

Eurobodalla Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Eurobodalla 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])	81
On the Financial Statements (Sect 417 [3])	84

Overview

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

Cnr Vulcan & Campbell Streets
Moruya NSW 2537

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

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

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

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

Eurobodalla 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.

Eurobodalla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

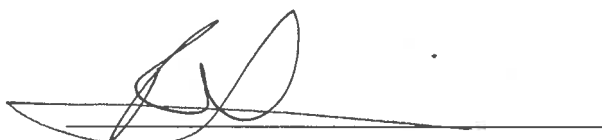
Signed in accordance with a resolution of Council made on 11 October 2022.



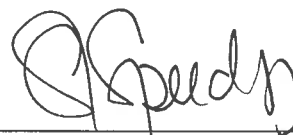
Mathew Hatcher
Mayor
29 November 2022



Noel Harrison
Councillor
29 November 2022



Warwick Winn
General Manager
29 November 2022



Stephanie Speedy
Responsible Accounting Officer
29 November 2022

Eurobodalla Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
68,825	Rates and annual charges	B2-1	69,786	67,913
32,023	User charges and fees	B2-2	36,373	37,948
2,654	Other revenues	B2-3	2,065	2,977
15,380	Grants and contributions provided for operating purposes	B2-4	31,788	16,868
35,006	Grants and contributions provided for capital purposes	B2-4	55,532	59,115
2,163	Interest and investment income	B2-5	778	846
2,403	Other income	B2-6	2,778	2,052
158,454	Total income from continuing operations		199,100	187,719
	Expenses from continuing operations			
44,216	Employee benefits and on-costs	B3-1	43,945	42,834
16,987	Materials and services	B3-2	52,094	47,229
2,318	Borrowing costs	B3-3	1,823	2,200
38,125	Depreciation, amortisation and impairment of non-financial assets	B3-4	35,379	36,063
23,201	Other expenses	B3-5	1,119	2,084
–	Net loss from the disposal of assets	B4-1	6,115	7,133
124,847	Total expenses from continuing operations		140,475	137,543
33,607	Operating result from continuing operations		58,625	50,176
33,607	Net operating result for the year attributable to Council		58,625	50,176
(1,398)	Net operating result for the year before grants and contributions provided for capital purposes		3,093	(8,939)

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

Eurobodalla Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		58,625	50,176
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	139,754	30,416
Total items which will not be reclassified subsequently to the operating result		139,754	30,416
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		1,162	2,274
Total items which will be reclassified subsequently to the operating result when specific conditions are met		1,162	2,274
Total other comprehensive income for the year		140,916	32,690
Total comprehensive income for the year attributable to Council		199,541	82,866

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

Eurobodalla Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	36,935	26,320
Investments	C1-2	119,000	130,000
Receivables	C1-4	30,874	22,416
Inventories	C1-5	1,856	2,611
Contract assets and contract cost assets	C1-6	5,605	10,430
Non-Current assets classified as 'held for sale'	C1-7	–	183
Other	C1-9	672	819
Total current assets		194,942	192,779
Non-current assets			
Investments	C1-2	13,000	–
Receivables	C1-4	5	5
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,736,994	1,550,457
Right of use assets	C2-1	427	495
Total non-current assets		1,750,426	1,550,957
Total assets		1,945,368	1,743,736
LIABILITIES			
Current liabilities			
Payables	C3-1	12,305	21,220
Income received in advance	C3-1	520	531
Contract liabilities	C3-2	14,753	9,587
Lease liabilities	C2-1	78	84
Borrowings	C3-3	7,622	9,636
Employee benefit provisions	C3-4	11,438	12,342
Provisions	C3-5	–	7
Total current liabilities		46,716	53,407
Non-current liabilities			
Lease liabilities	C2-1	423	532
Borrowings	C3-3	59,411	50,327
Employee benefit provisions	C3-4	470	528
Provisions	C3-5	2,740	2,875
Total non-current liabilities		63,044	54,262
Total liabilities		109,760	107,669
Net assets		1,835,608	1,636,067
EQUITY			
Accumulated surplus	C4-1	979,262	914,810
IPPE revaluation reserve	C4-1	856,346	721,257
Council equity interest		1,835,608	1,636,067
Total equity		1,835,608	1,636,067

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

Eurobodalla Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		914,810	721,257	1,636,067	858,395	694,806	1,553,201
Net operating result for the year		58,625	–	58,625	50,176	–	50,176
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	139,754	139,754	–	30,416	30,416
Other reserves movements		5,827	(4,665)	1,162	6,239	(3,965)	2,274
Other comprehensive income		5,827	135,089	140,916	6,239	26,451	32,690
Total comprehensive income		64,452	135,089	199,541	56,415	26,451	82,866
Closing balance at 30 June		979,262	856,346	1,835,608	914,810	721,257	1,636,067

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

Eurobodalla Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
68,825	Rates and annual charges		69,684	68,482
32,023	User charges and fees		42,140	43,809
2,163	Interest received		711	1,063
50,386	Grants and contributions		86,338	63,199
–	Bonds, deposits and retentions received		–	241
5,057	Other		14,255	13,937
Payments:				
(44,216)	Payments to employees		(44,907)	(41,997)
(16,987)	Payments for materials and services		(65,925)	(53,070)
(2,318)	Borrowing costs		(2,112)	(1,686)
–	Bonds, deposits and retentions refunded		(278)	–
(23,201)	Other		(2,323)	(2,640)
71,732	Net cash flows from operating activities	G1-1	97,583	91,338
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		57,000	200,020
–	Sale of real estate assets		1,113	1,300
787	Proceeds from sale of IPPE		5,977	2,705
–	Deferred debtors receipts		10	43
Payments:				
–	Acquisition of term deposits		(59,000)	(209,000)
(88,335)	Payments for IPPE		(99,056)	(78,286)
–	Purchase of real estate assets		–	(2,406)
16	Deferred debtors and advances made		–	–
(87,532)	Net cash flows from investing activities		(93,956)	(85,624)
Cash flows from financing activities				
Receipts:				
18,484	Proceeds from borrowings		16,707	7,188
Payments:				
(10,301)	Repayment of borrowings		(9,637)	(5,610)
–	Principal component of lease payments		(82)	(82)
8,183	Net cash flows from financing activities		6,988	1,496
(7,617)	Net change in cash and cash equivalents		10,615	7,210
26,320	Cash and cash equivalents at beginning of year		26,320	19,110
18,703	Cash and cash equivalents at end of year	C1-1	36,935	26,320
132,000	plus: Investments on hand at end of year	C1-2	132,000	130,000
150,703	Total cash, cash equivalents and investments		168,935	156,320

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

Eurobodalla 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	17
B2 Sources of income	20
B2-1 Rates and annual charges	20
B2-2 User charges and fees	20
B2-3 Other revenues	21
B2-4 Grants and contributions	22
B2-5 Interest and investment income	25
B2-6 Other income	26
B3 Costs of providing services	27
B3-1 Employee benefits and on-costs	27
B3-2 Materials and services	27
B3-3 Borrowing costs	28
B3-4 Depreciation, amortisation and impairment of non-financial assets	28
B3-5 Other expenses	29
B4 Gains or losses	30
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	30
B5 Performance against budget	31
B5-1 Material budget variations	31
C Financial position	33
C1 Assets we manage	33
C1-1 Cash and cash equivalents	33
C1-2 Financial investments	33
C1-3 Restricted and allocated cash, cash equivalents and investments	34
C1-4 Receivables	35
C1-5 Inventories	36
C1-6 Contract assets and Contract cost assets	38
C1-7 Non-current assets classified as held for sale	38
C1-8 Infrastructure, property, plant and equipment	40
C1-9 Other	44
C2 Leasing activities	45
C2-1 Council as a lessee	45
C2-2 Council as a lessor	47
C3 Liabilities of Council	48
C3-1 Payables	48
C3-2 Contract Liabilities	48
C3-3 Borrowings	49
C3-4 Employee benefit provisions	51

Eurobodalla Shire Council

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

C3-5 Provisions	52
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	56
E Risks and accounting uncertainties	58
E1-1 Risks relating to financial instruments held	58
E2-1 Fair value measurement	61
E3-1 Contingencies	64
F People and relationships	67
F1 Related party disclosures	67
F1-1 Key management personnel (KMP)	67
F1-2 Councillor and Mayoral fees and associated expenses	68
F2 Other relationships	69
F2-1 Audit fees	69
G Other matters	70
G1-1 Statement of Cash Flows information	70
G2-1 Commitments	71
G3-1 Events occurring after the reporting date	72
G4 Statement of developer contributions as at 30 June 2022	73
G4-1 Summary of developer contributions	73
G4-2 Developer contributions by plan	73
G4-3 Contributions not under plans	75
G4-4 S64 contributions	75
G5 Statement of performance measures	76
G5-1 Statement of performance measures – consolidated results	76
G5-2 Statement of performance measures by fund	77
H Additional Council disclosures (unaudited)	79
H1-1 Statement of performance measures – consolidated results (graphs)	79

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 29 November 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

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 C1-8
- ii. estimated tip remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water Supply Fund
- Sewerage Fund
- Domestic and Non-Domestic Waste Fund
- Environmental Fund
- Broulee Tennis Courts Committee
- Moruya Showground Committee
- Tuross Memorial Gardens Committee
- Kyla Hall Committee

A1-1 Basis of preparation (continued)

The Trust Fund

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

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

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

- J Britten Award
- K E Snell Land Acquisition Compensation
- Unidentified cash receipts and deposits

Unidentified cash receipts and deposits are monies held in trust relating to net proceeds on the sale of property for unpaid rates, and other receipts and deposits normally returned to the owner or applied to their accounts where they can be identified and contacted. These funds are held for six years, after which time they are remitted to the Office of State Revenue.

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 uses volunteers to provide Community Transport and group and individual Social Support services to older people, under the Commonwealth Home Support Program grants. These services are 'early intervention' entry level services. Volunteer time means they are cost efficient and would not be viable if provided by paid workers.

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*

A1-1 Basis of preparation (continued)

- *AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*

The newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

COVID 19 Impacts

There were no significant financial impacts from Covid-19 for the financial year 2021-22.

Revenue from caravan parks, camp grounds and airports were materially impacted. Council owned caravan parks and camp grounds actually enjoyed increased patronage. This was offset by decreased revenues for leased caravan parks due to rent reviews based on the previous years results which were impacted by both Covid-19 and the bushfires.

The Statement of Financial Position is also not impacted materially by Covid-19. There are no impacts to the fair values of Property, Plant and Equipment or Inventories and no impact due to additional credit losses.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Business Development	811	396	617	504	194	(108)	806	389	–	–
Children's Services	2,280	2,652	2,117	2,172	163	480	514	486	1,667	1
Commercial Entities	6,210	6,832	5,346	8,428	864	(1,596)	418	946	78,950	29,098
Communications and Community Engagement	–	–	719	787	(719)	(787)	–	–	–	–
Community and Corporate Leadership	1,288	1,266	3,873	3,378	(2,585)	(2,112)	1,278	1,261	–	10
Community and Cultural Development	441	388	963	1,118	(522)	(730)	400	355	4	–
Community Care	7,751	7,746	7,252	7,794	499	(48)	1,726	2,253	15	20
Community Facilities	20,729	458	3,938	2,832	16,791	(2,374)	20,137	109	32,288	9,803
Corporate Overheads	–	–	(21,493)	(17,140)	21,493	17,140	–	–	39	–
Customer Service and Records	33	34	742	932	(709)	(898)	–	–	–	–
Development Assessment and Building Certification	1,849	2,256	3,843	3,613	(1,994)	(1,357)	126	200	–	–
Environmental Management	684	789	1,889	1,964	(1,205)	(1,175)	660	702	1,274	3
Finance and Central Treasury	251	348	2,762	2,594	(2,511)	(2,246)	29	121	1	2
Fleet and Plant	70	72	332	57	(262)	15	18	–	13,683	13,367
Information Technology	63	54	4,275	3,840	(4,212)	(3,786)	55	44	8,393	7,288
Libraries	296	283	2,046	2,003	(1,750)	(1,720)	256	243	4,037	13,304
Property	1,096	662	(514)	(592)	1,610	1,254	–	(40)	149,664	190,689
Public and Environmental Health	910	267	1,518	897	(608)	(630)	473	18	32	–
Public Order and Safety	3,605	3,033	5,514	5,053	(1,909)	(2,020)	3,436	2,817	9,407	14,442
Rates and General Revenues	42,455	38,282	1,175	(24)	41,280	38,306	8,705	5,391	–	–
Recreation	2,147	31,220	8,406	8,669	(6,259)	22,551	1,689	30,682	114,879	51,571
Risk and Insurance	81	53	1,281	1,347	(1,200)	(1,294)	–	–	–	–
Sewer Services	24,460	24,759	24,016	21,438	444	3,321	2,067	3,086	340,068	297,968
Stormwater	529	474	2,349	1,946	(1,820)	(1,472)	53	–	128,014	119,397
Strategic Planning	15	246	1,260	1,485	(1,245)	(1,239)	–	231	–	23
Technical Services	17	17	1,923	1,862	(1,906)	(1,845)	–	–	–	6
Tourism	1,184	299	1,060	1,559	124	(1,260)	1,180	250	597	1,010
Transport	33,284	27,223	31,393	30,717	1,891	(3,494)	30,410	23,344	775,099	715,563
Waste Management	15,202	15,714	11,634	13,744	3,568	1,970	382	122	17,816	16,726
Water Services	25,246	21,234	18,375	18,032	6,871	3,202	6,657	2,600	246,726	247,277
Workforce Development	321	226	1,685	1,589	(1,364)	(1,363)	171	72	–	–

continued on next page ...

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

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	
\$ '000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Works and Operations	5,348	120	9,491	4,356	(4,143)	(4,236)	5,230	—	22,715	16,168
Youth Services	444	316	688	589	(244)	(273)	424	301	—	—
Other	—	—	—	—	—	—	20	—	—	—
Total functions and activities	199,100	187,719	140,475	137,543	58,625	50,176	87,320	75,983	1,945,368	1,743,736

B1-2 Components of functions or activities

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

Business Development

Provides advocacy, support, training, and advice to businesses, investors, employers and event organisers to assist economic growth and development.

Children's Services

Provides education and care opportunities, support, resources and facilities to children aged 0-16 years and families.

