

Leeton Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

"Preserving the Past, Enhancing the Future"



LEETON
SHIRE COUNCIL

Leeton Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

"Preserving the Past, Enhancing the Future"



LEETON
SHIRE COUNCIL

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Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

23-25 Chelmsford Place
Leeton NSW 2705

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.leeton.nsw.gov.au.

Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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 2023.

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

Displays Council's original adopted budget and summarises Council's financial performance for the year, listing all income and expenses.

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.

Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

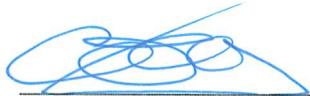
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

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



Tony Reneker
Mayor
23 August 2023



Michael Kidd
Deputy Mayor
23 August 2023



Jacqueline Kruger
General Manager



Lawrence Amato
Responsible Accounting Officer

Leeton Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
	Income from continuing operations			
14,140	Rates and annual charges	B2-1	14,205	14,096
8,507	User charges and fees	B2-2	8,674	9,161
637	Other revenues	B2-3	711	731
6,140	Grants and contributions provided for operating purposes	B2-4	10,787	8,354
593	Grants and contributions provided for capital purposes	B2-4	4,948	4,982
695	Interest and investment income	B2-5	1,522	446
302	Other income	B2-6	374	356
–	Net gain from the disposal of assets	B4-1	168	–
31,014	Total income from continuing operations		41,389	38,126
	Expenses from continuing operations			
12,457	Employee benefits and on-costs	B3-1	13,043	13,170
11,724	Materials and services	B3-2	12,210	11,008
189	Borrowing costs	B3-3	87	106
8,570	Depreciation, amortisation and impairment of non-financial assets	B3-4	9,012	8,392
481	Other expenses	B3-5	538	464
650	Net loss from the disposal of assets	B4-1	–	1,120
34,071	Total expenses from continuing operations		34,890	34,260
(3,057)	Operating result from continuing operations		6,499	3,866
(3,057)	Net operating result for the year attributable to Council		6,499	3,866
(3,650)	Net operating result for the year before grants and contributions provided for capital purposes		1,551	(1,116)

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

Leeton Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Net operating result for the year – from Income Statement		6,499	3,866
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	C1-6	14,658	15,619
Other movements in reserves – Intangible Assets Revaluation	C1-7	201	1,249
Total items which will not be reclassified subsequently to the operating result		14,859	16,868
Total comprehensive income for the year attributable to Council		21,358	20,734

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

Leeton Shire Council

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	20,254	15,007
Investments	C1-2	22,000	20,760
Receivables	C1-4	3,328	4,410
Inventories	C1-5	1,109	1,166
Other		49	49
Total current assets		46,740	41,392
Non-current assets			
Investments	C1-2	12,300	14,500
Receivables	C1-4	16	286
Infrastructure, property, plant and equipment (IPPE)	C1-6	333,942	315,705
Intangible assets	C1-7	9,766	9,565
Total non-current assets		356,024	340,056
Total assets		402,764	381,448
LIABILITIES			
Current liabilities			
Payables	C3-1	2,899	2,852
Contract liabilities	C3-2	3,534	3,267
Borrowings	C3-3	295	417
Employee benefit provisions	C3-4	2,639	2,814
Total current liabilities		9,367	9,350
Non-current liabilities			
Borrowings	C3-3	2,139	2,434
Employee benefit provisions	C3-4	143	170
Provisions	C3-5	4,585	4,322
Total non-current liabilities		6,867	6,926
Total liabilities		16,234	16,276
Net assets		386,530	365,172
EQUITY			
Accumulated surplus		143,235	136,736
IPPE revaluation reserve		243,295	228,436
Council equity interest		386,530	365,172
Total equity		386,530	365,172

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

Leeton Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		136,736	228,436	365,172	132,870	211,568	344,438
Net operating result for the year		6,499	–	6,499	3,866	–	3,866
Restated net operating result for the period		6,499	–	6,499	3,866	–	3,866
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	14,658	14,658	–	15,619	15,619
– Gain (loss) on revaluation of Intangible Assets	C1-7	–	201	201	–	1,249	1,249
Other comprehensive income		–	14,859	14,859	–	16,868	16,868
Total comprehensive income		6,499	14,859	21,358	3,866	16,868	20,734
Closing balance at 30 June		143,235	243,295	386,530	136,736	228,436	365,172

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

Leeton Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
14,140	Rates and annual charges		13,952	13,972
8,507	User charges and fees		9,613	9,717
695	Interest received		1,271	461
6,732	Grants and contributions		15,970	14,493
–	Bonds, deposits and retentions received		379	54
939	Other		4,357	764
<i>Payments:</i>				
(12,457)	Payments to employees		(13,412)	(13,256)
(11,424)	Payments for materials and services		(13,674)	(13,063)
(189)	Borrowing costs		4	160
(480)	Other		(1,543)	181
6,463	Net cash flows from operating activities	G1-1	16,917	13,483
Cash flows from investing activities				
<i>Receipts:</i>				
2,000	Sale of investments		20,760	–
1,000	Sale of real estate assets		140	76
315	Proceeds from sale of IPPE		666	718
–	Deferred debtors receipts		32	–
<i>Payments:</i>				
–	Purchase of investments		(21,720)	(3,418)
(12,613)	Payments for IPPE		(11,184)	(8,284)
–	Purchase of real estate assets		69	–
–	Deferred debtors and advances made		(16)	(236)
(9,298)	Net cash flows used in investing activities		(11,253)	(11,144)
Cash flows from financing activities				
<i>Receipts:</i>				
3,463	Proceeds from borrowings		–	–
<i>Payments:</i>				
(557)	Repayment of borrowings		(417)	(464)
2,906	Net cash flows Used in financing activities		(417)	(464)
71	Net change in cash and cash equivalents		5,247	1,875
1,063	Cash and cash equivalents at beginning of year		15,007	13,132
1,134	Cash and cash equivalents at end of year	C1-1	20,254	15,007
31,850	plus: Investments on hand at end of year	C1-2	34,300	35,260
32,984	Total cash, cash equivalents and investments		54,554	50,267

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

Leeton Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 23 August 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of 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 intangible assets – refer Note C1-7
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- iii. estimated landfill remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – Council reviewed receivables for impairment and found there to be minimal impairments – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- General purpose operations

A1-1 Basis of preparation (continued)

- Water service
- Sewerage service

The Trust Fund

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

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

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 relies on the commitment made by volunteers to help run some of its venues and events. These volunteer services are not recognised in Councils Income Statement as they would not be purchased if not donated and they are deemed to be immaterial.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

As 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 all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023.

No new standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
Functions or activities										
Community Services and Community Development	3,191	3,085	4,037	4,546	(846)	(1,461)	871	642	9,312	8,827
Museum, Arts and Cultural Services	2,213	1,417	1,009	529	1,204	888	1,010	1,391	5,860	5,578
Parks, Streetscapes and Sporting Facilities	148	1,328	3,860	4,061	(3,712)	(2,733)	124	611	26,462	30,156
Economic Development	797	2	1,098	758	(301)	(756)	207	2	3,030	2,924
Planning, Building and Public Health	202	164	1,187	188	(985)	(24)	29	3	–	–
Roads and Drainage	8,896	8,184	7,016	7,620	1,880	564	5,985	5,399	173,487	140,262
Water and Sewer Services	8,672	7,335	7,481	7,443	1,191	(108)	591	248	123,849	111,092
Environmental Sustainability and Emergency Services	3,309	2,950	3,489	3,473	(180)	(523)	126	155	13,257	36,151
Governance and Administration	13,961	13,661	5,713	5,642	8,248	8,019	5,480	4,885	47,470	46,458
Other	–	–	–	–	–	–	1,312	–	37	–
Total functions and activities	41,389	38,126	34,890	34,260	6,499	3,866	15,735	13,336	402,764	381,448

B1-2 Components of functions or activities

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

Community Services and Community Development

Includes administration social protection (welfare); migrant, youth services; aged and disabled persons services; child care; Library; and other family and children services. Further inclusions are provision of free WiFi, the operation of CCTV and advocacy for improved health services and adequate policing.

