	22,992	35,544	30.0%	22.0%	20.0%	10.0%	18.0%
Roads	Roads inc Bulk earthworks	4,800	2,400	3,938	2,646	218,042	305,790	69.9%	12.1%	14.0%	2.0%	2.0%
	Sub-total	4,800	2,400	3,938	2,646	214,386	305,790	69.9%	12.1%	14.0%	2.0%	2.0%
Water supply network	Water supply network	6,100	6,100	2,464	1,501	34,285	51,759	16.0%	20.0%	25.0%	30.0%	9.0%
	Sub-total	6,100	6,100	2,464	1,501	34,285	51,759	16.0%	20.0%	25.0%	30.0%	9.0%
Sewerage network	Sewerage network	1,936	1,936	744	464	17,883	31,074	2.0%	45.0%	3.0%	47.0%	3.0%
	Sub-total	1,936	1,936	744	464	17,883	31,074	2.0%	45.0%	3.0%	47.0%	3.0%
Stormwater drainage	Stormwater drainage	150	150	324	224	16,354	20,617	5.0%	1.0%	90.0%	4.0%	0.0%
	Sub-total	150	150	324	224	16,354	20,617	5.0%	1.0%	90.0%	4.0%	0.0%
Total – all assets		17,486	14,644	8,487	12,544	336,850	494,405	50.7%	16.4%	18.5%	10.2%	4.2%

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

Infrastructure asset condition assessment 'key'

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

Walgett Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	1,766	28.88%	26.88%	42.53%	>= 100.00%
Depreciation, amortisation and impairment	6,116				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	17,486	5.06%	5.82%	6.29%	< 2.00%
Net carrying amount of infrastructure assets	345,473				
Asset maintenance ratio					
Actual asset maintenance	12,544	147.80%	113.84%	107.88%	> 100.00%
Required asset maintenance	8,487				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	14,644	2.96%	3.72%	4.29%	
Gross replacement cost	494,405				

(*) 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.

Walgett Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	36.78%	32.98%	0.00%	10.63%	0.00%	0.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.22%	3.67%	17.79%	20.61%	10.83%	10.09%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	200.40%	123.99%	60.92%	20.18%	62.37%	107.91%	> 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	1.61%	2.24%	11.79%	12.37%	6.23%	6.31%	

(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.