Commercial Entities

Supports diversification of the economy and tourism industries. Deliver a return to the community from Council controlled commercial entities.

Communications and Community Engagement

Provides timely information about Council's services, activities, events and opportunities, and oversees community engagement.

Community and Corporate Leadership

Provides strategic leadership, advocacy and decision-making in the best interests of the community based on good governance and corporate outcomes.

Community and Cultural Development

Develops and implements programs that address identified social needs and shapes Eurobodalla's community identity through arts, cultural and creative experiences.

Community Care

Provides flexible, community based services to support the independence and wellbeing of older people, people with a disability and their carers.

Community Facilities

Provides safe, accessible and affordable facilities to support community activities and events.

Corporate Overheads

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

Customer Service and Records

Provides the first point of call for residents and visitors contacting Council via telephone, mail, email and face-to-face front counter enquiries.

Development Assessment and Building Certification

Applies Australian, NSW and local planning policies and codes to achieve sustainable development across Eurobodalla.

Environmental Management

Provides information, education and action to conserve our natural environment and mitigate environmental impacts.

Finance and Central Treasury

Responsible for Council's financial obligations, management and planning.

Fleet and Plant

Manages and maintains Council's vehicles, plant and equipment.

Information Technology

B1-2 Components of functions or activities (continued)

Provides advice and support to staff and Councillors.

Libraries

Provides information, education, recreation opportunities and resources for Eurobodalla residents and visitors.

Property

Responsible for purchasing, developing and managing Council's property.

Public and Environmental Health

Delivers programs and activities to protect our community and the environment.

Public Order and Safety

Contributes to the safety of the community and the environment in relation to pets, parking, beach patrol and emergency services.

Rates and General Revenues

Urban local and urban regional (including sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes).

Recreation

Provides planning, programs, infrastructure and open space that enables residents and visitors to participate in recreational activities throughout the year.

Risk and Insurance

Responsible for the management of strategic and operational risks and insurance for the organisation.

Sewer Services

Provision of a safe, reliable and sustainable sewer service.

Stormwater

Provides and maintains infrastructure that collects, controls and manages stormwater.

Strategic Planning

Plans for the housing, business and environmental needs and impacts of our current and future population.

Technical Services

Plans, designs, project manage and monitors infrastructure delivery and performance.

Tourism

Promotes Eurobodalla to attract new and repeat visitors both within Australia and internationally; provides visitor information services and advice and support to tourism businesses.

Transport

Provides the infrastructure such as roads and paths that enables the movement of people, vehicles and goods into and throughout Eurobodalla.

Waste Management

Responsible for waste collection, disposal, recycling, illegal dumping, infrastructure and education.

Water Services

Provision of a safe, reliable and secure town water supply.

B1-2 Components of functions or activities (continued)

Workforce Development

Responsible for human resource management, learning and development, payroll and work health and safety services to the organisation.

Works and Operations

Coordinates, maintains and supplies facilities and equipment to assist service delivery across Council.

Youth Services

Provides opportunities and activities for young people aged 12-25.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Timing	2022	2021
Ordinary rates			
Residential	1	26,210	25,606
Farmland	1	466	458
Business	1	4,720	4,614
Less: pensioner rebates (mandatory)	1	(874)	(898)
Rates levied to ratepayers		30,522	29,780
Pensioner rate subsidies received	1	484	492
Total ordinary rates		31,006	30,272
Special rates			
Environmental	1	1,097	1,072
Less: pensioner rebates (mandatory)	1	(34)	(35)
Rates levied to ratepayers		1,063	1,037
Total special rates		1,063	1,037
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1	6,157	5,943
Stormwater management services	1	477	474
Water supply services	1	8,070	7,797
Sewerage services	1	21,966	21,397
Waste management services (non-domestic)	1	1,437	1,402
Less: pensioner rebates (mandatory)	1	(917)	(945)
Annual charges levied		37,190	36,068
Pensioner subsidies received:			
– Water	1	195	199
– Sewerage	1	185	188
– Domestic waste management	1	128	130
– Other	1	19	19
Total annual charges		37,717	36,604
Total rates and annual charges		69,786	67,913
Timing of revenue recognition for rates and annual charges			
Rates and annual charges recognised over time (1)		69,786	67,913
Total rates and annual charges		69,786	67,913

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			

B2-2 User charges and fees (continued)

\$ '000	Timing	2022	2021
(per s.502 - specific 'actual use' charges)			
Water supply services	2	10,656	10,874
Sewerage services	2	707	694
Liquid trade waste	2	133	119
Total specific user charges		11,496	11,687
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	1,710	1,978
Private works – section 67	2	258	163
Section 10.7 certificates (EP&A Act)	2	141	141
Section 603 certificates	2	135	153
Onsite sewerage management	1	212	134
Sewer connection	2	5	2
Water connection	2	119	125
Total fees and charges – statutory/regulatory		2,580	2,696
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	210	161
Caravan park / camping	2	3,636	4,057
Cemeteries	2	209	204
Child care	2	1,441	1,426
Licence fees and Lease rentals	1	131	206
Library and art gallery	2	24	26
Recycling income (non-domestic)	2	849	561
Roads and Maritime Services charges (state roads)	2	2,839	3,724
Community service programs	2	6,349	5,321
Landfill	2	6,331	7,552
Other	2	278	327
Total fees and charges – other		22,297	23,565
Total other user charges and fees		24,877	26,261
Total user charges and fees		36,373	37,948
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		343	340
User charges and fees recognised at a point in time (2)		36,030	37,608
Total user charges and fees		36,373	37,948

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.

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.

Income from operating leases, where Council is the lessor, has been presented as rental income in Note C2-2 - Operating Leases.

B2-3 Other revenues

\$ '000	Timing	2022	2021
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B2-3 Other revenues (continued)

\$ '000	Timing	2022	2021
Hire income – Council facilities	1	556	468
Fines	2	226	239
Legal fees recovery – rates and charges (extra charges)	2	290	195
Commissions and agency fees	2	104	102
Insurance claims recoveries	2	283	1,323
Sales – general	2	171	188
WHS incentive	2	143	143
Other	1	292	319
Total other revenue		2,065	2,977

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	848	787
Other revenue recognised at a point in time (2)	1,217	2,190
Total other revenue	2,065	2,977

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Relating to the current year					
Financial assistance – general component	2	2,933	2,596	–	–
Financial assistance – local roads component	2	911	831	–	–
Prepayment received in advance for subsequent year					
Financial assistance – general component	1	4,503	2,777	–	–
Financial assistance – local roads component	1	1,406	892	–	–
Amount recognised as income during current year		9,753	7,096	–	–

Special purpose grants and non-developer contributions (tied)

Cash contributions

Previously specific grants:

Water supplies	2	–	–	5,823	1,200
Sewerage services	2	–	–	578	828
Bushfire and emergency services	2	2,464	2,460	11	43
Community care	2	2,926	3,003	(21)	–
Economic development	2	–	–	630	124
Environmental programs	2	1,167	838	–	–
Heritage and cultural	2	83	217	195	367
Library	2	92	84	–	–
Recreation and culture	2	50	110	20,867	29,859
Aerodrome	2	–	–	258	632
Street lighting	1	103	103	–	–
Transport (roads to recovery)	1	1,055	1,058	–	–
Transport (other roads and bridges funding)	1	172	61	8,699	6,588

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Other specific grants	2	367	139	1,296	602
Previously contributions:					
Bushfire and disaster recovery services	2	7,788	43	1,420	–
Business development	2	100	67	–	–
Community services	2	37	112	–	–
Kerb and gutter	2	–	–	43	67
Recreation and culture		23	–	–	–
Roads and bridges		15	–	–	–
Transport for NSW contributions (regional roads, block grant)	2	1,182	1,180	–	–
Sewerage (excl. section 64 contributions)	2	7	3	–	–
Water supplies (excl. section 64 contributions)		2	–	–	–
Other contributions	2	310	2	1,556	352
Arts and culture	2	25	20	–	–
Employment and training program	2	107	88	–	–
Roadworks	2	3,586	–	9,512	11,708
Sports grounds, parks and recreation	2	99	3	323	148
Waste management	2	236	146	–	–
Total special purpose grants and non-developer contributions – cash		21,996	9,737	51,190	52,518
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	890	1,620
Roads and bridges	2	–	–	1,277	1,779
Total other contributions – non-cash		–	–	2,167	3,399
Total special purpose grants and non-developer contributions (tied)		21,996	9,737	53,357	55,917
Total grants and non-developer contributions		31,749	16,833	53,357	55,917
Comprising:					
– Commonwealth funding		13,607	11,222	2,768	1,779
– State funding		17,487	5,318	46,403	50,231
– Other funding		655	293	4,186	3,907
		31,749	16,833	53,357	55,917

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	39	35	466	590
S 7.12 – fixed development consent levies		2	–	–	392	321
S 64 – water supply contributions		2	–	–	540	1,009
S 64 – sewerage service contributions		2	–	–	777	1,278
Total developer contributions – cash			39	35	2,175	3,198
Total developer contributions			39	35	2,175	3,198

B2-4 Grants and contributions (continued)

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Total contributions			39	35	2,175	3,198
Total grants and contributions			31,788	16,868	55,532	59,115
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			31,788	16,868	55,532	59,115
Total grants and contributions			31,788	16,868	55,532	59,115

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	3,708	3,286	(2,031)	4,939
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6,066	2,358	5,355	6,693
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,920)	–	1,444	(13,663)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	(1,936)	–	–
Unspent funds at 30 June	6,854	3,708	4,768	(2,031)
Contributions				
Unspent funds at 1 July	16,084	14,925	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	3,719	3,657	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(5,590)	(2,498)	–	–
Unspent contributions at 30 June	14,213	16,084	–	–

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 agreements. 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).

B2-4 Grants and contributions (continued)

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	164	(2)
– Cash and investments	614	848
Total interest and investment income (losses)	778	846
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
General Council cash and investments	399	329
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	27	27
– Section 7.12	9	17
– Section 64	68	68
Water fund operations	204	282
Sewerage fund operations	71	123
Total interest and investment income	778	846

Accounting policy

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

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

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Other lease income			
Caravan Parks		1,411	901
Airport Hangars		177	201
Leaseback fees - council vehicles		230	232
Land		960	718
Total other lease income		2,778	2,052
Total rental income	C2-2	2,778	2,052
Total other income		2,778	2,052

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	35,733	35,093
Travel expenses	268	218
Employee leave entitlements (ELE)	6,041	6,075
Superannuation	4,199	4,015
Workers' compensation insurance	1,525	1,805
Fringe benefit tax (FBT)	285	261
Payroll tax	384	399
Training costs (other than salaries and wages)	460	350
Other	424	312
Total employee costs	49,319	48,528
Less: capitalised costs	(5,374)	(5,694)
Total employee costs expensed	43,945	42,834
Number of 'full-time equivalent' employees (FTE) at year end (excluding casuals)	526	532

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		8,874	7,894
Contractor and consultancy costs		28,960	25,286
Audit Fees	F2-1	99	139
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	284	260
Advertising		510	405
Bank charges / cash collection expenses		302	295
Computer software charges		1,982	1,425
Electricity and heating		2,299	2,212
Insurance		1,648	1,658
Postage		405	415
Printing and stationery		211	162
Street lighting		177	291
Subscriptions and publications		293	171
Telephone and communications		566	709
Valuation fees		178	169
Commissions		546	591
Community care outsourced		63	261
Other expenses		3,628	3,029
Remediation remeasurement		110	1,286
Venue / facility hire		148	152
Legal expenses:			

B3-2 Materials and services (continued)

\$ '000	2022	2021
– Legal expenses: debt recovery	290	169
– Legal expenses: other	422	147
Expenses from leases of low value assets	99	103
Total materials and services	52,094	47,229
Total materials and services	52,094	47,229

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		2,084	2,200
Other debts		17	–
Total interest bearing liability costs		2,101	2,200
Total interest bearing liability costs expensed		2,101	2,200
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	(245)	(123)
– Lease liabilities		(33)	123
Total other borrowing costs		(278)	–
Total borrowing costs expensed		1,823	2,200

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		1,974	2,010
Office equipment		1,080	1,084
Furniture and fittings		40	41
Land improvements (depreciable)		14	14
Infrastructure:	C1-8		
– Buildings		1,691	1,614
– Other structures		983	899
– Roads		9,907	11,311
– Bridges		675	682
– Footpaths		786	799
– Stormwater drainage		1,307	1,261
– Water supply network		6,425	6,345
– Sewerage network		7,957	7,875
– Swimming pools		110	121
– Other open space/recreational assets		2,268	1,779
Right of use assets	C2-1	69	52
Other assets:			
– Library books		169	176
Total gross depreciation and amortisation costs		35,455	36,063

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

\$ '000	Notes	2022	2021
Total depreciation and amortisation costs		35,455	36,063
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-8		
– Buildings		(74)	–
– Other open space/recreational assets		(2)	–
Total gross IPPE impairment / revaluation decrement costs		(76)	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		(76)	–
Total depreciation, amortisation and impairment for non-financial assets		35,379	36,063

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment/(Write back) of receivables			
Other		(315)	166
Total impairment/(write back) of receivables	C1-4	(315)	166
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		56	74
– NSW fire brigade levy		172	185
– NSW rural fire service levy		773	1,025
– Other contributions/levies		270	243
Donations, contributions and assistance to other organisations (Section 356)		163	198
Bushfire Donations		–	193
Total other		1,434	1,918
Total other expenses		1,119	2,084

Accounting policy

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

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	9
Less: carrying amount of property assets sold/written off		(4,464)	(8)
Gain (or loss) on disposal		(4,464)	1
Gain (or loss) on disposal of plant and equipment			
	C1-8		
Proceeds from disposal – plant and equipment		798	1,015
Less: carrying amount of plant and equipment assets sold/written off		(795)	(621)
Gain (or loss) on disposal		3	394
Gain (or loss) on disposal of infrastructure			
	C1-8		
Less: carrying amount of infrastructure assets sold/written off		(6,362)	(8,898)
Gain (or loss) on disposal		(6,362)	(8,898)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		1,113	1,300
Less: carrying amount of real estate assets sold/written off		(327)	(665)
Gain (or loss) on disposal		786	635
Gain (or loss) on disposal of land held for resale			
	C1-7		
Proceeds from disposal – land held for resale		5,179	1,681
Less: carrying amount of land held for resale assets sold/written off		(1,257)	(946)
Gain (or loss) on disposal		3,922	735
Net gain (or loss) from disposal of assets		(6,115)	(7,133)