Museum, Arts and Cultural Services

Includes operating the Leeton Museum and Art Gallery, supporting the Whitton and Yanco Museums, maintaining strong working relationships with Western Riverina Arts and the Leeton Family and Local History Society as well as the the Roxy Theatre

Parks, Streetscapes and Sporting Facilities

Includes provision of attractive town entrances, streetscapes and town centres; quality parks, ovals, sporting fields and public toilets; safe, accessible, interesting and fun playgrounds and exercise spaces; safe, accessible and fun sports and outdoor entertainment facilities and swimming pools; cemeteries and burial support services.

Economic Development

Includes implementation of local and regional economic development strategies: developing land at Vance Industrial Estate and WR Connect Freight Intermodal; continue to enhance the CBD and invest in the Narrandera – Leeton Airport; grow jobs; develop new business units for Council-owned quarry and Gogeldrie Weir Riverside Park; support local economy and promote and market Leeton as a visitor destination and host and promote important destinational events.

Planning, Building and Public Health

Includes undertaking and implementation of strategic land use planning; provide planning and building assessment services; collect developer contributions and review developer contribution plans; provision of built heritage services, including access to a heritage advisor and heritage grant funding; preparation and issue of development engineering guidelines; provision of regulatory / ranger services and public health services through inspections and education campaigns.

Roads and Drainage

Includes provision of a network of safe sealed and gravel roads; bridges, culverts, kerb and guttering, bus stops, street furniture and carparking; undertaking active transport planning and provide a network of footpaths cycleways and road safety programs; undertaking of "private works" for local residents and businesses as well as TfNSW.

Water and Sewer Services

Includes provision of potable water and sewer services (including trade waste) to the urban areas; development of strategic plans to support security of service and growth of the Shire.

Environmental Sustainability and Emergency Services

Delivery of recycling and solid waste management; enhancing Leeton Shire's climate resilience; improving Leeton Shire's emergency preparedness; advocate for water security and biodiversity.

Governance and Administration

Includes provision of enhanced customer service; undertaking of authentic and timely community engagement; provision of respected and effective representation, leadership and advocacy; nurturing of strong partnerships with Murray Darling Association, RAMJO, MI Ltd, NSW Government, Commonwealth; fostering a valued and committed workforce; deployment of corporate and project governance including audit, risk and improvement and corporate management; undertaking of service reviews and the attraction of grant funding for capital works and operations.

B2 Sources of income

B2-1 Rates and annual charges

	2023 \$ '000	2022 \$ '000
Ordinary rates		
Residential	4,214	4,478
Farmland	3,133	3,071
Business	494	481
Less: pensioner rebates (mandatory)	(85)	(91)
Less: pensioner rebates (Council policy)	(153)	(159)
Rates levied to ratepayers	7,603	7,780
Pensioner rate subsidies received	85	91
Total ordinary rates	7,688	7,871
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	1,357	1,269
Stormwater management services	91	91
Water supply services	1,638	1,633
Sewerage services	2,714	2,588
Waste management services (non-domestic)	191	182
Other	18	–
Recycling	653	607
Trade waste	18	17
Less: pensioner rebates (mandatory)	(89)	(92)
Less: pensioner rebates (Council policy)	(163)	(162)
Annual charges levied	6,428	6,133
Pensioner annual charges subsidies received:		
– Water	35	36
– Sewerage	28	30
– Domestic waste management	26	26
Total annual charges	6,517	6,225
Total rates and annual charges	14,205	14,096

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 in substance a rate payment.

B2-2 User charges and fees

	Timing	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)			
Domestic waste management services	1	57	–
Water supply services	1	2,411	2,361
Sewerage services	1	284	209
Total specific user charges		2,752	2,570
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Building regulation	2	116	86
Inspection services	2	10	22
Private works – section 67	1	57	29
Regulatory/ statutory fees	2	23	42
Registration fees	2	16	20
Section 10.7 certificates (EP&A Act)	2	25	25
Section 603 certificates	2	23	26
Tapping fees	2	47	57
Town planning	2	156	129
Total fees and charges – statutory/regulatory		473	436
(ii) Fees and charges – other (incl. general user charges (per s608))			
Cemeteries	2	307	211
Child care	1	1,940	1,866
Employee Contributions (FBT reduction) – Council vehicles	2	72	82
Library and art gallery	2	49	11
Transport for NSW works (state roads not controlled by Council)	1	1,658	2,675
Swimming centres	2	131	105
Tourism	2	45	47
Waste disposal tipping fees	2	825	712
Golf course	2	314	339
Roxy theatre	2	–	1
Stadium	2	64	67
User group contributions	2	26	8
Other	2	18	31
Total fees and charges – other		5,449	6,155
Total other user charges and fees		5,922	6,591
Total user charges and fees		8,674	9,161
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		6,407	7,139
User charges and fees recognised at a point in time (2)		2,267	2,022
Total user charges and fees		8,674	9,161

Accounting policy

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

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

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

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

B2-3 Other revenues

	Timing	2023 \$ '000	2022 \$ '000
Fines – other	2	32	31
Commissions and agency fees	2	1	1
Diesel rebate	2	30	41
Insurance claims recoveries	2	199	144
Recycling income (non-domestic)	2	17	58
Sales – general	2	124	108
Sale of Investment Water	2	62	136
Sale of Town Water	2	16	25
Donations and sponsorship received	2	19	(4)
Child care operations	2	14	15
Insurance rebates	2	48	37
Other	2	149	139
Total other revenue		711	731
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		711	731
Total other revenue		711	731

Accounting policy for other revenue

Where the revenue relates to a contract with a customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, whichever is earlier.

B2-4 Grants and contributions

	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,132	1,950	–	–
Financial assistance – local roads component	2	340	653	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	4,301	2,841	–	–
Financial assistance – local roads component	2	1,358	860	–	–
Other					
Other grants	2	–	–	209	–
Amount recognised as income during current year		7,131	6,304	209	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Sewerage services	1	–	–	501	98
Child care	1	162	106	–	–
Community care	2	1	–	1	–
Economic development	2	195	211	–	–
Employment and training programs	2	105	113	–	–
Environmental programs	2	29	3	–	–

B2-4 Grants and contributions (continued)

	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Heritage and cultural	2	24	12	677	224
Library	2	–	1	–	3
Library – per capita	2	76	72	–	–
Library – special projects	2	52	–	–	–
LIRS subsidy	2	16	28	–	–
Noxious weeds	2	50	80	–	–
NSW rural fire services	2	77	75	–	(9)
Recreation and culture	2	154	92	1,022	1,897
Storm/flood damage	2	270	17	–	–
Youth services	2	–	17	–	–
Street lighting	2	76	189	–	–
Transport (roads to recovery)	1	509	656	–	–
Transport (other roads and bridges funding)	2	1,590	112	700	203
Other specific grants	2	13	15	10	189
Previously contributions:					
Roads and bridges	1	–	–	1,071	2,004
Transport for NSW contributions (regional roads, block grant)	2	257	251	431	106
Water supplies (excl. section 64 contributions)	2	–	–	–	50
Total special purpose grants and non-developer contributions – cash		3,656	2,050	4,413	4,765
Total special purpose grants and non-developer contributions (tied)		3,656	2,050	4,413	4,765
Total grants and non-developer contributions		10,787	8,354	4,622	4,765
Comprising:					
– Commonwealth funding		7,775	7,091	1,220	1,057
– State funding		1,604	1,203	3,402	3,580
– Other funding		1,408	60	–	128
		10,787	8,354	4,622	4,765