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 22/06/2021 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	68,825	69,786	961	1% F
User charges and fees	32,023	36,373	4,350	14% F
Favourable variation as a result of significant RMS funded works including works at Lyons Road and increased waste tipping fees / recycle revenue.				
Other revenues	2,654	2,065	(589)	(22)% U
Revenue received for the Bay Pavilions lower than anticipated due to the opening date offset by disaster event insurance proceeds received.				
Operating grants and contributions	15,380	31,788	16,408	107% F
Favourable variations due to significant grants received across infrastructure (Disaster response works and Make Safe works), prepaid financial assistance grants, funded works in environmental services and supported emergency services levy rebate.				
Capital grants and contributions	35,006	55,532	20,526	59% F
Revised timing of work/grants claims for significant infrastructure and recreational works, the Bay Pavilions, the Mogo Adventure Trails, Shellfish Hatchery. Works for recreation include carparks, Bodalla Oval field lighting and marine works at Tuross and Hanging Rock. Significant grant funded infrastructure works include bridge works (emergency renewal works for fire damaged assets and fixing country bridge funding programs), Araluen Road (Moruya) disaster recovery work, roading safety works at Grandfathers Gully and Tomakin Road. Receipt of Office of Local Government Disaster Relief Payment for floods in February 2022.				
Recognition of significant subdivider assets, developer contributions and non-cash gifted assets including Batemans Bay Bridge works.				
Interest and investment revenue	2,163	778	(1,385)	(64)% U
Lower than anticipated interest rates across Council wide portfolio.				
Other income	2,403	2,778	375	16% F
Improved lease/license income across Council owned land, including the leasing of new airport hangars.				
Expenses				
Employee benefits and on-costs	44,216	43,945	271	1% F
Materials and services	16,987	52,094	(35,107)	(207)% U
Expenses classified as 'other expenses' are generally materials and service related and are therein combined for reporting purposes. Variations relating to significant grant funded programs include (1) Transport for NSW Bushfire Affected Tree work (2) Make Safe Transport Infrastructure works (3) RMS works and (4) Disaster Response works. These funded works include declared Storm and Flood events across FY 21 and FY 22. Note that some of the budget for these sits within the Other Expenses line shown further below, hence these lines should be read together as a net impact of \$13.0M due to the				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
factors outlined above.				
Borrowing costs	2,318	1,823	495	21% F
Revised rates and terms on Council's loan portfolio.				
Depreciation, amortisation and impairment of non-financial assets	38,125	35,379	2,746	7% F
Other expenses	23,201	1,119	22,082	95% F
Expenses classified as 'other expenses' are generally materials and service related and are therein combined for reporting purposes. Note that some of the expenses against this budget sit within the Materials and Services line, as per the above comment in that section.				
Net losses from disposal of assets	–	6,115	(6,115)	∞ U
Loss on disposal of assets primarily related to infrastructure, water and sewer assets partially offset by sales of council owned land and equipment.				

Statement of cash flows

Cash flows from operating activities	71,732	97,583	25,851	36% F
Favourable variations including increased tipping / recycling fees, Emergency Services Levy rebate / Financial Assistance Grants, OLG Disaster Relief Payment and significant timing of grant funded projects across all Council departments. These projects include various recreational works, Mogo Adventure Trails, and significant Disaster Recovery works.				
Cash flows from investing activities	(87,532)	(93,956)	(6,424)	7% U
Cash flows from financing activities	8,183	6,988	(1,195)	(15)% U
Variation as result of lower borrowings across Council due to revised timing and funding of works.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	23,774	13,215
Cash equivalent assets		
– Deposits at call	13,161	13,105
Total cash and cash equivalents	36,935	26,320

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	36,935	26,320
Balance as per the Statement of Cash Flows	36,935	26,320

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Term deposits	119,000	13,000	130,000	–
Total	119,000	13,000	130,000	–
Total financial investments	119,000	13,000	130,000	–
Total cash assets, cash equivalents and investments	155,935	13,000	156,320	–

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).

The Australian Government guarantees deposits up to \$250,000 in Authorised Deposit-Taking Institutions (ADIs) such as banks (including online and digital banks), building societies or credit unions. Council has \$1.75m in the investment portfolio that is considered as “Remote Risk” under the investment policy and covered by the Australian Government guarantee. This guarantee is recognised as part of the investments balance.

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)

C1-2 Financial investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

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

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

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	168,935	156,320
Less: Externally restricted cash, cash equivalents and investments	(124,906)	(102,663)
Cash, cash equivalents and investments not subject to external restrictions	44,029	53,657
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – sewer	3,575	33
External restrictions – included in liabilities	3,575	578
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	4,235	5,925
Developer contributions – water fund	4,963	5,401
Developer contributions – sewer fund	2,409	2,629
Specific purpose unexpended grants (recognised as revenue) – general fund	16,031	2,478
Specific purpose unexpended grants (recognised as revenue) – water fund	(4,535)	(725)
Specific purpose unexpended grants (recognised as revenue) – sewer fund	(298)	(77)
Water fund	47,977	39,238
Sewer fund	12,502	15,408
Stormwater management	454	306
Other waste management	25,406	20,534
Crown reserves	5,517	5,481
Community services asset replacement	494	364
Other	3,618	2,128
Domestic waste management	2,558	2,995
External restrictions – other	121,331	102,085
Total external restrictions	124,906	102,663

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

\$ '000	2022	2021
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C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

\$ '000	2022	2021
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions

44,029	53,657
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Less: Internally restricted cash, cash equivalents and investments

(34,314)	(32,555)
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Unrestricted and unallocated cash, cash equivalents and investments

9,715	21,102
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Internal allocations

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

Infrastructure replacement	374	297
Employees leave entitlement	4,302	4,497
Community development infrastructure fund	58	58
Council recreational loan pool	167	156
Energy and efficiency fund	627	627
Financial assistance grant	5,909	3,669
Gravel pits	918	846
Infrastructure renewals (FFTF)	5,481	8,686
Management committees	154	145
Real estate disposal fund	7,358	4,241
Recreation strategy	19	60
Special rates variation	3,846	2,958
Sports liason committee	252	239
Unexpended general loan fund	534	1,174
Other (Contributions)	4,315	4,902
Total internal allocations	34,314	32,555

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

\$ '000	2022	2021
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(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	9,715	21,102
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C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	1,095	–	1,150	–
Interest and extra charges	2	–	–	–
User charges and fees	9,723	–	10,567	–
Accrued revenues				
– Interest on investments	275	–	210	–
– Other income accruals	19,469	–	10,322	–
Deferred debtors	22	–	32	–
Net GST receivable	884	–	1,076	–
Other debtors	28	5	–	5
Total	31,498	5	23,357	5
Less: provision for impairment				
Rates and annual charges	(35)	–	(35)	–
User charges and fees	(589)	–	(906)	–

continued on next page ...

C1-4 Receivables (continued)

Total provision for impairment – receivables	(624)	–	(941)	–
Total net receivables	30,874	5	22,416	5

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted receivables				
Water supply				
– Other	3,350	–	3,631	–
Sewerage services				
– Other	1,250	–	931	–
Total external restrictions	4,600	–	4,562	–
Unrestricted receivables	26,274	5	17,854	5
Total net receivables	30,874	5	22,416	5

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year	941	914
+ new provisions recognised during the year	–	27
– amounts provided for but recovered during the year	(317)	–
Balance at the end of the year	624	941

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 7 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

C1-5 Inventories (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate development	761	–	1,741	–
Stores and materials	1,095	–	870	–
Total inventories at cost	1,856	–	2,611	–
Total inventories	1,856	–	2,611	–

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,856	–	2,611	–
Total inventories	1,856	–	2,611	–

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Residential		761	–	–	–
Industrial/commercial		–	–	1,741	–
Total real estate development		761	–	1,741	–
Represented by:					
Acquisition costs		761	–	355	–
Other properties – book value		–	–	1,386	–
Total costs		761	–	1,741	–
Total real estate development		761	–	1,741	–
Movements:					
Real estate assets at beginning of the year		1,741	–	–	–
– Purchases and other costs		(2)	–	580	–
– WDV of sales (expense)	B4-1	(327)	–	(665)	–
– Transfer from (to) Operational and Community Land		(660)	–	501	–
– Transfer from Land held for resale		9	–	1,325	–
Total real estate development		761	–	1,741	–

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.

Real Estate Development

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	5,605	–	10,430	–
Total contract assets and contract cost assets	5,605	–	10,430	–

Contract assets

Work relating to infrastructure grants	5,605	–	10,430	–
Total contract assets	5,605	–	10,430	–

Significant changes in contract assets

The contract asset balance relates to multi-year projects which commenced or continued in the current financial year. However, milestones which trigger the grants claims had not yet been reached.

(i) Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Water	4,535	–	725	–
Sewer	298	–	77	–
Other	772	–	9,628	–
Total externally restricted assets	5,605	–	10,430	–
Total restricted assets	5,605	–	10,430	–
Total contract assets and contract cost asset	5,605	–	10,430	–

Accounting policy

Contract assets

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

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

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

C1-7 Non-current assets classified as held for sale

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Non-current assets held for sale				
Land	–	–	183	–
Total non-current assets held for sale	–	–	183	–

C1-7 Non-current assets classified as held for sale (continued)

Total non-current assets classified
as held for sale

	—	—	183	—
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Details of assets and disposal groups

Reconciliation of non-current assets held for sale and disposal groups – i.e. discontinued operations

	2022 Assets 'held for sale'	2021 Assets 'held for sale'
\$ '000		
Opening balance	183	2,454
Balance still unsold after 12 months:	183	2,454
Less: Disposals or assets no longer classified as 'held for sale'	(1,257)	(946)
Plus new transfers in:		
– Asset reclassification 'held for sale'	1,083	—
Less:		
Less: transfer to real estate development held for sale	(9)	(1,325)
Closing balance of held for sale non-current assets and operations	—	183

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

C1-8 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	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	83,135	–	83,135	34,420	54,577	–	–	–	(131,599)	–	–	40,533	–	40,533
Plant and equipment	36,058	(20,103)	15,955	–	–	(795)	(1,974)	–	2,104	–	–	36,178	(20,888)	15,290
Office equipment	9,079	(2,614)	6,465	–	–	–	(1,080)	–	3,791	(1)	–	12,430	(3,255)	9,175
Furniture and fittings	345	(153)	192	–	–	–	(40)	–	1,466	(1)	–	1,769	(152)	1,617
Land:														
– Operational land	54,089	–	54,089	–	–	(1,511)	–	–	5	(568)	16,125	68,140	–	68,140
– Community land	115,240	–	115,240	–	–	(2,842)	–	–	–	259	–	112,657	–	112,657
– Land under roads (post 30/6/08)	15,228	–	15,228	–	–	–	–	–	112	–	3,528	18,868	–	18,868
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	(174)	514	–	–	–	(14)	–	–	–	–	688	(188)	500
Infrastructure:														
– Buildings	129,079	(40,651)	88,428	–	325	(107)	(1,691)	74	50,391	1	9,609	193,881	(46,851)	147,030
– Other structures	24,510	(7,199)	17,311	–	–	(4)	(983)	–	93	–	2,573	27,874	(8,884)	18,990
– Roads	746,636	(232,455)	514,181	–	998	(2,668)	(9,907)	–	19,562	(44)	38,657	812,055	(251,278)	560,777
– Bridges	58,174	(17,576)	40,598	–	–	(408)	(675)	–	3,760	(57)	2,805	65,146	(19,123)	46,023
– Footpaths	47,427	(12,940)	34,487	–	296	(313)	(786)	–	1,323	67	2,443	52,038	(14,519)	37,519
– Bulk earthworks (non-depreciable)	–	(2)	(2)	–	–	–	–	–	–	–	–	–	(2)	(2)
– Stormwater drainage	139,107	(36,349)	102,758	–	213	(185)	(1,307)	–	1,824	1,101	7,194	151,593	(39,996)	111,597
– Water supply network	370,309	(189,211)	181,098	–	185	(1,057)	(6,425)	–	6,363	53	28,413	413,122	(204,492)	208,630
– Sewerage network	449,658	(205,284)	244,374	–	705	(1,106)	(7,957)	–	28,616	26	24,091	518,132	(229,383)	288,749
– Swimming pools	5,398	(4,165)	1,233	–	–	–	(110)	–	8,675	(1)	170	14,807	(4,840)	9,967
– Other open space/recreational assets	69,127	(34,482)	34,645	–	1,143	(624)	(2,268)	2	3,324	16	4,146	79,716	(39,332)	40,384
Other assets:														
– Library books	862	(371)	491	–	–	–	(169)	–	190	1	–	840	(327)	513
– Other	7	(2)	5	–	–	–	–	–	–	–	–	7	(2)	5
Total infrastructure, property, plant and equipment	2,354,188	(803,731)	1,550,457	34,420	58,442	(11,620)	(35,386)	76	–	852	139,754	2,620,506	(883,512)	1,736,994

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

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	29,356	–	29,356	35,931	50,154	–	–	(32,304)	(2)	–	83,135	–	83,135
Plant and equipment	35,656	(19,617)	16,039	–	–	(621)	(2,010)	2,547	–	–	36,058	(20,103)	15,955
Office equipment	9,095	(1,932)	7,163	–	–	–	(1,084)	387	(1)	–	9,079	(2,614)	6,465
Furniture and fittings	399	(166)	233	–	–	–	(41)	–	–	–	345	(153)	192
Land:													
– Operational land	54,241	–	54,241	–	35	(8)	–	230	(373)	(36)	54,089	–	54,089
– Community land	105,606	–	105,606	–	–	–	–	–	(127)	9,761	115,240	–	115,240
– Land under roads (post 30/6/08)	15,201	–	15,201	–	–	–	–	27	–	–	15,228	–	15,228
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	(161)	527	–	–	–	(14)	–	1	–	688	(174)	514
Infrastructure:													
– Buildings	132,160	(46,006)	86,154	–	4	(1,715)	(1,614)	2,285	–	3,314	129,079	(40,651)	88,428
– Other structures	22,155	(6,577)	15,578	–	40	(658)	(899)	851	1,092	1,307	24,510	(7,199)	17,311
– Roads	728,247	(222,001)	506,246	–	1,044	(2,998)	(11,311)	13,263	8	7,929	746,636	(232,455)	514,181
– Bridges	54,625	(17,439)	37,186	–	–	(206)	(682)	3,703	16	581	58,174	(17,576)	40,598
– Footpaths	45,824	(12,015)	33,809	–	225	(251)	(799)	968	10	525	47,427	(12,940)	34,487
– Bulk earthworks (non-depreciable)	–	–	–	–	–	–	–	–	(2)	–	–	(2)	(2)
– Stormwater drainage	134,193	(34,593)	99,600	–	547	(104)	(1,261)	2,060	339	1,577	139,107	(36,349)	102,758
– Water supply network	366,149	(182,282)	183,867	–	340	(179)	(6,345)	1,776	57	1,582	370,309	(189,211)	181,098
– Sewerage network	444,654	(196,455)	248,199	–	977	(359)	(7,875)	1,261	11	2,160	449,658	(205,284)	244,374
– Swimming pools	8,406	(7,675)	731	–	–	–	(121)	–	–	623	5,398	(4,165)	1,233
– Other open space/recreational assets	57,493	(23,526)	33,967	–	306	(2,442)	(1,779)	2,752	748	1,093	69,127	(34,482)	34,645
Other assets:													
– Library books	906	(434)	472	–	–	–	(176)	194	1	–	862	(371)	491
– Other	7	(2)	5	–	–	–	–	–	–	–	7	(2)	5
Total infrastructure, property, plant and equipment	2,245,093	(770,881)	1,474,212	35,931	53,672	(9,541)	(36,011)	–	1,778	30,416	2,354,188	(803,731)	1,550,457

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

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	15 to 30
Office furniture	10 to 20	Benches, seats etc.	20 to 25
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	60
Other plant and equipment	5 to 15	Buildings: other	40 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	10 to 100	Pipes	100 to 200
Valves	10 to 15	Culverts	30 to 100
Pipes	50 to 100	Flood control structures	non depreciable
Pumps and telemetry	7 to 25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 18	Bulk earthworks	NA
Sealed roads: structure	50 to non depreciable	Swimming pools	60
Unsealed roads	10 to non depreciable	Other open space/recreational assets	10 to non depreciable
Bridge: concrete	75 to 120	Other infrastructure	7 to non depreciable
Bridge: other	30 to 100		
Road pavements	50 to non depreciable		
Kerb, gutter and footpaths	30 to 100		

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

Revaluation model

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

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

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

C1-8 Infrastructure, property, plant and equipment (continued)

Found Assets

The revaluation process typically finds assets that have not been previously recognised. These assets are recognised in accordance with the revaluation model and disclosed as current year adjustments. Accumulated Surplus is increased and is disclosed as an Other Reserve Movement. For 2021/22 the fair value of found assets was \$1.16 m.

Land under roads

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

Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

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

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

The Office of Local Government has stated that RFS assets are to be recognised as assets of Council. This is due to Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed". Council's view is that RFS vehicles and appliances do not meet the asset recognition criteria in accordance with the Australian accounting standards. Control being one of the key requirements does not just relate to a legal requirement. Control exists if the entity has the present ability to direct the use of the economic resource and obtain the economic benefits. Council believes the RFS has control over these assets. Council from 1 July 2020 no longer updates its asset register for changes to these RFS assets. However, RFS buildings are still being recorded and updated. Council owns the land under the buildings so this assessment is more complex and Council has followed the OLG direction in this case.

Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/22			as at 30/06/21		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	11,719	–	11,719	12,000	–	12,000
Plant and equipment	694	442	252	700	413	287
Office equipment	79	37	42	79	27	52
Land						
– Operational land	2,274	–	2,274	1,731	–	1,731
Buildings	5,889	1,979	3,910	5,304	1,709	3,595
Infrastructure	413,122	204,492	208,630	370,309	189,211	181,098
Total water supply	433,777	206,950	226,827	390,123	191,360	198,763
Sewerage services						
WIP	13,134	–	13,134	23,887	–	23,887
Plant and equipment	1,475	1,406	69	1,475	1,392	83
Office equipment	42	11	31	32	6	26
Furniture and fittings	5	1	4	–	–	–
Land						
– Operational land	3,045	–	3,045	3,642	–	3,642
– Community land	1	–	1	4	–	4
Buildings	5,923	1,454	4,469	4,630	1,238	3,392
Infrastructure	518,133	229,383	288,750	449,658	205,284	244,374
Other assets	63	4	59	59	3	56
Total sewerage services	541,821	232,259	309,562	483,387	207,923	275,464

Domestic waste management

continued on next page ...

Externally restricted infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/22			as at 30/06/21		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
WIP	164	–	164	237	–	237
Plant and equipment	1,926	1,274	652	1,926	1,219	707
Office equipment	10	6	4	10	6	4
Land						
– Operational land	3,664	–	3,664	2,797	–	2,797
Buildings	815	271	544	735	234	501
Other structures	16,184	5,530	10,654	14,131	4,196	9,935
Infrastructure	443	–	443	443	–	443
Total domestic waste management	23,206	7,081	16,125	20,279	5,655	14,624
Total restricted infrastructure, property, plant and equipment	998,804	446,290	552,514	893,789	404,938	488,851

C1-9 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	672	–	819	–
Total other assets	672	–	819	–

Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Water				
Prepayments	20	–	–	–
Total water	20	–	–	–
Sewerage				
Prepayments	20	–	–	–
Total sewerage	20	–	–	–
 Total externally restricted assets	 40	 –	 –	 –
Total internally restricted assets	–	–	–	–
Total unrestricted assets	632	–	819	–
Total other assets	672	–	819	–

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases land and buildings for records storage at Moruya industrial district and NDIS accommodation services at Batemans Bay.

The records storage lease is for 10 years with annual CPI movements and an extension option of 5 years at market rent.

The NDIS accommodation lease is for five years and includes a five year renewal option. The building leases contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception. The monthly lease amount is offset by funds received from client's Specialist Disability Accommodation funding which covers a tenancy management fee, reactive maintenance fee and planned and preventative maintenance fees. The lease payment is therefore variable and dependent on occupancy.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 10 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Photocopier	Storage Facility	Guy Street NDIS accommodation	Total
2022				
Opening balance at 1 July	9	293	193	495
Depreciation charge	(8)	(33)	(28)	(69)
Balance at 30 June	1	261	165	427
2021				
Opening balance at 1 July	18	310	221	549
Depreciation charge	(9)	(17)	(28)	(54)
Balance at 30 June	9	293	193	495

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	78	423	84	532
Total lease liabilities	78	423	84	532

(c) (i) The maturity analysis

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

C2-1 Council as a lessee (continued)

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	71	275	135	481	501
2021					
Cash flows	77	278	203	558	616

(ii) Lease liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total lease liabilities relating to unrestricted assets	78	423	84	532
Total lease liabilities	78	423	84	532

(d) Income Statement

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

\$ '000	2022	2021
Depreciation of right of use assets	138	52
Expenses relating to low-value leases	170	103
	308	155

(e) Statement of Cash Flows

Total cash outflow for leases	(82)	(82)
	(82)	(82)

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.

C2-1 Council as a lessee (continued)

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 caravan parks, aircraft hangars, staff lease back vehicles and land for telecommunications, golf courses and other business uses. These leases have been classified as operating leases for financial reporting purposes and the assets are included as 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:

\$ '000	2022	2021
(i) Assets held as property, plant and equipment		
Caravan Parks	1,411	901
Airport Hangars	177	201
Leaseback fees - Council Vehicles	230	232
Land	960	718
Total income relating to operating leases for Council assets	2,778	2,052

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Payables				
Goods and services – operating expenditure	2,282	–	4,034	–
Goods and services – capital expenditure	2,219	–	5,036	–
Accrued expenses:				
– Borrowings	41	–	51	–
– Other expenditure accruals	7,033	–	11,144	–
Prepaid rates	–	–	–	–
Security bonds, deposits and retentions	660	–	723	–
ATO – net GST (receivable) / payable	(30)	–	11	–
Other	100	–	221	–
Total payables	12,305	–	21,220	–
Income received in advance				
Payments received in advance	520	–	531	–
Total income received in advance	520	–	531	–
Total payables	12,825	–	21,751	–

Payables relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Water	364	–	215	–
Sewer	1,575	–	156	–
Payables relating to externally restricted assets	1,939	–	371	–
Total payables relating to restricted assets	1,939	–	371	–
Total payables relating to unrestricted assets	10,886	–	21,380	–
Total payables	12,825	–	21,751	–

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

All liabilities, classified as current are also expected to be settled in the next 12 months.

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
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C3-2 Contract Liabilities (continued)

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	10,440	–	7,764	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	4,313	–	1,823	–
Total grants received in advance		14,753	–	9,587	–
Total contract liabilities		14,753	–	9,587	–

Notes

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

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

Contract liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	14,753	–	10,132	–
Contract liabilities relating to externally restricted assets	14,753	–	10,132	–
Total contract liabilities relating to restricted assets	14,753	–	10,132	–
Total contract liabilities relating to unrestricted assets	–	–	(545)	–
Total contract liabilities	14,753	–	9,587	–

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	8,228	3,246
Operating grants (received prior to performance obligation being satisfied)	1,359	555
Total revenue recognised that was included in the contract liability balance at the beginning of the period	9,587	3,801

Accounting policy

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

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
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C3-3 Borrowings (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	7,622	59,411	9,636	50,327
Total borrowings	7,622	59,411	9,636	50,327

(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 E-2.

Borrowings relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Water	271	446	565	221
Sewer	1,915	21,992	3,502	12,487
Borrowings relating to externally restricted assets	2,186	22,438	4,067	12,708
Total borrowings relating to restricted assets	2,186	22,438	4,067	12,708
Total borrowings relating to unrestricted assets	5,436	36,973	5,569	37,619
Total borrowings	7,622	59,411	9,636	50,327

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

All borrowings classified as current, are also expected to be settled in the next 12 months.

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	59,963	7,070	–	–	–	–	67,033
Lease liability (Note C2-1b)	616	(82)	–	(33)	–	–	501
Total liabilities from financing activities	60,579	6,988	–	(33)	–	–	67,534

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	58,385	1,578	–	–	–	–	59,963
Lease liability (Note C2-1b)	575	(82)	–	123	–	–	616
Total liabilities from financing activities	58,960	1,496	–	123	–	–	60,579

(b) Financing arrangements

\$ '000	2022	2021
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Total facilities

C3-3 Borrowings (continued)

\$ '000	2022	2021
Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	288	260
Total financing arrangements	2,288	2,260
Undrawn facilities		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	223	260
Total undrawn financing arrangements	2,223	2,260

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	3,843	–	3,919	–
Long service leave	6,578	448	7,344	508
Other leave (TOIL and RDO)	537	–	578	–
Other ELE on-costs (Payroll tax and WorkCover)	480	22	501	20
Total employee benefit provisions	11,438	470	12,342	528

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	1,090	46	943	38
Sewer	1,090	46	943	38
Employee benefit provisions relating to externally restricted assets	2,180	92	1,886	76
Total employee benefit provisions relating to restricted assets	2,180	92	1,886	76
Total employee benefit provisions relating to unrestricted assets	9,258	378	10,456	452
Total employee benefit provisions	11,438	470	12,342	528

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

\$ '000	2022	2021
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The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

C3-4 Employee benefit provisions (continued)

\$ '000	2022	2021
Provisions – employees benefits	5,630	6,049
	5,630	6,049

Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
2022					
At beginning of year	3,919	7,852	521	578	12,870
Additional provisions	3,008	837	–	1,024	4,869
Amounts used (payments)	(3,062)	(1,087)	–	(1,064)	(5,213)
Remeasurement effects	(22)	(576)	–	(1)	(599)
Other	–	–	(19)	–	(19)
Total ELE provisions at end of year	3,843	7,026	502	537	11,908
2021					
At beginning of year	3,820	7,032	666	515	12,033
Additional provisions	2,868	1,689	–	1,657	6,214
Amounts used (payments)	(2,784)	(833)	–	(1,597)	(5,214)
Remeasurement effects	15	(62)	–	3	(44)
Other	–	26	(145)	–	(119)
Total ELE provisions at end of year	3,919	7,852	521	578	12,870

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current

Other provisions

continued on next page ...

C3-5 Provisions (continued)

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Self insurance – workers compensation	–	–	7	–
Sub-total – other provisions	–	–	7	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,740	–	2,875
Sub-total – asset remediation/restoration	–	2,740	–	2,875
Total provisions	–	2,740	7	2,875

Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	–	2,740	–	2,875
Provisions relating to externally restricted assets	–	2,740	–	2,875
Total provisions relating to restricted assets	–	2,740	–	2,875
Total provisions relating to unrestricted assets	–	–	7	–
Total provisions	–	2,740	7	2,875

Description of and movements in provisions

\$ '000	Other provisions		
	Self insurance	Asset remediation	Total
2022			
At beginning of year	7	2,875	2,882
Unwinding of discount	–	(245)	(245)
Remeasurement effects	–	110	110
Other	(7)	–	(7)
Total other provisions at end of year	–	2,740	2,740
2021			
At beginning of year	3	1,713	1,716
Unwinding of discount	–	352	352
Remeasurement effects	–	810	810
Other	4	–	4
Total other provisions at end of year	7	2,875	2,882

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.

The estimation methodology relies on internally developed unit costs supported by EPA and current contractor inputs.

C3-5 Provisions (continued)

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.

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.