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Developer contributions: (S7.11 & S7.12 - EPA Act, S64 of the LGA):		G4				
Cash contributions						
S7.12 (formally S94A) – fixed development consent levies		2	–	–	239	116
S 64 – water supply contributions		2	–	–	70	82
S 64 – sewerage service contributions		2	–	–	16	19
S 64 – stormwater contributions		2	–	–	1	–
Total developer contributions – cash			–	–	326	217
Total developer contributions			–	–	326	217
Total contributions			–	–	326	217
Total grants and contributions			10,787	8,354	4,948	4,982
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			671	872	2,272	2,207
Grants and contributions recognised at a point in time (2)			10,116	7,482	2,676	2,775
Total grants and contributions			10,787	8,354	4,948	4,982

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	231	481	2,997	2,001
Add: Funds received and not recognised as revenue in the current year	2,520	188	911	1,958
Reclassification to Operating from Capital Grant	-	-	-	-
Less: Funds received in prior year but revenue recognised and funds spent in current year	(193)	(438)	(2,098)	(962)
Unspent funds at 30 June	2,558	231	1,810	2,997
Contributions				
Unspent funds at 1 July	731	681	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	412	220	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	(170)	-	-
Unspent contributions at 30 June	1,143	731	-	-

Accounting policy

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenues are recognised when control of each performance obligations is satisfied.

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

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 are recognised at the assets 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.

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

B2-4 Grants and contributions (continued)

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

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*.

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 the Council may apply contributions according to the priorities established in work schedules.

B2-5 Interest and investment income

	2023 \$ '000	2022 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	77	62
– Cash and investments	1,444	382
– Deferred debtors	1	2
Total interest and investment income (losses)	1,522	446
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	42	34
General Council cash and investments	545	188
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	20	4
Water fund operations	553	121
Sewerage fund operations	314	86
Domestic waste management operations	48	13
Total interest and investment income	1,522	446

Accounting policy

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

B2-6 Other income

	2023 \$ '000	2022 \$ '000
	Notes	
Rental income		
Other lease income		
Office Space / commercial / land	160	161
Housing	144	146
Other lease income	70	49
Total other lease income	374	356
Total rental income	374	356
Total other income	374	356

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	10,992	11,266
Travel expenses	34	18
Employee leave entitlements (ELE)	1,073	1,071
ELE on-costs	3	9
Superannuation	1,255	1,243
Workers' compensation insurance	347	296
Fringe benefit tax (FBT)	15	17
Payroll tax	21	14
Training costs (other than salaries and wages)	142	162
Protective clothing	34	31
Relocation Cost	5	8
Other	(127)	18
Total employee costs	13,794	14,153
Less: capitalised costs	(751)	(983)
Total employee costs expensed	13,043	13,170
Number of 'full-time equivalent' employees (FTE) at year end	144	144
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	153	150

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	Notes	2023 \$ '000	2022 \$ '000
Consultancy costs		54	19
Raw materials and consumables		19,302	15,231
Contractor costs		130	223
Contractor and consultancy costs			
– Garbage collection charges		955	862
– Contractor and consultancy costs – Administration		110	107
– Contractor and consultancy costs – Building & Planning		35	62
– Contractor and consultancy costs – Engineering		73	21
– Other contractor and consultancy costs		220	171
Audit Fees	F2-1	93	94
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	176	182
Advertising		76	41
Bank charges		78	78
Election expenses		35	101
Electricity and heating		659	547
Insurance		466	406
Office expenses (including computer expenses)		598	421
Postage		30	31
Printing and stationery		106	162
Street lighting		221	189
Subscriptions and publications		136	175
Telephone and communications		149	218
Tourism expenses (excluding employee costs)		3	5
Valuation fees		63	15
Commissions / agency fees		29	31
Licences and permits		278	60
Regional arts board		12	12
Other expenses		26	25
Legal expenses:			
– Legal expenses: planning and development		–	1
– Legal expenses: debt recovery		4	1
– Legal expenses: other		94	87
Expenses from leases of low value assets		3	2
Film and other hire expenses		14	12
Water Charges (fixed and volumetric)		221	215
Other		52	–
Total materials and services		24,501	19,807
Less: capitalised costs		(12,291)	(8,799)
Total materials and services		12,210	11,008

Accounting policy

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

B3-3 Borrowing costs

	2023 \$ '000	2022 \$ '000
(i) Interest bearing liability costs		
Interest on loans	87	106
Total interest bearing liability costs	87	106
Total interest bearing liability costs expensed	87	106
Total borrowing costs expensed	87	106

Accounting policy

Borrowing costs are expensed when incurred.

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

	Notes	2023 \$ '000	2022 \$ '000
Depreciation, amortisation and impairment			
Plant and equipment		743	715
Office furniture and equipment		232	194
Land improvements (depreciable)		54	44
Capital work in progress (Impairment)		304	–
Infrastructure:	C1-6		
– Buildings – non-specialised		5	5
– Buildings – specialised		961	950
– Other structures		538	496
– Roads		2,970	2,902
– Bridges		79	75
– Footpaths		162	151
– Stormwater drainage		343	321
– Water supply network		1,418	1,383
– Sewerage network		925	906
Other assets:			
– Other		38	28
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-6	240	222
Total gross depreciation and amortisation costs		9,012	8,392
Total depreciation and amortisation costs		9,012	8,392
Total depreciation, amortisation and impairment for non-financial assets		9,012	8,392

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

	Notes	2023 \$ '000	2022 \$ '000
Impairment of receivables			
Other		2	35
Total impairment of receivables	C1-4	2	35
Other			
Contributions/levies to other levels of government			
Contributions/levies to other levels of government		–	6
– Emergency services levy (includes FRNSW, SES, and RFS levies)		30	17
– NSW fire brigade levy		39	34
– NSW rural fire service levy		194	72
Donations, contributions and assistance to other organisations (Section 356)		3	–
Donations, contributions and assistance to other organisations (Section 356):			
– Annual donations		24	25
– Discretionary donations, contributions and assistance		18	9
Remediation liability		228	266
Total other		536	429
Total other expenses		538	464

Accounting policy

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

Impairment expenses are recognised when identified.

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

	Notes	2023 \$ '000	2022 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		140	–
Less: carrying amount of property assets sold/written off		(69)	–
Gain (or loss) on disposal		71	–
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		401	718
Less: carrying amount of plant and equipment assets sold/written off		(304)	(726)
Gain (or loss) on disposal		97	(8)
Gain (or loss) on disposal of infrastructure			
	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		–	(1,115)
Gain (or loss) on disposal		–	(1,115)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		–	76
Less: carrying amount of real estate assets sold/written off		–	(73)
Gain (or loss) on disposal		–	3
Net gain (or loss) from disposal of assets		168	(1,120)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	14,140	14,205	65	0% F
User charges and fees	8,507	8,674	167	2% F
Other revenues	637	711	74	12% F
Other revenues consists of a few line items, the variations were as follows: Diesel Rebate was down \$11K, Recycling income was down by \$41K and sale on investment water was \$74K lower than in 2021/22. These lower than expected figures were offset by Insurance claims recovery up \$44k higher and Sales - general was \$16K above 2021/22 amount.				
Operating grants and contributions	6,140	10,787	4,647	76% F
Council has received a number of significant Operating grants such as the Pothole Repair funding \$252K, Flood Recovery funding \$253K, RLRRP grant as well as an additional FAG's prepayment together equalling \$4.7M.				
Capital grants and contributions	593	4,948	4,355	734% F
Much of Council's Capital Grants are a result of grant funding carried forward from 2021/22 unfinished capital works such as a further \$500K toward the CBD Enhancement project #3, \$500K for Wamoon Sewer, \$470K from LRCl funding and \$1.3M for the Roxy Theatre.				
Interest and investment revenue	695	1,522	827	119% F
Increased cash balances coupled with high interest rates throughout the year meant that a higher than budgeted return on investments was achieved.				
Net gains from disposal of assets	-	168	168	∞ F
Gains from asset disposals are determined by the current market conditions and timing of the disposal which are quite volatile.				
Other income	302	374	72	24% F
The higher than expected result is primarily due to improved income from leases and licenses.				