Other reserves

Other Reserve movements in the Statement of Equity include the realisation of revaluation increments for disposed assets (\$4.7m) and found assets (\$1.16m) discovered during the revaluation process.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	40,437	7,717	21,632
User charges and fees	24,543	10,978	852
Interest and investment revenue	435	250	93
Other revenues	1,891	59	115
Grants and contributions provided for operating purposes	31,291	305	192
Grants and contributions provided for capital purposes	46,925	6,547	2,060
Other income	2,778	–	–
Total income from continuing operations	148,300	25,856	24,944
Expenses from continuing operations			
Employee benefits and on-costs	36,016	3,391	4,538
Materials and services	38,223	6,543	7,328
Borrowing costs	1,161	42	620
Depreciation, amortisation and impairment of non-financial assets	20,789	6,543	8,047
Other expenses	(723)	802	1,040
Net losses from the disposal of assets	2,631	1,057	2,427
Total expenses from continuing operations	98,097	18,378	24,000
Operating result from continuing operations	50,203	7,478	944
Net operating result for the year	50,203	7,478	944
Net operating result attributable to each council fund	50,203	7,478	944
Net operating result for the year before grants and contributions provided for capital purposes	3,278	931	(1,116)

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	36,935	–	–
Investments	48,250	48,886	21,864
Receivables	26,274	3,350	1,250
Inventories	1,856	–	–
Contract assets and contract cost assets	772	4,535	298
Other	632	20	20
Total current assets	114,719	56,791	23,432

Non-current assets

Investments	13,000	–	–
Receivables	5	–	–
Infrastructure, property, plant and equipment	1,200,606	226,827	309,561
Right of use assets	427	–	–
Total non-current assets	1,214,038	226,827	309,561

D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2022	Water 2022	Sewer 2022
Total assets	1,328,757	283,618	332,993
LIABILITIES			
Current liabilities			
Payables	10,366	364	1,575
Income received in advance	520	—	—
Contract liabilities	14,753	—	—
Lease liabilities	78	—	—
Borrowings	5,436	271	1,915
Employee benefit provision	11,438	—	—
Total current liabilities	42,591	635	3,490
Non-current liabilities			
Lease liabilities	423	—	—
Borrowings	36,973	446	21,992
Employee benefit provision	470	—	—
Provisions	2,740	—	—
Total non-current liabilities	40,606	446	21,992
Total liabilities	83,197	1,081	25,482
Net assets	1,245,560	282,537	307,511
EQUITY			
Accumulated surplus	654,105	180,051	145,106
Revaluation reserves	591,455	102,486	162,405
Council equity interest	1,245,560	282,537	307,511
Total equity	1,245,560	282,537	307,511

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	36,935	26,320	36,935	26,320
Receivables	30,879	22,421	30,879	22,421
Investments				
– Debt securities at amortised cost	132,000	130,000	132,000	130,000
Total financial assets	199,814	178,741	199,814	178,741
Financial liabilities				
Payables	12,305	21,220	12,305	21,220
Borrowings	67,033	59,963	67,033	59,963
Total financial liabilities	79,338	81,183	79,338	81,183

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio based on market and product information provided by independent sources.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

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

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,452	1,431
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
2022				
Gross carrying amount	–	981	114	1,095
2021				
Gross carrying amount	4	1,046	100	1,150

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.

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

	Not yet overdue	0 - 30 days	Overdue debts			
\$ '000			31 - 60 days	61 - 90 days	> 91 days	Total
2022						
Gross carrying amount	26,732	6,765	936	95	1,485	36,013
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	39.00%	1.61%
ECL provision	—	—	—	—	579	579
2021						
Gross carrying amount	23,081	6,807	317	92	2,345	32,642
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	39.00%	2.80%
ECL provision	—	—	—	—	915	915

(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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000							
2022							
Payables	0.00%	12,305	—	—	—	12,305	12,305
Borrowings	3.88%	—	10,130	32,243	41,703	84,076	67,033
Total financial liabilities		12,305	10,130	32,243	41,703	96,381	79,338
2021							
Payables	0.00%	21,220	—	—	—	21,220	21,220
Borrowings	3.62%	—	11,730	27,246	33,536	72,512	59,963
Total financial liabilities		21,220	11,730	27,246	33,536	93,732	81,183

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
- Unlisted equity securities
- Land held for resale

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

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

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

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

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

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Infrastructure, property, plant and equipment	C1-8						
Operational land		–	–	68,140	54,089	68,140	54,089
Community land		–	–	112,657	115,240	112,657	115,240
Land under roads		–	–	18,868	15,228	18,868	15,228
Land improvements – non-depreciable		–	–	32	32	32	32
Land improvements – depreciable		–	–	500	514	500	514
Buildings		–	–	147,030	88,428	147,030	88,428
Buildings – specialised		–	–	–	–	–	–
Other recreational assets		–	–	40,384	34,645	40,384	34,645
Other structures		–	–	18,990	17,311	18,990	17,311
Roads		–	–	560,775	514,181	560,775	514,181
Bridges		–	–	46,023	40,598	46,023	40,598
Footpaths		–	–	37,519	34,487	37,519	34,487
Stormwater drainage		–	–	111,597	102,758	111,597	102,758
Water supply network		–	–	208,630	181,098	208,630	181,098
Sewerage network		–	–	288,749	244,374	288,749	244,374
Swimming pools		–	–	9,967	1,233	9,967	1,233
Library books		–	–	513	491	513	491
Other		–	–	5	5	5	5
Total infrastructure, property, plant and equipment		–	–	1,670,379	1,444,712	1,670,379	1,444,712
Non-recurring fair value measurements							
Non-current assets classified as held for sale	C1-7						
Land held for sale		–	–	–	183	–	183
Real Estate Development held for sale		–	–	761	1,741	761	1,741
Total NCA's classified as held for sale		–	–	761	1,924	761	1,924

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, office equipment and furniture and fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- * Plant & Equipment : Trucks, graders, ride on mowers, motor vehicles
- * Office Equipment : Computers, photocopiers, electronic whiteboards
- * Furniture & Fittings : Chairs, desks, display systems

The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market, therefore placing these assets in Level 3.

Operational and community land

Operational Land has been indexed based on the average rate of increase in Land Values provided by the Valuer-General. The last external valuation was undertaken by APV Asset Management Pty Ltd for 30 June 2018.

Community Land is based on either the Land Value provided by the Valuer-General or an average rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land.

Land under roads

Land under roads includes land under roadways, footpaths, nature strips and median strips. Council has elected to recognise all land under roads in accordance with AASB 16 - Property, Plant and Equipment.

Base values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting and have been indexed based on the average rate of increase in Land Values provided by the Valuer-General. The asset class is classified as a Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

Land improvements – depreciable and non-depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located in parks, reserves and also within road reserves. Land Improvements were valued in house by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgment and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Buildings

This asset class includes sporting, operational, community, public toilets, libraries, halls, toilets and Council offices buildings. The most recent valuation was undertaken in APV Valuers for 30 June 2018. The valuation methodology used was the cost approach. Although the valuation was undertaken by professional valuers, this asset class is categorised as Level 3 valuation hierarchy, as it is still open to subjective assessment using unobservable (Level 3) inputs.

This assets class has been indexed in the interim years using appropriate cost increases or indices with useful lives reviewed annually. In the current reporting period these assets were indexed using ABS construction indices data. Useful lives of assets reaching zero carrying value as at 30 June 2021 and 30 June 2022 have been reassessed and adjusted as required.

Transport and stormwater

E2-1 Fair value measurement (continued)

This asset class includes roads, bridges, carparks, footpaths, road furniture, bus shelters, road drainage, stormwater quality and stormwater systems. The most recent valuation was undertaken by in-house professionals for 30 June 2020. The valuation methodology used was the cost approach. This asset class is categorised as Level 3 valuation hierarchy as some inputs such as calculation of replacement costs, asset condition and useful lives are unobservable (Level 3) inputs.

This assets class has been indexed in the interim years using appropriate cost increases or indices with useful lives reviewed annually. In the current reporting period these assets were indexed using ABS construction indices data. Useful lives of assets reaching zero carrying value as at 30 June 2021 and 30 June 2022 have been reassessed and adjusted as required.

Open space, Recreation and Other Structures

This asset class includes all assets associated with sporting facilities, parks and reserves, marine facilities, business recreation, aquatic centres, airports, operational sites and waste facilities excluding land and buildings . The most recent valuation was undertaken by in-house professionals for 30 June 2021. The valuation methodology used was the cost approach. This asset class is categorised as Level 3 valuation hierarchy as some inputs such as calculation of replacement costs, asset condition and useful lives are unobservable (Level 3) inputs. In the current reporting period these assets were indexed using ABS construction indices data. Useful lives of assets reaching zero carrying value as at 30 June 2021 and 30 June 2022 have been reassessed and adjusted as required.

Water and Sewer Network

This asset class includes sewer pumping stations, sewer transport, sewer treatment, dams and weirs, water pumping stations, water reservoirs, water transport and water treatment . The most recent valuation was undertaken by in-house professionals for 30 June 2022. The valuation methodology used was the cost approach. This asset class is categorised as Level 3 valuation hierarchy as some inputs such as calculation of replacement costs, asset condition and useful lives are unobservable (Level 3) inputs.

Library books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of these items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

Highest and best use

Council does not use Highest and best use.

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2019 for 3 years to 30 June 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to fund 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.

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$384,479.76. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$309,434.28.

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%

E3-1 Contingencies (continued)

Vested Benefits	2,391.7	99.4%
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* excluding member accounts and reserves in both assets and liabilities.

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

Over a period of time, Council has classified some privately owned land parcels with an E2 zoning.

As a result, it is possible that a landowner could notify Council in writing that they require Council to purchase the land parcel.

At reporting date, Council is unaware of any related potential liability.

E3-1 Contingencies (continued)

ASSETS NOT RECOGNISED

(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:

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,473	1,434
Post-employment benefits	119	116
Other long-term benefits	66	24
Total	1,658	1,574

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2022					
Supply of goods and trade services	71	–	30 day terms on invoices	–	–
Employee expenses relating to close family members	–	–	Council staff award	–	–
2021					
Supply of goods and trade services	144	–	30 day terms on invoices	–	–
Employee expenses relating to close family members	–	–	Council staff award	–	–

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	45	44
Councillors' fees	178	183
Other Councillors' expenses (including Mayor)	61	33
Total	284	260

F2 Other relationships

F2-1 Audit fees

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	71	63
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Remuneration for audit and other assurance services

	71	63
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Total Auditor-General remuneration

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements

	28	76
--	----	----

Remuneration for audit and other assurance services

	28	76
--	----	----

Total remuneration of non NSW Auditor-General audit firms

	99	139
--	----	-----

Total audit fees

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	58,625	50,176
Add / (less) non-cash items:		
Depreciation and amortisation	35,455	36,063
(Gain) / loss on disposal of assets	6,115	7,133
Non-cash capital grants and contributions	(2,167)	(3,399)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	(76)	–
Unwinding of discount rates on lease provisions	(34)	125
Unwinding of discount rates on reinstatement provisions	(245)	352
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(8,151)	1,269
Increase / (decrease) in provision for impairment of receivables	(317)	27
(Increase) / decrease of inventories	(225)	(81)
(Increase) / decrease of other current assets	147	(1)
(Increase) / decrease of contract asset	4,825	(10,430)
Increase / (decrease) in payables	(1,752)	2,442
Increase / (decrease) in accrued interest payable	(10)	37
Increase / (decrease) in other accrued expenses payable	1,322	1,844
Increase / (decrease) in other liabilities	(236)	(81)
Increase / (decrease) in contract liabilities	5,166	4,211
Increase / (decrease) in employee benefit provision	(962)	837
Increase / (decrease) in other provisions	103	814
Net cash flows from operating activities	97,583	91,338

(b) Non-cash investing and financing activities

Other dedications	–	268
Private subdivisions	2,167	3,131
Total non-cash investing and financing activities	2,167	3,399

G2-1 Commitments

Capital commitments (exclusive of GST)

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

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

Property, plant and equipment

Road infrastructure	2,034	387
Buildings	–	30,021
Plant and equipment	3,793	1,264
Water supply	107,008	4,459
Sewer	14,026	8,398
Other structures	278	916
Bridges	945	742
Corporate Business System	–	260
Total commitments	128,084	46,447

These expenditures are payable as follows:

Within the next year	64,451	46,447
Later than one year and not later than 5 years	63,633	–
Total payable	128,084	46,447

Sources for funding of capital commitments:

Unrestricted general funds	1,063	885
Future grants and contributions	82,318	18,204
Externally restricted reserves	26,747	25,861
Internally restricted reserves	420	8
New loans (to be raised)	17,536	1,489
Total sources of funding	128,084	46,447

Details of capital commitments

Current capital commitments include plant and equipment (mainly heavy vehicles) required for general operations; Waste, Water and Sewer major construction projects, including Southern Water Supply Storage construction; road and bridge renewal projects; various project management contracts; and energy performance improvement projects across Council.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	3,172	288	–	22	(937)	–	2,545	–
Parking	22	–	–	2	–	–	24	–
Open space	230	96	–	3	–	(22)	307	–
Community facilities	21	9	–	1	–	–	31	–
Cycleways/Pedestrian	43	22	–	–	–	–	65	–
Administration	–	13	–	(3)	(32)	22	–	–
Waste Disposal	81	27	–	1	–	–	109	–
S7.11 contributions – under a plan	3,569	455	–	26	(969)	–	3,081	–
S7.12 levies – under a plan	2,212	392	–	9	(1,655)	–	958	–
Total S7.11 and S7.12 revenue under plans	5,781	847	–	35	(2,624)	–	4,039	–
S7.11 not under plans	143	51	–	1	–	–	195	–
S64 contributions	8,031	1,317	–	68	(2,043)	–	7,373	–
Total contributions	13,955	2,215	–	104	(4,667)	–	11,607	–

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

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Eurobodalla Local Infrastructure Contributions Plan 2012, Community and Cultural Facilities								
Community facilities	21	9	–	1	–	–	31	–
Total	21	9	–	1	–	–	31	–
Development Contributions Plan 2000 - 2005, Waste Disposal								
Waste Facilities	81	27	–	1	–	–	109	–
Total	81	27	–	1	–	–	109	–
Development Contributions Plan 2000 - 2005, Car Parking								
Parking	22	–	–	2	–	–	24	–

G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Total	22	–	–	2	–	–	24	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Urban Roadworks								
– Shire wide	1,009	274	–	5	(623)	–	665	–
Total	1,009	274	–	5	(623)	–	665	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Open Space and Recreation Facilities								
Open space	230	96	–	3	–	(22)	307	–
Total	230	96	–	3	–	(22)	307	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Plan Preparation and Administration								
Administration	–	13	–	(3)	(32)	22	–	–
Total	–	13	–	(3)	(32)	22	–	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Paths and Cycleway Facilities								
Cycleways/Pedestrian	43	22	–	–	–	–	65	–
Total	43	22	–	–	–	–	65	–
Contribution Plan, Rural Roads								
– Area 1 - Nelligen West	31	–	–	–	–	–	31	–
– Area 2A - NW Batemans Bay	551	–	–	6	–	–	557	–
– Area 2B - Long Beach	88	–	–	–	(87)	–	1	–
– Area 3B - Surf Beach/Malua Bay	401	–	–	1	(227)	–	175	–
– Area 4 - Bimbimbi	117	–	–	1	–	–	118	–
– Area 5 - Polwambra	168	–	–	2	–	–	170	–
– Area 6 - Moruya	128	–	–	–	–	–	128	–
– Area 7 - Congo/Bingi	330	–	–	3	–	–	333	–
– Area 8 - South Narooma	327	14	–	3	–	–	344	–
– Area 9 - Tilba	22	–	–	1	–	–	23	–
Total	2,163	14	–	17	(314)	–	1,880	–

S7.12 Levies – under a plan

S94A Levy Contribution Plan 2007

Section 94A	2,211	392	–	9	(1,655)	–	957	–
Total	2,211	392	–	9	(1,655)	–	957	–

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

G4-3 Contributions not under plans

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

Roads	134	51	–	1	–	–	186	–
Parking	9	–	–	–	–	–	9	–
Total	143	51	–	1	–	–	195	–

G4-4 S64 contributions

Development Servicing Plan - Eurobodalla Shire Water Supply

Water headworks	5,400	540	–	46	(1,023)	–	4,963	–
Total	5,400	540	–	46	(1,023)	–	4,963	–

Development Servicing Plan - Eurobodalla Shire Sewerage Services

Sewerage headworks	2,630	777	–	22	(1,020)	–	2,409	–
Total	2,630	777	–	22	(1,020)	–	2,409	–

G5 Statement of performance measures

G5-1 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}	8,817	6.14%	(1.28)%	8.85%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	143,568				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	111,780	56.14%	59.52%	71.39%	> 60.00%
Total continuing operating revenue ¹	199,100				
3. Unrestricted current ratio					
Current assets less all external restrictions	72,791	3.63x	2.43x	3.01x	> 1.50x
Current liabilities less specific purpose liabilities	20,028				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	46,095	3.99x	4.64x	4.57x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,542				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,062	1.49%	1.60%	2.23%	< 10.00%
Rates and annual charges collectable	71,355				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	168,935	16.18	17.85	16.78	> 3.00
Monthly payments from cash flow of operating and financing activities	10,439	months	months	months	months

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

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

G5-2 Statement of performance measures by fund

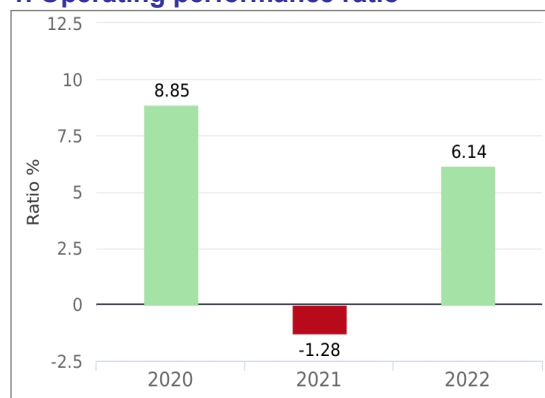
\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	8.88%	(5.66)%	4.82%	10.38%	(4.88)%	5.75%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	47.26%	50.24%	73.50%	87.21%	90.97%	86.98%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.63x	2.43x	89.43x	783.35x	6.71x	5.49x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.86x	3.45x	178.60x	70.99x	12.11x	4.09x	> 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	2.53%	2.71%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.18 months	17.85 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 6.14%

Operating expenses (excluding loss on disposal of assets) increased approximately \$4m on the prior year. Operating revenue excluding capital grants increased by approximately \$15m. There was a significant increase in this ratio due to a significant increase in operating grants received compared to the prior year. Significant operating grants were received across infrastructure (Disaster response works and Make Safe works) including recovery and resilience works.

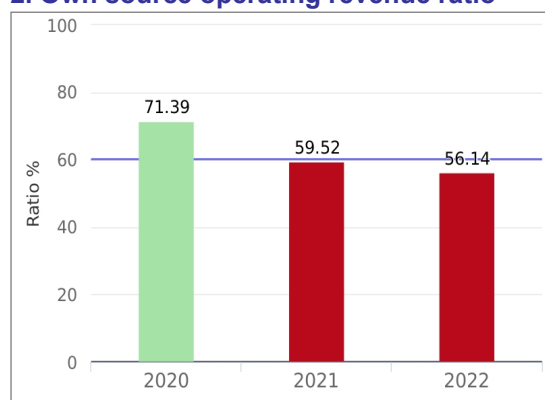
Benchmark: — > 0.00%

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 56.14%

Similar to the prior year, this ratio was impacted by a reduced own source revenue base coupled with higher total revenue. Investment revenue was in line with the prior year, coupled with significant grants received for grant funded works including construction of the Bay Pavilions, Disaster Recovery and Resilience works and increased financial assistance grants.

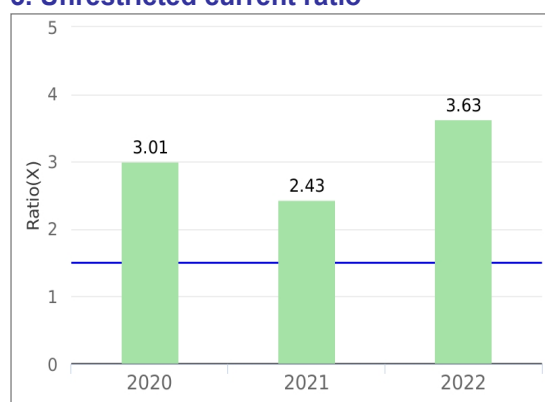
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 3.63x

Council continues to perform above the benchmark.

Benchmark: — > 1.50x

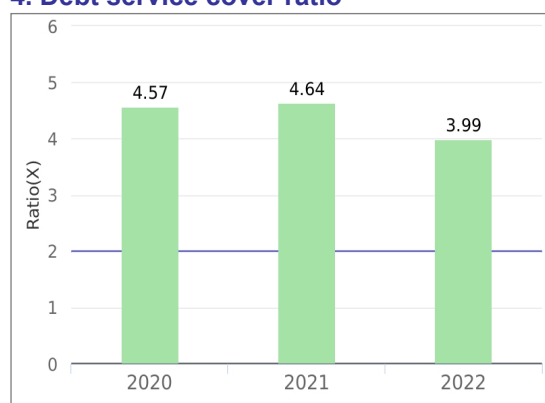
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 3.99x

Council continues to perform above the benchmark.

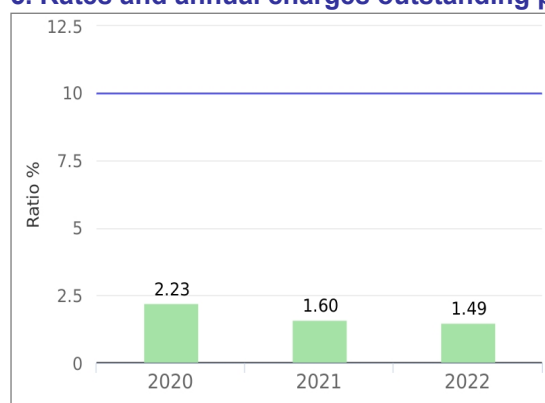
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 1.49%

Council continues to operate well below the benchmark confirming the high standard of the debt collection process.

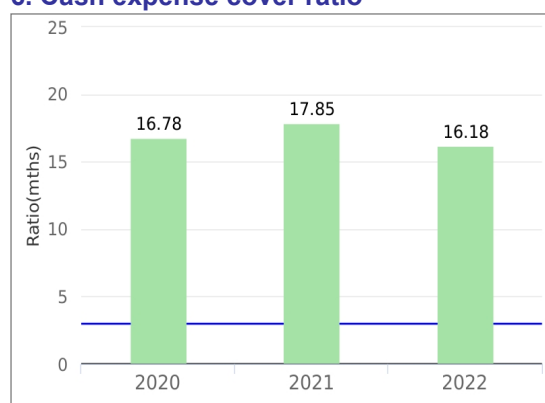
Benchmark: — < 10.00%

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 16.18 months

Cash reserves have been maintained during 2021/22 with only a small decrease in cashflow obligation compared to the previous year. This ratio does not take into account restricted cash reserves as these reserves are not able to be spent on any of Council's cash obligations.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

I have audited the accompanying financial statements of Eurobodalla 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 'Berwick', with a stylized flourish at the end.

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

2 December 2022
SYDNEY



Mr Warwick Winn
General Manager
Eurobodalla Shire Council
Vulcan Street
MORUYA NSW 2537

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2225716/1722

2 December 2022

Dear Mr Winn

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

I have audited the general-purpose financial statements (GPFS) of the Eurobodalla 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 \$m	2021 \$m	Variance %
Rates and annual charges revenue	69.8	67.9	↑ 2.8
Grants and contributions revenue	87.3	76.0	↑ 14.9

Operating result from continuing operations	58.6	50.2	 16.7
Net operating result before capital grants and contributions	3.1	(8.9)	 134.8

Rates and annual charges revenue (\$69.8 million) increased by \$1.9 million (2.8 per cent) in 2021–22. This was due to the IPART annual rate increase of 2.0 per cent and a slight increase in rateable properties by 0.4 per cent (25,971 rateable properties in 2021–22 compared to 25,866 properties last year).

Grants and contributions revenue (\$87.3 million) increased by \$11.3 million (14.9 per cent) in 2021–22 due to a:

- \$4.6 million increase in grants for water supplies
- \$1.4 million increase in contributions for roadworks
- \$2.2 million increase in grants for transport including Roads to Recovery and other roads and bridges funding
- \$9.1 million decrease in grants for recreation and culture
- \$9.1 million increase in bushfire and disaster recovery contributions due to floods and bushfires
- \$2.6 million increase in Financial Assistance Grants due to the prepayment for 2022–23 increasing from 50% to 75%.

The Council's operating result from continuing operations (\$58.6 million including depreciation and amortisation expense of \$35.4 million) was \$8.4 million higher than the 2020–21 result due to:

- an overall increase in income of \$11.4 million. This increase was due to the matters noted above which was offset by a \$1.6 million decrease in user charges and fees.

This increase in income was offset by increase in expenditure by \$2.9 million relating to a:

- \$1.1 million increase in employee benefits and on-costs
- \$4.9 million increase in materials and services
- \$1.0 million decrease in other expenses
- \$1.0 million decrease in losses from disposal of assets.

The net operating result before capital grants and contributions (\$3.1 million) was \$12.0 million higher than the 2020–21 result.

STATEMENT OF CASH FLOWS

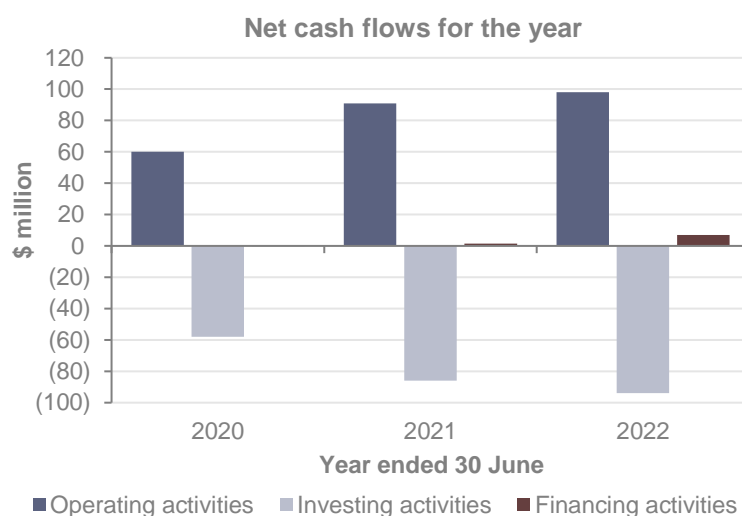
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash increased by \$10.6 million.

Cash inflows from operating activities increased by \$6.3 million from \$91.3 million in 2020–21 to \$97.6 million in 2021–22 mainly due to higher grants and contributions.

The increase in cash outflows from investing activities of \$8.4 million from \$85.6 million in 2020–21 to \$94.0 million in 2021–22 was primarily due to the decrease in redemption of term deposits as well as an increase in payments for IPPE during the current year.

Cash inflow from financing activities increased by \$5.5 million mainly due to the increase in net proceeds from borrowings by \$9.5 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	168.9	156.3	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements. Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations. The balance for externally restricted cash and investments increased by \$22.2 million primarily due to a decrease in sewerage fund of \$2.9 million, an increase in specific purpose general fund of \$13.6 million and an increase in water fund of \$8.7 million.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	124.9	102.7	
• Internal allocations	34.3	32.5	
• Unrestricted	9.7	21.1	

PERFORMANCE

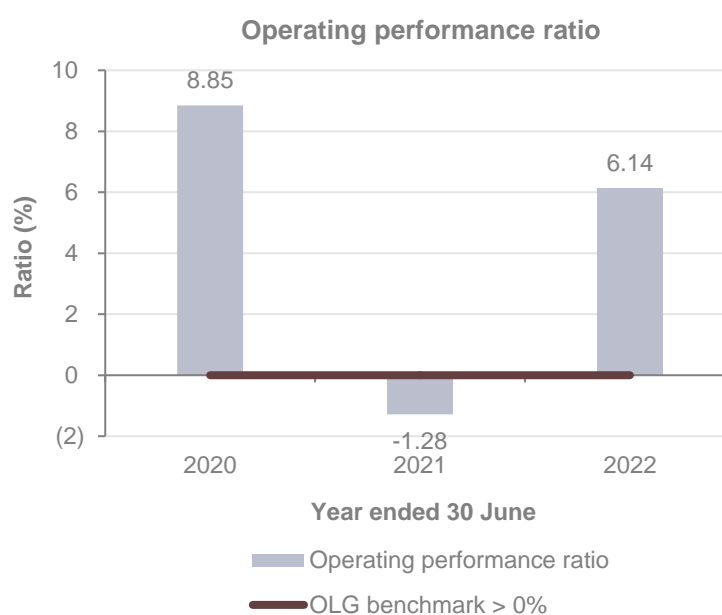
Performance measures

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 exceeded the OLG benchmark for the current reporting period.