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Expenses				
Employee benefits and on-costs	12,457	13,043	(586)	(5)% U
Materials and services	11,724	12,210	(486)	(4)% U
Borrowing costs	189	87	102	54% F
New loans for the Roxy and the Vance Industrial estate were expected to be drawn down this year, but have been delayed.				
Depreciation, amortisation and impairment of non-financial assets	8,570	9,012	(442)	(5)% U
Other expenses	481	538	(57)	(12)% U
The higher than expected other expenses is primarily due to the increased RFS levy which rose from 72K in 2022 to 194K in the current year. An increase of 122K.				
Net losses from disposal of assets	650	-	650	100% F
The budget included the an amount to be recognised on recognition of the completed Roxy Theatre project. This project is not yet complete.				
Statement of cash flows				
Cash flows from operating activities	6,463	16,917	10,454	162% F
Favourable increases in cashflow are due to significantly more grant income being received coupled with lower than expected outflows, particularly in capital projects, and higher than expected interest income.				
Cash flows from investing activities	(9,298)	(11,253)	(1,955)	21% U
The carry over of capital works from 2021/22 drove the increased cash outflow. Such works include road renewals as well as Wamoon Sewer, Leeton Aquatic Centre and Roxy Theatre and account for \$12M in payments. The remainder is recognition of increased Term Deposits and other investments rather than cash.				
Cash flows from financing activities	2,906	(417)	(3,323)	(114)% U
The anticipated draw down of loans for the Roxy Theatre and Vance Industrial estate, though budgeted have been delayed.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash on hand and at bank	2,255	2,788
Cash equivalent assets		
– Deposits at call	17,999	12,219
Total cash and cash equivalents	20,254	15,007
Total cash and cash equivalents per Statement of Financial Position	20,254	15,007
Balance as per the Statement of Cash Flows	20,254	15,007

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Debt securities at amortised cost				
Long term deposits	22,000	6,500	18,110	10,000
FRN's (with maturities > 3 months)	-	5,800	2,650	4,500
Total	22,000	12,300	20,760	14,500
Total financial investments	22,000	12,300	20,760	14,500
Total cash assets, cash equivalents and investments	42,254	12,300	35,767	14,500

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in the Statement of Financial Position.

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

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

Financial assets through profit or loss

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

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

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

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	54,554	50,267
Less: Externally restricted cash, cash equivalents and investments	<u>(39,818)</u>	<u>(36,280)</u>
Cash, cash equivalents and investments not subject to external restrictions	14,736	13,987

External restrictions

External restrictions included in cash, cash equivalents and investments above comprise:

External restrictions

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	960	700
Developer contributions – water fund	31	31
Specific purpose unexpended grants – general fund	4,368	3,224
Water fund	18,293	17,320
Water supplies – carry over works	209	434
Sewer fund	9,068	5,703
Sewerage services – carry over works	355	3,873
Stormwater management	231	167
Deposits, retention and bonds	767	310
Domestic waste management	986	913
DWM - Landfill Provision	4,550	3,605
External restrictions	39,818	36,280
Total external restrictions	39,818	36,280

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.

	2023 \$ '000	2022 \$ '000
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	14,736	13,987
Less: Internally restricted cash, cash equivalents and investments	<u>(14,362)</u>	<u>(9,631)</u>
Unrestricted and unallocated cash, cash equivalents and investments	374	4,356

Internal allocations

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

Plant and vehicle replacement	1,401	1,269
Infrastructure replacement	1,000	1,682
Employees leave entitlement	1,391	1,371
Unfinished Works	1,204	–
Buildings	500	993
Childcare centre	200	245
Financial assistance advance payment	5,659	–
Workers compensation equalisation	–	165
Aerodrome	200	200
Roads general	1,000	1,691

continued on next page ...

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

	2023	2022
	\$ '000	\$ '000
Sportsgrounds improvements	300	283
Swimming pool	450	520
Land development	500	690
Renewable Energy Efficiencies	120	120
Leeton Museum & Art Gallery	300	300
Election Reserve	35	–
Mainstreet Project - Facade Painting	102	102
Total internal allocations	14,362	9,631

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

	2023	2022
	\$ '000	\$ '000

(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	374	4,356
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C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	1,109	–	856	–
Interest and extra charges	90	–	62	–
User charges and fees	621	–	871	–
Accrued revenues				
– Interest on investments	462	–	239	–
– Other income accruals	347	–	2,088	–
Deferred debtors	314	16	60	286
Government grants and subsidies	61	–	87	–
Net GST receivable	340	–	198	–
Total	3,344	16	4,461	286
Less: provision for impairment				
Rates and annual charges	(11)	–	(11)	–
User charges and fees	(5)	–	(5)	–
Other debtors	–	–	(35)	–
Total provision for impairment – receivables	(16)	–	(51)	–
Total net receivables	3,328	16	4,410	286

	2023 \$ '000	2022 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year	51	16
+ new provisions recognised during the year	2	35
Balance at the end of the year	53	51

Accounting policy

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

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

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

Impairment

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

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

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

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

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

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

C1-4 Receivables (continued)

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(i) Inventories at cost				
Real estate for resale	945	-	1,014	-
Stores and materials	164	-	152	-
Total inventories at cost	1,109	-	1,166	-
Total inventories	1,109	-	1,166	-

C1-5 Inventories (continued)

(ii) Other disclosures

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(a) Details for real estate development					
Residential		41	–	41	–
Industrial/commercial		881	–	950	–
Other properties		23	–	23	–
Total real estate for resale		945	–	1,014	–

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

Represented by:

Acquisition costs		866	–	878	–
Development costs		79	–	136	–
Total costs		945	–	1,014	–
Total real estate for resale		945	–	1,014	–

Movements:

Real estate assets at beginning of the year		1,014	–	1,087	–
– Purchases and other costs		(69)	–	–	–
– WDV of sales (expense)	B4-1	–	–	(73)	–
Total real estate for resale		945	–	1,014	–

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 held for resale

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period						At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation/impairment expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	4,463	–	4,463	7,410	2,679	(1)	(304)	(1,131)	–	13,116	–	13,116
Plant and equipment	8,728	(2,068)	6,660	1,001	208	(303)	(743)	–	–	9,351	(2,528)	6,823
Office Furniture & Equipment	1,493	(435)	1,058	31	–	–	(232)	–	–	1,524	(667)	857
Land:												
– Operational land	5,148	–	5,148	–	–	–	–	–	1,106	6,254	–	6,254
– Community land	8,029	–	8,029	–	–	–	–	–	5,614	13,643	–	13,643
Land improvements – depreciable	2,143	(724)	1,419	7	–	–	(54)	–	287	2,890	(1,231)	1,659
Infrastructure:												
– Buildings – non-specialised	230	(22)	208	–	–	–	(5)	–	184	563	(176)	387
– Buildings – specialised	32,736	(3,908)	28,828	–	205	–	(961)	439	(476)	52,838	(24,803)	28,035
– Other structures	14,502	(1,596)	12,906	156	77	–	(538)	17	(4,882)	13,077	(5,341)	7,736
– Roads	90,608	(6,088)	84,520	121	153	–	(2,970)	669	2,799	151,328	(66,036)	85,292
– Bridges	4,938	(159)	4,779	–	–	–	(79)	–	204	6,905	(2,001)	4,904
– Footpaths	9,551	(315)	9,236	–	–	–	(162)	–	395	12,610	(3,141)	9,469
– Bulk earthworks (non-depreciable)	38,930	–	38,930	–	–	–	–	–	2,215	41,145	–	41,145
– Stormwater drainage	28,334	(665)	27,669	–	–	–	(343)	–	1,221	38,248	(9,701)	28,547
– Water supply network	93,906	(50,925)	42,981	176	303	–	(1,418)	–	3,180	101,681	(56,459)	45,222
– Sewerage network	66,285	(28,259)	38,026	346	34	–	(925)	6	2,799	73,548	(33,262)	40,286
Other assets:												
– Other assets	197	(72)	125	–	–	–	(38)	–	–	197	(110)	87
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	720	–	720	–	–	–	(240)	–	–	720	(240)	480
Total infrastructure, property, plant and equipment	410,941	(95,236)	315,705	9,248	3,659	(304)	(9,012)	–	14,646	539,638	(205,696)	333,942

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

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	3,769	–	3,769	2,410	632	–	–	(2,268)	(80)	–	4,463	–	4,463
Plant and equipment	8,095	(1,660)	6,435	–	1,666	(726)	(715)	–	–	–	8,728	(2,068)	6,660
Office equipment	1,271	(242)	1,029	211	12	–	(194)	–	–	–	1,493	(435)	1,058
Land:													
– Operational land	5,148	–	5,148	–	–	–	–	–	–	–	5,148	–	5,148
– Community land	8,029	–	8,029	–	–	–	–	–	–	–	8,029	–	8,029
Land improvements – depreciable	1,763	(613)	1,150	117	26	–	(44)	56	–	114	2,143	(724)	1,419
Infrastructure:													
– Buildings – non-specialised	209	(15)	194	–	–	–	(5)	–	–	19	230	(22)	208
– Buildings – specialised	29,539	(2,599)	26,940	238	–	(62)	(950)	–	–	2,662	32,736	(3,908)	28,828
– Other structures	12,675	(1,058)	11,617	614	40	(608)	(496)	659	–	1,080	14,502	(1,596)	12,906
– Roads	82,839	(2,818)	80,021	1,882	–	–	(2,902)	531	–	4,988	90,608	(6,088)	84,520
– Bridges	4,639	(75)	4,564	–	–	–	(75)	–	–	290	4,938	(159)	4,779
– Footpaths	7,787	(145)	7,642	638	–	–	(151)	622	–	485	9,551	(315)	9,236
– Bulk earthworks (non-depreciable)	38,930	–	38,930	–	–	–	–	–	–	–	38,930	–	38,930
– Stormwater drainage	26,380	(305)	26,075	145	95	–	(321)	9	–	1,666	28,334	(665)	27,669
– Water supply network	88,032	(46,783)	41,249	693	29	–	(1,383)	108	–	2,285	93,906	(50,925)	42,981
– Sewerage network	62,150	(25,822)	36,328	291	–	–	(906)	283	–	2,030	66,285	(28,259)	38,026
Other assets:													
– Other assets	147	(44)	103	–	50	–	(28)	–	–	–	197	(72)	125
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	667	–	667	–	720	(445)	(222)	–	–	–	720	–	720
Total infrastructure, property, plant and equipment	382,069	(82,179)	299,890	7,239	3,270	(1,841)	(8,392)	–	(80)	15,619	410,941	(95,236)	315,705

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

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment and Furniture	3 to 50	Playground equipment	15 to 100
Computer equipment	3 to 5	Benches, seats etc.	20 to 25
Vehicles	5 to 10		
Heavy plant/road making equipment	5 to 15	Buildings	
Other plant and equipment	5 to 15	Buildings: masonry	15 to 100
		Buildings: other	15 to 60
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to infinite
Water Treatment Plants	10 to 100	Culverts	50 to 100
Reticulation pipes	10 to 100	Flood control structures	60 to 100
Earthworks	80 to 120		
Pumps and telemetry	15 to 80		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	12 to 20	Bulk earthworks	infinite
Sealed roads: structure	40 to 80	Swimming pools	50 to 60
Unsealed roads	20 to 150	Other open space/recreational assets	15 to 200
Bridges	80 to 100	Other infrastructure	15 to 100
Other Road Assets	20 to 100	Tip Assets	2 to 5
Kerb, gutter and footpaths	20 to 100	Solar Panels	10 to 20

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

Revaluation model

Infrastructure and property 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.

Historical cost model

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

Plant and equipment, office furniture and other assets are held at historical cost less accumulated depreciation as they are high turnover and or low cost.

Rural Fire Service assets

Under Section 119 of the Rural Fire Services Act 1997 (NSW), "all firefighting equipment purchased or constructed wholly of 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 fire fighting equipment has been purchased or constructed".

However, pursuant to the Council's Rural Fire District Agreement with the Commissioner of the NSW Rural Fire Service, the Council has transferred substantially all of the rights and obligations in respect to all fire fighting equipment vested in the Council to the Commissioner for the foreseeable future. In accordance with the requirements of the Australian Accounting Standards and the Code of Accounting Practice, the Leeton Shire Council has continued not to recognise in their financial statements any rural firefighting plant and equipment assets that have been "vested" in Council.

Until such times as discussions on this matter have concluded and the legislation changed, Council will not recognise the rural fire service's plant and vehicles.

Land under roads

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

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land:	All purchases are capitalised, but land resumed for public works need not be capitalised if the resumption costs are less than \$5,000.
Buildings and Land Improvements:	Capital expenses totalling less than \$2,000 need not be capitalised.
Plant & Equipment and Office Furniture & Equipment:	Capital expenses totalling less than \$1,000 need not be capitalised.
Water & Sewer Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Stormwater Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Transport Assets:	Capital expense totalling less than \$10,000 on any road or other asset need not be capitalised.
Other Infrastructure Assets:	Capital expenses on swimming pools less than \$10,000 or on any other recreational asset less than \$1,000 need not be capitalised

C1-7 Intangible assets

Intangible assets are as follows:

	2023 \$ '000	2022 \$ '000
Water Licenses		
Opening values at 1 July		
Gross book value	9,565	8,316
Net book value – opening balance	9,565	8,316
Movements for the year		
– Revaluation	201	1,249
Closing values at 30 June		
Gross book value	9,766	9,565
Total Water Licences – net book value	9,766	9,565
Total intangible assets – net book value	9,766	9,565

Accounting policy

Council holds a number of high and general security water licences which it recognises as an intangible asset.

- The water licences are individually tradable on the open water licence sales market.
- The licences were obtained principally through land acquisitions where the water licence was attached to the land.
- The water licences are individually tradable separate from the land and can be sold on a permanent or temporary basis.
- Income received from the temporary sale of water entitlements are disclosed as other revenue.
- No amortisation costs are applicable, as high and general security licences have an indefinite life.
- Water licences purchased are initially recorded at cost and are revalued annually based on market evidence.
- Water licences are tested for impairment annually based on market evidence. If the recoverable amount is less than the carrying amount the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

C2 Leasing activities

C2-1 Council as a lessee

Office equipment

Leases for office equipment are generally for low value assets. The leases are for 5 years with no renewal option, the payments are fixed.

(a) Income Statement

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

	2023 \$ '000	2022 \$ '000
Expenses relating to low-value leases	<u>3</u>	<u>2</u>
	3	2

(b) Statement of Cash Flows

Total cash outflow for leases	<u>4</u>	<u>2</u>
	4	2

C2-1 Council as a lessee (continued)

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. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for 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 no concessionary leases or below market value leases.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups, training providers, emergency services, businesses and individuals. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 *Investment Property* as they are held for strategic purposes.