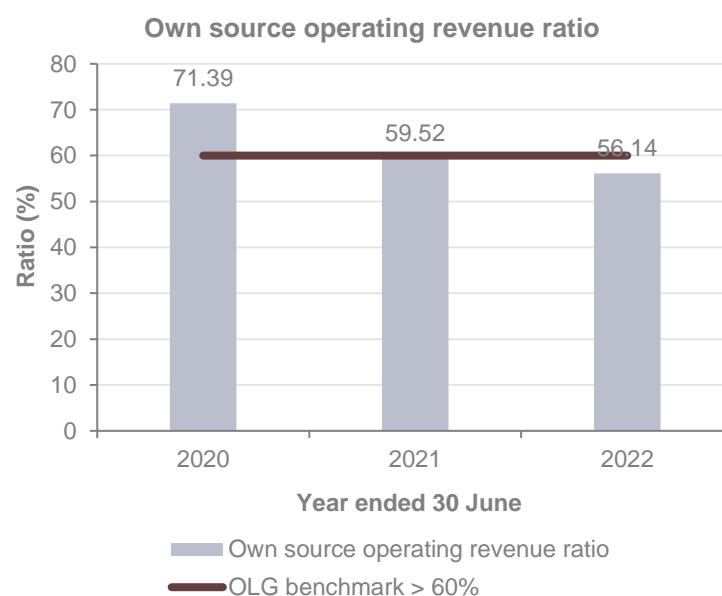
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

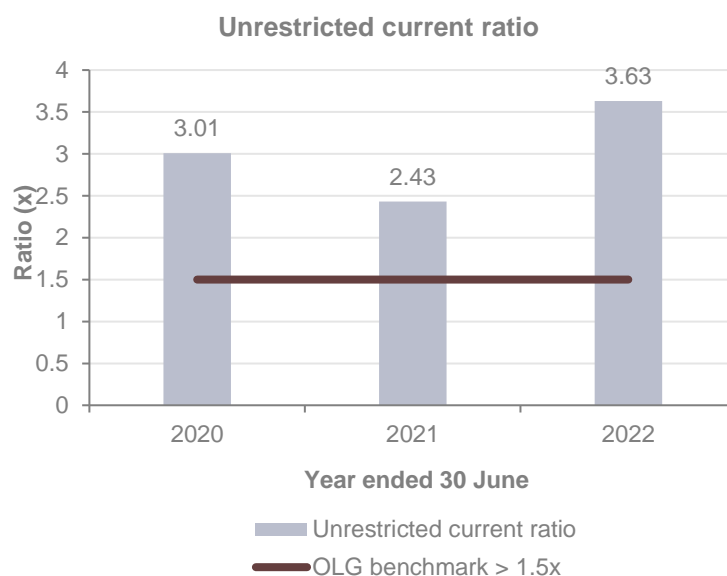
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

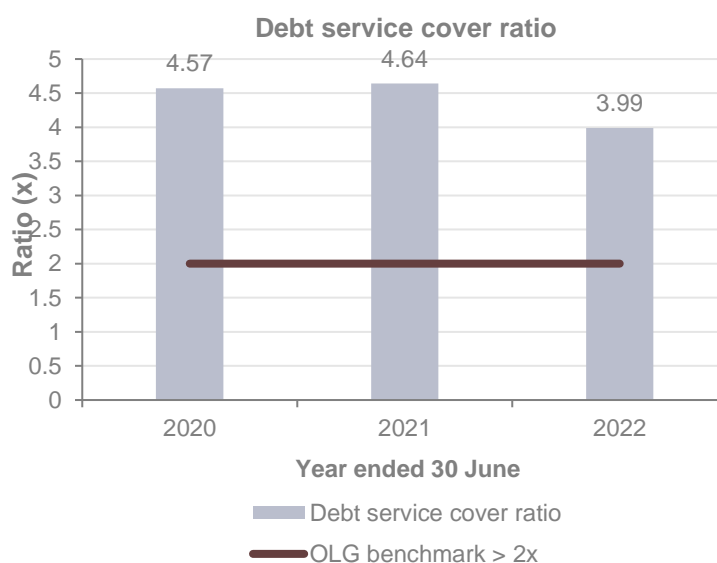
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

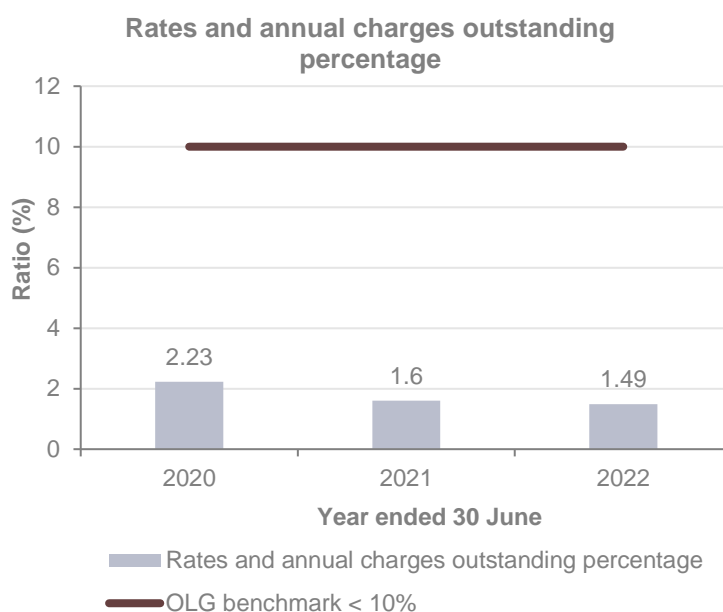
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

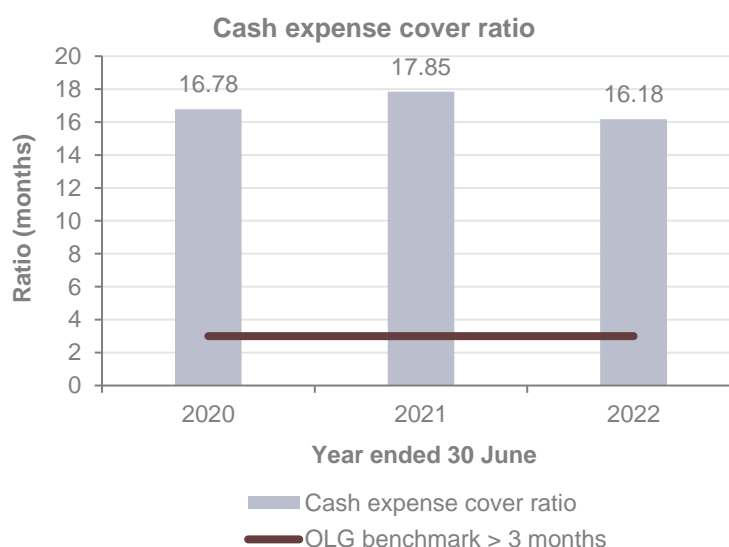
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded 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

Infrastructure, property, plant and equipment renewals for 2021–22 amounted to \$34.4 million with significant spend directed towards capital work in progress mainly on roads.

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.



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Cr Mathew Hatcher, Mayor
Mr Kim Gillis, Chair of the Audit, Risk and Improvement Committee

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Special Purpose Financial Statements

for the year ended 30 June 2022

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
Income Statement of Batemans Bay Beach Resort	6
Income Statement of Bay Pavilions	7
Statement of Financial Position of water supply business activity	8
Statement of Financial Position of sewerage business activity	9
Statement of Financial Position of Batemans Bay Beach Resort	10
Statement of Financial Position of Bay Pavilions	11
Note – Significant Accounting Policies	12
Auditor's Report on Special Purpose Financial Statements	15

Background

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

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

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

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

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

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, 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.

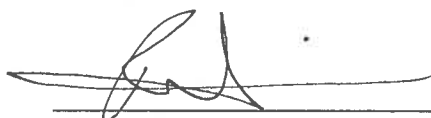
Signed in accordance with a resolution of Council made on 11 October 2022.



Mathew Hatcher
Mayor
29 November 2022



Noel Harrison
Councillor
29 November 2022



Warwick Winn
General Manager
29 November 2022



Stephanie Speedy
Responsible Accounting Officer
29 November 2022

Eurobodalla Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	7,717	7,433
User charges	10,656	10,874
Fees	322	395
Interest and investment income	250	328
Grants and contributions provided for operating purposes	305	199
Other income	59	48
Total income from continuing operations	19,309	19,277
Expenses from continuing operations		
Employee benefits and on-costs	3,391	3,469
Borrowing costs	42	48
Materials and services	6,543	6,247
Depreciation, amortisation and impairment	6,543	6,461
Net loss from the disposal of assets	1,057	179
Calculated taxation equivalents	15	25
Other expenses	802	1,051
Total expenses from continuing operations	18,393	17,480
Surplus (deficit) from continuing operations before capital amounts	916	1,797
Grants and contributions provided for capital purposes	6,547	2,600
Surplus (deficit) from continuing operations after capital amounts	7,463	4,397
Surplus (deficit) from all operations before tax	7,463	4,397
Less: corporate taxation equivalent (25%) [based on result before capital]	(229)	(467)
Surplus (deficit) after tax	7,234	3,930
Plus accumulated surplus	172,424	168,431
Plus/less: asset revaluation reserve transfers	759	214
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	15	25
– Corporate taxation equivalent	229	467
Less:		
– Tax equivalent dividend paid	(15)	(25)
– Surplus dividend paid	(595)	(618)
Closing accumulated surplus	180,051	172,424
Return on capital %	0.4%	0.9%
Subsidy from Council	7,344	1,116
Calculation of dividend payable:		
Surplus (deficit) after tax	7,234	3,930
Less: capital grants and contributions (excluding developer contributions)	(6,547)	(2,600)
Surplus for dividend calculation purposes	687	1,330
Potential dividend calculated from surplus	344	665

Eurobodalla Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	21,632	21,053
User charges	839	814
Fees	13	12
Interest and investment income	93	144
Grants and contributions provided for operating purposes	192	191
Other income	115	73
Total income from continuing operations	22,884	22,287
Expenses from continuing operations		
Employee benefits and on-costs	4,538	4,465
Borrowing costs	620	686
Materials and services	7,328	6,730
Depreciation, amortisation and impairment	8,047	7,963
Net loss from the disposal of assets	2,427	396
Calculated taxation equivalents	45	47
Other expenses, including electricity	1,040	1,162
Total expenses from continuing operations	24,045	21,449
Surplus (deficit) from continuing operations before capital amounts	(1,161)	838
Grants and contributions provided for capital purposes	2,060	3,118
Surplus (deficit) from continuing operations after capital amounts	899	3,956
Surplus (deficit) from all operations before tax	899	3,956
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(218)
Surplus (deficit) after tax	899	3,738
Plus accumulated surplus	143,132	140,196
Plus/less: asset revaluation reserve transfers	1,515	(457)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	45	47
– Corporate taxation equivalent	–	218
Less:		
– Tax equivalent dividend paid	(45)	(47)
– Surplus dividend paid	(440)	(563)
Closing accumulated surplus	145,106	143,132
Return on capital %	(0.2)%	0.6%
Subsidy from Council	11,871	2,580
Calculation of dividend payable:		
Surplus (deficit) after tax	899	3,738
Less: capital grants and contributions (excluding developer contributions)	(2,060)	(3,118)
Surplus for dividend calculation purposes	–	620
Potential dividend calculated from surplus	–	310

Eurobodalla Shire Council

Income Statement of Batemans Bay Beach Resort

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	2,857	3,146
Other income	24	229
Total income from continuing operations	2,881	3,375
Expenses from continuing operations		
Employee benefits and on-costs	41	37
Borrowing costs	186	210
Materials and services	1,300	1,378
Depreciation, amortisation and impairment	284	377
Net loss from the disposal of assets	—	4
Calculated taxation equivalents	35	35
Other expenses	349	396
Total expenses from continuing operations	2,195	2,437
Surplus (deficit) from continuing operations before capital amounts	686	938
Surplus (deficit) from continuing operations after capital amounts	686	938
Surplus (deficit) from all operations before tax	686	938
Less: corporate taxation equivalent (25%) [based on result before capital]	(172)	(244)
Surplus (deficit) after tax	514	694
Plus accumulated surplus	(1,752)	(2,690)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	35
– Corporate taxation equivalent	172	244
Less:		
– TER dividend paid	(35)	(35)
Closing accumulated surplus	(1,066)	(1,752)
Return on capital %	10.1%	14.3%

Eurobodalla Shire Council

Income Statement of Bay Pavilions

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	230	—
Other income	55	—
Total income from continuing operations	285	—
Expenses from continuing operations		
Employee benefits and on-costs	93	—
Materials and services	1,364	—
Borrowing costs	104	—
Depreciation, amortisation and impairment	6	—
Calculated taxation equivalents	12	—
Total expenses from continuing operations	1,579	—
Surplus (deficit) from continuing operations before capital amounts	(1,294)	—
Surplus (deficit) from continuing operations after capital amounts	(1,294)	—
Surplus (deficit) from all operations before tax	(1,294)	—
Surplus (deficit) after tax	(1,294)	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	12	—
Add:		
Less:		
– TER dividend paid	(12)	—
Closing accumulated surplus	(1,294)	—
Return on capital %	(1.9)%	0.0%
Subsidy from Council	3,505	—

Eurobodalla Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Contract assets and contract cost assets	4,535	725
Investments	48,886	44,180
Receivables	3,350	3,631
Other	20	—
Total current assets	56,791	48,536
Non-current assets		
Infrastructure, property, plant and equipment	226,827	198,741
Total non-current assets	226,827	198,741
Total assets	283,618	247,277
LIABILITIES		
Current liabilities		
Payables	364	215
Borrowings	271	565
Total current liabilities	635	780
Non-current liabilities		
Borrowings	446	221
Total non-current liabilities	446	221
Total liabilities	1,081	1,001
Net assets	282,537	246,276
EQUITY		
Accumulated surplus	180,051	172,424
Revaluation reserves	102,486	73,852
Total equity	282,537	246,276

Eurobodalla Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Contract assets and contract cost assets	298	77
Investments	21,864	21,524
Receivables	1,250	931
Other	20	—
Total current assets	23,432	22,532
Non-current assets		
Infrastructure, property, plant and equipment	309,561	275,436
Total non-current assets	309,561	275,436
Total assets	332,993	297,968
LIABILITIES		
Current liabilities		
Payables	1,575	156
Borrowings	1,915	3,502
Total current liabilities	3,490	3,658
Non-current liabilities		
Borrowings	21,992	12,487
Total non-current liabilities	21,992	12,487
Total liabilities	25,482	16,145
Net assets	307,511	281,823
EQUITY		
Accumulated surplus	145,106	143,132
Revaluation reserves	162,405	138,691
Total equity	307,511	281,823