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

	2023 \$ '000	2022 \$ '000
(i) Operating lease expenses		
Operating expenses from property that generated rental income	421	451
Total expenses relating to operating leases	421	451
Council does not lease any Property, Plant or Equipment .		
Lease income (excluding variable lease payments not dependent on an index or rate)	374	356
Total income relating to operating leases for Council assets	374	356

C2-2 Council as a lessor (continued)

(ii) Reconciliation of IPPE assets leased out as operating leases

	Plant & Equipment 2023 \$ '000	Plant & Equipment 2022 \$ '000
Opening balance as at 1 July	5,095	4,702
Additions renewals	–	132
Depreciation expense	(200)	(181)
Revaluation decrements to equity (ARR)	(301)	–
Revaluation increments to equity (ARR)	–	442
Closing balance as at 30 June	4,594	5,095
	2023	2022
	\$ '000	\$ '000

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

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

< 1 year	254	177
1–2 years	225	137
2–3 years	189	137
3–4 years	191	97
4–5 years	193	97
> 5 years	196	100
Total undiscounted lease payments to be received	1,248	745

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Goods and services	935	–	1,272	–
Accrued expenses:				
– Accrued Interest on Borrowings	28	–	165	–
– Salaries and wages	564	–	506	–
– Other expenditure accruals	92	–	52	–
Security bonds, deposits and retentions	766	–	387	–
Prepaid rates	514	–	470	–
Total payables	2,899	–	2,852	–

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

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,627	–	3,228	–
Unexpended operating grants (enforceable contracts)	(ii)	1,810	–	–	–
Total grants received in advance		3,437	–	3,228	–
User fees and charges received in advance:					
Child Care Fees in Advance - Leeton Early Learning Centre	(iii)	84	–	39	–
Other		13	–	–	–
Total user fees and charges received in advance		97	–	39	–
Total contract liabilities		3,534	–	3,267	–

Notes

(i) Council has received funding to construct assets including Roxy Theatre, Canal Street Upgrade, Drought Relief Round #3 & CBD Enhancement Projects 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 1058 being an enforceable contract.

C3-2 Contract Liabilities (continued)

(iii) Childcare fees are paid 2 weeks in advance with 2 weeks notice required for non-attendance/cancellation. No option for refunds is available if the child does not attend. Parents sign an enrolment form that details all the relevant terms and conditions. Revenue is recognised as Council provides the service.

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

	2023 \$ '000	2022 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	1,036	1,329
Operating grants (received prior to performance obligation being satisfied)	211	141
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,247	1,470

C3-2 Contract Liabilities (continued)

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured ¹	295	2,139	417	2,434
Total borrowings	295	2,139	417	2,434

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

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

Borrowings relating to restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Total borrowings relating to unrestricted assets	295	2,139	417	2,434
Total borrowings	295	2,139	417	2,434

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

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

(a) Changes in liabilities arising from financing activities

	2022 Opening Balance \$ '000	Cash flows \$ '000	2023 Closing balance \$ '000
Loans – secured	2,851	(417)	2,434
Total liabilities from financing activities	2,851	(417)	2,434

	2021 Opening Balance \$ '000	Cash flows \$ '000	2022 Closing balance \$ '000
Loans – secured	3,315	(464)	2,851
Total liabilities from financing activities	3,315	(464)	2,851

(b) Financing arrangements

	2023 \$ '000	2022 \$ '000
Total facilities		

C3-3 Borrowings (continued)

	2023 \$ '000	2022 \$ '000
Bank overdraft facilities ¹	545	545
Credit cards/purchase cards	100	100
Total financing arrangements	645	645
Drawn facilities		
– Credit cards/purchase cards	17	18
Total drawn financing arrangements	17	18
Undrawn facilities		
– Bank overdraft facilities	545	545
– Credit cards/purchase cards	83	82
Total undrawn financing arrangements	628	627

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Council's loans are secured by future cash flows.

Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured by future cashflows of Council.

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

Accounting policy

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

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

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

Borrowing costs are expensed when incurred.

C3-4 Employee benefit provisions

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Annual leave	1,030	–	1,104	–
Long service leave	1,352	131	1,646	163
ELE on-costs	257	12	64	7
Total employee benefit provisions	2,639	143	2,814	170

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

	2023 \$ '000	2022 \$ '000
	1,254	1,814
	1,254	1,814

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

Provisions – employees benefits	1,254	1,814
	1,254	1,814

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	ELE on-costs \$ '000	
2023				
At beginning of year	1,104	1,809	71	2,984
Remeasurement effects	(14)	(254)	–	(268)
Other	(60)	(72)	198	66
Total ELE provisions at end of year	1,030	1,483	269	2,782
2022				
At beginning of year	969	1,875	54	2,898
Remeasurement effects	(16)	(316)	201	(131)
Other	151	250	(184)	217
Total ELE provisions at end of year	1,104	1,809	71	2,984

C3-4 Employee benefit provisions (continued)

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
Other provisions				
Election Provision	–	35	–	–
Sub-total – other provisions	–	35	–	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,550	–	4,322
Sub-total – asset remediation/restoration	–	4,550	–	4,322
Total provisions	–	4,585	–	4,322
Provisions relating to restricted assets				
Externally restricted assets				
Domestic waste management	–	4,550	–	4,322
Provisions relating to externally restricted assets	–	4,550	–	4,322
Total provisions relating to restricted assets	–	4,550	–	4,322
Total provisions relating to unrestricted assets	–	35	–	–
Total provisions	–	4,585	–	4,322

C3-5 Provisions (continued)

Description of and movements in provisions

	Other provisions		Total \$ '000
	Asset remediation \$ '000	Election Provision \$ '000	
2023			
At beginning of year	4,322	–	4,322
Unwinding of discount	228	–	228
Additional provisions	–	35	35
Total other provisions at end of year	4,550	35	4,585
2022			
At beginning of year	3,336	–	3,336
Unwinding of discount	266	–	266
Additional provisions	621	–	621
Remeasurement effects	99	–	99
Total other provisions at end of year	4,322	–	4,322

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.

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.

Water Licences

The reserve for high security water licences is used to record increments/decrements in the value of tradable water licences.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
Income from continuing operations			
Rates and annual charges	10,054	1,526	2,625
User charges and fees	5,783	2,530	361
Interest and investment revenue	655	553	314
Other revenues	642	48	21
Grants and contributions provided for operating purposes	10,721	38	28
Grants and contributions provided for capital purposes	4,360	70	518
Net gains from disposal of assets	168	–	–
Other income	374	–	–
Total income from continuing operations	32,757	4,765	3,867
Expenses from continuing operations			
Employee benefits and on-costs	10,260	1,671	1,112
Materials and services	9,959	1,417	834
Borrowing costs	87	–	–
Depreciation, amortisation and impairment of non-financial assets	6,564	1,469	979
Other expenses	538	–	–
Total expenses from continuing operations	27,408	4,557	2,925
Operating result from continuing operations	5,349	208	942
Net operating result for the year	5,349	208	942
Net operating result attributable to each council fund	5,349	208	942
Net operating result for the year before grants and contributions provided for capital purposes	989	138	424

D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	16,598	2,233	1,423
Investments	8,000	8,000	6,000
Receivables	2,204	390	734
Inventories	1,109	–	–
Other	49	–	–
Total current assets	27,960	10,623	8,157
Non-current assets			
Investments	2,000	8,300	2,000
Receivables	6	5	5
Infrastructure, property, plant and equipment	245,688	46,067	42,187
Intangible assets	9,766	–	–
Total non-current assets	257,460	54,372	44,192
Total assets	285,420	64,995	52,349
LIABILITIES			
Current liabilities			
Payables	2,897	2	–
Contract liabilities	3,534	–	–
Borrowings	295	–	–
Employee benefit provision	2,639	–	–
Total current liabilities	9,365	2	–
Non-current liabilities			
Borrowings	2,139	–	–
Employee benefit provision	143	–	–
Provisions	4,585	–	–
Total non-current liabilities	6,867	–	–
Total liabilities	16,232	2	–
Net assets	269,188	64,993	52,349
EQUITY			
Accumulated surplus	95,543	25,577	22,115
Revaluation reserves	173,645	39,416	30,234
Council equity interest	269,188	64,993	52,349
Total equity	269,188	64,993	52,349

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.

	Carrying value 2023 \$ '000	Carrying value 2022 \$ '000	Fair value 2023 ¹ \$ '000	Fair value 2022 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	20,254	15,007	20,254	15,007
Receivables	3,344	4,696	3,344	4,696
Investments				
– Debt securities at amortised cost	34,300	35,260	34,300	35,260
Total financial assets	57,898	54,963	57,898	54,963
Financial liabilities				
Payables	2,899	2,852	2,768	2,212
Loans/advances	2,434	2,851	2,434	2,851
Total financial liabilities	5,333	5,703	5,202	5,063

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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

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

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

The risks associated with the instruments held are:

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

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

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

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

(1) Refer to Note E1-1(c)

(a) Market risk – interest rate and price risk

	2023	2022
	\$ '000	\$ '000
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	523	503

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

(b) Credit risk

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

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

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

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

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.

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2023				
Gross carrying amount	–	1,096	13	1,109
2022				
Gross carrying amount	–	852	4	856

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts \$ '000			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2023						
Gross carrying amount	2,251	–	–	–	–	2,251
Expected loss rate (%)	0.00%	0.00%	1.50%	1.50%	1.50%	0.00%
ECL provision	–	–	–	–	–	–
2022						
Gross carrying amount	3,822	1	–	68	–	3,891
Expected loss rate (%)	0.00%	0.00%	1.50%	1.50%	1.50%	0.03%
ECL provision	–	–	–	1	–	1

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

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
2023							
Payables	0.00%	766	2,217	–	–	2,983	2,899
Borrowings	3.04%	–	295	728	1,411	2,434	2,434
Total financial liabilities		766	2,512	728	1,411	5,417	5,333
2022							
Payables	0.00%	387	2,465	–	–	2,852	2,852
Borrowings	3.32%	–	417	770	1,664	2,851	2,851
Total financial liabilities		387	2,882	770	1,664	5,703	5,703

Loan agreement breaches

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

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Intangibles

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).

E2-1 Fair value measurement (continued)

Recurring fair value measurements

\$ '000	Notes	Fair value measurement hierarchy									
		Date of latest comprehensive valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Recurring fair value measurements											
Infrastructure, property, plant and equipment C1-6											
Plant and equipment		30/06/2018	30/06/18	-	-	-	-	6,823	6,660	6,823	6,660
Office Furniture & Equipment		30/06/2018	30/06/18	-	-	-	-	857	1,058	857	1,058
Operational land		30/06/2023	30/06/18	-	-	6,254	5,148	-	-	6,254	5,148
Community land		30/06/2023	30/06/18	-	-	-	-	13,643	8,029	13,643	8,029
Land improvements		30/06/2023	30/06/18	-	-	-	-	1,659	1,419	1,659	1,419
Buildings – specialised		30/06/2023	30/06/18	-	-	-	-	28,035	28,828	28,035	28,828
Buildings – non-specialised		30/06/2023	30/06/18	-	-	387	208	-	-	387	208
Other structures		30/06/2023	30/06/18	-	-	-	-	7,736	12,906	7,736	12,906
Roads		30/06/2020	30/06/20	-	-	-	-	85,292	84,520	85,292	84,520
Bridges		30/06/2020	30/06/20	-	-	-	-	4,904	4,779	4,904	4,779
Footpaths		30/06/2020	30/06/20	-	-	-	-	9,469	9,236	9,469	9,236
Bulk earthworks		30/06/2020	30/06/20	-	-	-	-	41,145	38,930	41,145	38,930
Stormwater drainage		30/06/2020	30/06/20	-	-	-	-	28,547	27,669	28,547	27,669
Water supply network		30/06/2021	30/06/21	-	-	-	-	45,222	42,981	45,222	42,981
Sewerage network		30/06/2021	30/06/21	-	-	-	-	40,286	38,026	40,286	38,026
Tip Assets		30/06/2021	30/06/21	-	-	-	-	480	720	480	720
Other assets		30/06/2018	30/06/18	-	-	-	-	87	125	87	125
Total infrastructure, property, plant and equipment				-	-	6,641	5,356	314,185	305,886	320,826	311,242
Intangible assets											
Water Licences		30/06/2023	30/06/22	9,766	9,565	-	-	-	-	9,766	9,565
Total intangible assets				9,766	9,565	-	-	-	-	9,766	9,565

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 objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. Leeton Shire Council use valuation techniques consistent with one or more of those approaches to measure fair value on all its asset classes.

Cost Approach

A valuation technique that reflects the amount that could be required to replace the service capacity of an asset.

Income Approach

Valuation technique that converts future amounts (cash flows or income and expenses) to a single current (discount) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Market Approach

A valuation technique that uses prices and other relevant information, generated by the market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities such as a business.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all assets classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land and Buildings are undertaken by Council's assets officer in conjunction with the various technical staff.

Operational Land and Building valuations are conducted by a qualified external valuer, Community Land is valued using the Valuer Generals valuation.

Management reviews the valuations reports for consistency and accuracy and to ensure all valuations movements are fully explained.

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

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

	Valuation technique/s	Unobservable inputs
Plant, equipment, furniture, fittings and office equipment	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	Rate per square metre. \$0.08 - \$360.80.	Land value, land area
Land Improvements	Cost used to approximate fair value	Asset condition, remaining lives, residual value
Specialised buildings	Cost approach based on sq metre rate	Asset condition, consumption rate, remaining lives
Other structures (Includes Swimming Pools and other Recreational assets)	Cost used to approximate fair value	Gross replacement cost, useful life and residual value or Asset Condition, consumption rate and remaining life.
Roads, bridges, footpaths, bulkworks	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Stormwater drainage	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Water Supply and Sewerage Network	Based on NSW Office of Water Reference Rates Manual	Asset condition, pattern of consumption, residual value, components, dimensions and specification, unit rates
Other assets	Cost used to approximate fair value	Gross replacement cost, useful life and residual value

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Tip Assets	Cost used to approximate fair value	Gross replacement cost, useful life and residual value or Asset Condition, consumption rate and remaining life.

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

	Total IPP&E	
	2023	2022
	\$ '000	\$ '000
Opening balance	305,886	290,779
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	13,356	15,600
Other movements		
Transfers from/(to) another asset class	–	2,268
Purchases (GBV)	3,949	7,467
Disposals (WDV)	(303)	(1,841)
Depreciation and impairment	(8,703)	(8,387)
Closing balance	314,185	305,886

E2-1 Fair value measurement (continued)

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

There are no transfers into or out of the level 3 fair valuation hierarchy.

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$103,112.72. The last formal valuation of the Scheme was undertaken by Fund Actuary, Richard Boyfield, FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$52,548.96. Council's expected contribution to the plan for the next annual reporting period is \$104,191.32.

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

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

* excluding 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	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2023.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

E3-1 Contingencies (continued)

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) S7.11 & 7.12 Plans

Council levies section S7.11 and S7.12A contributions upon various developments across the Council area through the required contribution plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Tips and quarries

Council operates tips and quarries and will have to rehabilitate the sites at some future date. As at 30 June 2023 Council has established a rehabilitation provision relating to the Leeton landfill but is unable to reliably estimate the financial cost of such work at any other site.