Eurobodalla Shire Council

Statement of Financial Position of Batemans Bay Beach Resort

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Receivables	51	31
Total current assets	51	31
Non-current assets		
Infrastructure, property, plant and equipment	8,619	8,045
Total non-current assets	8,619	8,045
Total assets	8,670	8,076
LIABILITIES		
Current liabilities		
Bank overdraft	2,538	2,694
Payables	271	306
Borrowings	775	754
Total current liabilities	3,584	3,754
Non-current liabilities		
Borrowings	4,353	5,128
Total non-current liabilities	4,353	5,128
Total liabilities	7,937	8,882
Net assets	733	(806)
EQUITY		
Accumulated surplus	(1,066)	(1,752)
Revaluation reserves	1,799	946
Total equity	733	(806)

Eurobodalla Shire Council

Statement of Financial Position of Bay Pavilions

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	63,252	—
Total non-current assets	63,252	—
Total assets	63,252	—
LIABILITIES		
Current liabilities		
Bank overdraft	60,746	—
Borrowings	200	—
Total current liabilities	60,946	—
Non-current liabilities		
Borrowings	3,600	—
Total non-current liabilities	3,600	—
Total liabilities	64,546	—
Net assets	(1,294)	—
EQUITY		
Accumulated surplus	(1,294)	—
Total equity	(1,294)	—

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Eurobodalla Water Supply

Comprising the whole of the operations and net assets of the water supply systems servicing the Shire of Eurobodalla, each of which are established as separate Special Rate Funds.

b. Eurobodalla Sewerage Fund

Comprising the whole of the operations and net assets of the sewerage reticulation & treatment system servicing the Shire of Eurobodalla, which is established as a separate Special Rate Fund.

c. Batemans Bay Beach Resort

Caravan Park operated on Crown Reserve. Operated by contractor and owned by Council.

d. Bay Pavilions

Aquatic, Arts and Leisure Centre operated on Crown Reserve. Operated by contractor and owned by Council. While the Centre opened to the public on 4 June 2022, material operating expenses began to be incurred from November 2021 to transition the facility to opening.

Category 2

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

Council has no Category 2 Business Activities

Taxation equivalent charges

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

Note – Significant Accounting Policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – 25% (20/21 26%)

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

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

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (20/21 26%).

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Eurobodalla 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
- Batemans Bay Beach resort
- Bay Pavilions.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Lisa Berwick
Director, Financial Audit Branch

Delegate of the Auditor-General for New South Wales

2 December 2022
SYDNEY

Eurobodalla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Eurobodalla Shire Council

Special Schedules

for the year ended 30 June 2022

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Unaudited report on infrastructure assets as at 30 June 2022	7

Eurobodalla Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	31,723	32,496
Plus or minus adjustments ²	b	135	147
Notional general income	$c = a + b$	31,858	32,643
Permissible income calculation			
Or rate peg percentage	e	2.00%	1.70%
Or plus rate peg amount	$i = e \times (c + g)$	637	555
Sub-total	$k = (c + g + h + i + j)$	32,495	33,198
Plus (or minus) last year's carry forward total	l	19	18
Sub-total	$n = (l + m)$	19	18
Total permissible income	$o = k + n$	32,514	33,216
Less notional general income yield	p	32,496	33,202
Catch-up or (excess) result	$q = o - p$	18	13
Carry forward to next year ⁶	$t = q + r + s$	18	13

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Eurobodalla 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 'Lisa Berwick', with a horizontal line underneath.

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

2 December 2022
SYDNEY

Eurobodalla Shire Council

Unaudited 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			1	2	3	4	5
Buildings	Administration	—	—	400	374	9,734	17,902	12.8%	67.1%	20.1%	0.0%	0.0%
	Bush Fire Brigade	192	192	135	126	4,196	6,235	32.3%	60.9%	3.7%	3.1%	0.0%
	Caravan Parks/Camp Grounds	—	—	112	105	7,900	12,398	23.2%	65.3%	11.5%	0.0%	0.0%
	Community Centres	—	—	89	83	3,271	4,588	70.8%	25.6%	3.6%	0.0%	0.0%
	Libraries	—	—	148	139	11,895	15,644	61.5%	30.2%	8.3%	0.0%	0.0%
	Operational	204	204	458	429	38,590	52,679	57.1%	37.8%	4.8%	0.3%	0.0%
	Parks & Reserves	—	—	—	—	114	162	30.2%	69.8%	0.0%	0.0%	0.0%
	Public Halls	—	—	559	524	23,541	25,123	88.2%	7.4%	4.4%	0.0%	0.0%
	Public Toilets	270	270	759	699	5,849	8,141	42.1%	50.3%	4.3%	3.3%	0.0%
	Sporting Facilities	—	—	184	172	13,729	21,108	34.8%	52.3%	12.9%	0.0%	0.0%
	Swimming Pool Centres	—	—	618	579	28,211	29,901	88.6%	8.8%	2.6%	0.0%	0.0%
	Sub-total	666	666	3,462	3,230	147,030	193,881	56.5%	35.8%	7.3%	0.3%	0.0%
Other structures	Other structures	214	214	576	540	8,326	11,684	62.4%	22.2%	15.4%	0.0%	0.0%
	Waste Not in Buildings	136	136	1,514	1,512	10,664	16,207	59.0%	13.7%	22.3%	5.0%	0.0%
	Sub-total	350	350	2,090	2,052	18,990	27,891	60.4%	17.3%	19.4%	2.9%	0.0%

Unaudited report on infrastructure assets as at 30 June 2022 (continued)

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			1	2	3	4	5
Roads	Road Furniture	5,506	5,506	380	347	63,115	113,470	34.9%	34.2%	26.0%	4.9%	0.0%
	Unsealed roads	9,497	9,497	932	889	7,549	23,794	17.8%	19.9%	22.3%	40.0%	0.0%
	Bridges	1,109	1,109	64	60	46,022	65,146	48.0%	27.8%	22.6%	1.6%	0.0%
	Footpaths	1,001	1,001	138	116	19,663	25,919	70.1%	18.9%	7.1%	3.9%	0.0%
	Bulk earthworks	—	—	—	—	192,544	192,544	100.0%	0.0%	0.0%	0.0%	0.0%
	Shared Footpaths	18	18	92	77	14,205	16,866	93.2%	2.5%	4.1%	0.2%	0.0%
	Other road assets (incl. bulk earth works)	1,298	1,298	8	7	3,651	9,252	19.5%	12.6%	53.9%	14.0%	0.0%
	Sealed Roads Structure Regional	2,591	2,591	347	323	37,303	54,668	46.0%	32.2%	17.1%	4.7%	0.0%
	Sealed Roads Structure Rural	2,142	2,142	618	564	69,814	97,554	54.7%	35.9%	7.3%	2.1%	0.0%
	Sealed Roads Structure Urban	13,896	13,896	1,307	1,193	139,848	240,239	39.8%	35.5%	18.9%	5.8%	0.0%
	Sealed Roads Surface Regional	594	594	151	138	2,170	4,271	23.6%	30.8%	31.7%	13.9%	0.0%
	Sealed Roads Surface Rural	804	804	263	240	4,703	9,403	28.6%	28.1%	34.7%	8.6%	0.0%
	Sealed Roads Surface Urban	3,189	3,189	557	508	8,591	23,283	16.9%	22.5%	46.9%	13.7%	0.0%
	Carparks	856	856	111	104	16,606	26,580	44.1%	32.5%	20.1%	3.3%	0.0%
	Bus Shelter	175	175	16	15	1,186	1,904	40.7%	42.1%	8.1%	9.1%	0.0%
	Transverse Drainage	102	102	591	540	17,347	24,346	51.9%	42.9%	4.7%	0.5%	0.0%
	Sub-total	42,778	42,778	5,575	5,121	644,317	929,239	54.9%	25.3%	15.2%	4.6%	0.0%
Water supply network	Dams	—	—	255	255	18,423	31,228	4.1%	90.2%	5.7%	0.0%	0.0%
	Pipeline	43,883	43,883	2,834	2,834	144,454	290,646	27.8%	38.4%	18.8%	15.0%	0.0%
	Pump Stations	2,779	2,779	534	534	2,249	8,631	3.0%	23.5%	41.3%	32.2%	0.0%
	Reservoirs	171	171	315	315	25,075	50,844	2.7%	72.6%	24.3%	0.4%	0.0%
	Treatment Plants	—	—	1,003	1,003	18,429	31,773	39.6%	24.5%	35.9%	0.0%	0.0%
	Sub-total	46,833	46,833	4,941	4,941	208,630	413,122	23.3%	45.1%	20.3%	11.3%	0.0%
Sewerage network	Pipeline	1,372	1,372	1,597	1,597	197,065	319,957	44.3%	32.4%	22.9%	0.4%	0.0%
	Pump Stations	16,566	16,566	2,488	2,488	40,698	78,170	35.8%	25.8%	17.2%	21.2%	0.0%
	Treatment Works	8,705	8,705	2,973	2,973	50,986	120,005	21.0%	8.5%	63.3%	7.2%	0.0%
	Sub-total	26,643	26,643	7,058	7,058	288,749	518,132	37.6%	25.9%	31.4%	5.1%	0.0%

Eurobodalla Shire Council

Unaudited report on infrastructure assets as at 30 June 2022 (continued)

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
Stormwater drainage	Stormwater drainage	7,007	7,007	57	50	100,980	140,140	85.0%	4.0%	6.0%	5.0%	0.0%
	Other	—	—	162	142	10,617	11,454	83.0%	17.0%	0.0%	0.0%	0.0%
	Sub-total	7,007	7,007	219	192	111,597	151,594	84.8%	5.0%	5.5%	4.6%	0.0%
Open space / recreational assets	Swimming pools	998	998	537	503	9,968	14,807	59.3%	12.0%	22.0%	6.7%	0.0%
	Other Open Space Recreational	5,267	5,267	3,606	3,437	32,679	57,309	35.7%	30.0%	25.0%	9.3%	0.0%
	Waterways	10,268	10,268	226	212	7,704	22,390	15.7%	24.4%	14.0%	45.9%	0.0%
	Sub-total	16,533	16,533	4,369	4,152	50,351	94,506	34.7%	25.9%	21.9%	17.6%	0.0%
Total – all assets		140,810	140,810	27,714	26,746	1,469,664	2,328,365	46.8%	28.4%	18.7%	6.1%	0.0%

(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

Eurobodalla Shire Council

Unaudited 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	34,420	107.45%	100.67%	63.06%	>= 100.00%
Depreciation, amortisation and impairment	32,033				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	140,810	9.32%	6.81%	5.87%	< 2.00%
Net carrying amount of infrastructure assets	1,510,197				
Asset maintenance ratio					
Actual asset maintenance	26,746	96.51%	97.02%	98.66%	> 100.00%
Required asset maintenance	27,714				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	140,810	6.05%	4.48%	3.76%	
Gross replacement cost	2,328,365				

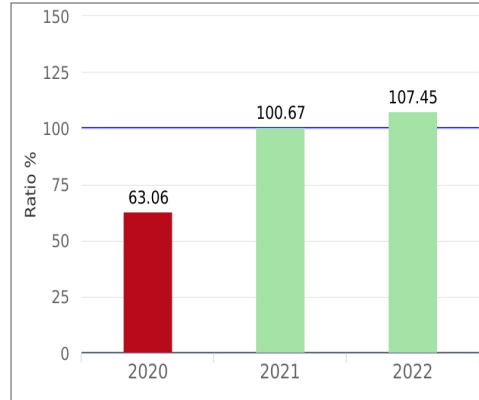
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Eurobodalla Shire Council

Unaudited report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

21/22 ratio 107.45%

Council needs to continue to pursue grant opportunities to supplement the renewal spend to assist in bringing up the ratio to consistently meet the benchmark and thus ensuring the sustainability of Council's assets and maintaining acceptable levels of community safety.

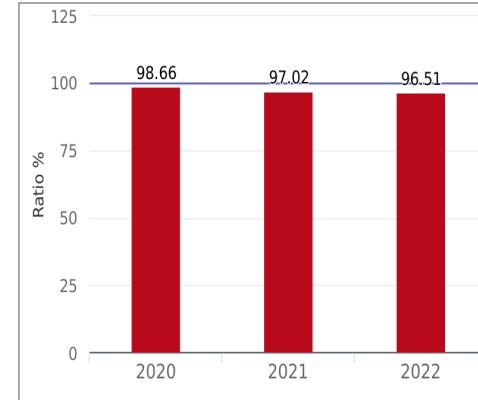
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

21/22 ratio 96.51%

Council continues to focus on asset maintenance but is challenged by ongoing increases in construction costs and growth of network which is outstripping rate pegging.

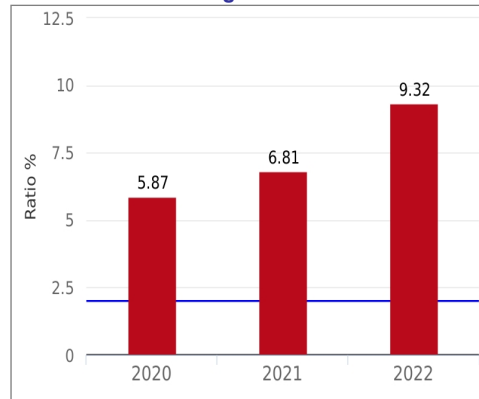
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

21/22 ratio 9.32%

Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend to assist in driving the ratio towards the benchmark. The increase in ratio is primarily driven by the increase in poor condition pipes and pump station components identified as part of the water and sewer revaluation 2022.

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

21/22 ratio 6.05%

Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend to assist in driving the ratio towards the benchmark. The increase in ratio is primarily driven by the increase in poor condition pipes and pump station components identified as part of the water and sewer revaluation 2022.

Eurobodalla Shire Council

Unaudited 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	149.10%	130.92%	33.84%	71.25%	74.51%	53.42%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	6.65%	7.82%	22.45%	3.44%	9.23%	5.99%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	93.84%	94.43%	100.00%	99.86%	100.00%	99.85%	> 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	4.82%	5.65%	11.34%	1.80%	5.14%	3.58%	

(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.