(iv) Deferred Trade Waste fees

Council has responded to a request for leniency, with regard to Trade Waste Fees, by offering to potentially reduce the amount owing if the organisation undertakes a specific improvement program in a timely fashion. Council cannot provide a value on this agreement as there is no way to be sure how much, if any, reduction will be granted.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Riverina and Murray Joint Organisation

Council is a member of the Riverina and Murray Joint Organisation (RAMJO), established under the *Local Government Act 1993 (NSW)* together with the Albury City, Berrigan Shire, Carrathool Shire, Edward River, Federation, Griffith City, Hay Shire, Murray River, Murrumbidgee and Narrandera Shire Councils. Council has not recognised our share of the net assets of the Joint Organisation based on materiality and accordingly these have not been included as part of the primary financial statements.

(iv) Riverina Regional Library

Leeton Shire Council joined the Riverina Regional Library service and as such is potentially entitled to a share of assets if the service was to wind up.

Council has not been able to establish what, if any, the share is and has been advised to report nil for the 2022/23 financial year.

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:

	2023	2022
	\$ '000	\$ '000
Compensation:		
Short-term benefits	992	1,054
Post-employment benefits	81	83
Other long-term benefits	84	19
Total	1,157	1,156

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

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2023						
Airconditioning Maintenance and Servicing	1	15	–	30 day terms on invoices, market value	–	–
2022						
Airconditioning Maintenance and Servicing	1	34	3	30 day terms on invoices, market value	–	–

1 Council transacts with the KMP controlled Weston and Weston. Contracts are awarded through a competitive procurement process.

F1-2 Councillor and Mayoral fees and associated expenses

	2023	2022
	\$ '000	\$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	29
Councillors' fees	112	112
Other Councillors' expenses (including Mayor)	37	41
Total	176	182

F2 Other relationships

F2-1 Audit fees

	2023 \$ '000	2022 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	58	67
Remuneration for audit and other assurance services	58	67
Total Auditor-General remuneration	58	67
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services	3	3
Internal Audit	32	24
Remuneration for audit and other assurance services	35	27
Total remuneration of non NSW Auditor-General audit firms	35	27
Total audit fees	93	94

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2023 \$ '000	2022 \$ '000
Net operating result from Income Statement	6,499	3,866
Add / (less) non-cash items:		
Depreciation and amortisation	9,012	8,392
(Gain) / loss on disposal of assets	(168)	1,120
Unwinding of discount rates on reinstatement provisions	228	266
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	1,246	(1,813)
Increase / (decrease) in provision for impairment of receivables	(35)	35
(Increase) / decrease of inventories	(12)	(34)
(Increase) / decrease of other current assets	–	10
Increase / (decrease) in payables	(337)	(380)
Increase / (decrease) in accrued interest payable	(137)	–
Increase / (decrease) in other accrued expenses payable	98	8
Increase / (decrease) in other liabilities	423	345
Increase / (decrease) in contract liabilities	267	862
Increase / (decrease) in employee benefit provision	(202)	86
Increase / (decrease) in other provisions	35	720
Net cash flows from operating activities	16,917	13,483

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	934	5,118
Plant and equipment	–	152
Water infrastructure	209	255
Sewer infrastructure	355	391
Roads and drainage	399	269
Other Structures	713	335
Total commitments	2,610	6,520
These expenditures are payable as follows:		
Within the next year	2,610	6,520
Total payable	2,610	6,520
Sources for funding of capital commitments:		
Unrestricted general funds	1,035	1,088
Unexpended/Future grants/Contract	75	3,784
Externally restricted reserves	572	1,148
New loans (to be raised)	928	500
Total sources of funding	2,610	6,520

Details of capital commitments

Capital commitments includes Purchase Orders raised but items not yet supplied, unfinished works and revoked works.

G3 Changes from prior year statements

G3-1 Changes in accounting policy

Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Changes in accounting policies due to adoption of new accounting standards (retrospective)

Council made no retrospective changes in accounting policies due to adoption of new accounting standards.

G3-2 Correction of errors

Council has no prior year adjustments.

G3-3 Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

Council has sought to rebuild its infrastructure asset registers to reflect the true replacement cost and accumulated depreciation.

While this change has not made any inherent change to Council's operating result or net assets it has necessitated changes to the relevant IPP&E asset classes as shown in Note C1-6. This rebuild will allow Council to better manage its assets going forward and may lead to changes in depreciation recognition.

Nature and effect of changes in accounting estimates on future years

There is expected to be no material difference in the accounting estimates in future years.

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000			
Drainage	16	1	–	–	–	17
Traffic facilities	38	–	1	2	–	40
Recreation facilities	–	–	–	–	–	–
Plan administration	1	–	–	–	(1)	–
S7.11 contributions – under a plan	55	1	1	2	(1)	57
S7.12 levies – under a plan	645	239	–	19	–	903
Total S7.11 and S7.12 revenue under plans	700	240	1	21	(1)	960
S64 contributions	31	86	–	–	(86)	31
Total contributions	731	326	1	21	(87)	991

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

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Held as restricted asset at 30 June 2023 \$ '000
		Cash \$ '000	Non-cash Land \$ '000			
LEETON S7.11 FIXED LEVY PLAN						
Drainage	16	1	-	-	-	17
Traffic facilities	38	-	1	2	-	40
Plan administration	1	-	-	-	(1)	-
Total	55	1	1	2	(1)	57
S7.12 Levies – under a plan						
Leeton S7.12 Fixed Levy Plan						
Section S7.12	645	239	-	19	-	903
Total	645	239	-	19	-	903

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	2022	Indicators 2021	2020	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,385	3.82%	0.12%	(13.88)%	8.28%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	36,273					
2. Own source operating revenue ratio *						
Total continuing operating revenue excluding all grants and contributions ¹	25,486	61.83%	65.02%	59.63%	70.93%	> 60.00%
Total continuing operating revenue	41,221					
3. Unrestricted current ratio						
Current assets less all external restrictions	17,420	2.15x	4.27x	3.41x	4.34x	> 1.50x
Current liabilities less specific purpose liabilities	8,111					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,484	20.80x	14.98x	5.35x	21.83x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	504					
5. Rates, annual charges, interest and extra charges outstanding percentage *						
Rates and annual charges outstanding	1,188	7.82%	6.20%	3.49%	1.82%	< 10.00%
Rates and annual charges collectable	15,189					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	48,754	20.14 months	19.57 months	17.58 months	25.05 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	2,420					

(1) Excludes fair value adjustments, reversal of revaluation decrements and net gain on sale of assets.

(2) Excludes impairment/revaluation decrements and net loss on sale of assets.

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2.92%	1.52%	2.94%	(9.16)%	12.66%	0.97%	> 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	53.72%	57.70%	97.73%	96.12%	85.88%	95.14%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.15x	4.27x	5,311.50	423.84x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities			x				
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	14.83x	11.41x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage *							
Rates and annual charges outstanding	10.76%	8.53%	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	18.63	17.14	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months					months

(1) - (2) Refer to Notes at Note G5-1 above.

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

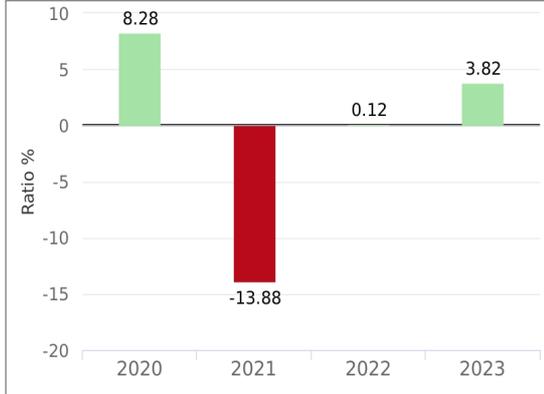
* These 2 ratios have had the pensioner subsidies removed from the 2018/19 amounts due to changes in the 2019/20 Accounting Code. This change is to ensure comparatives remain consistent.

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 2022/23 result

2022/23 ratio 3.82%

Council had a surplus operating result this year. This was primarily the result of the additional \$4.3M in operating grants and \$475K in interest income as well as a reduction in expenses. If these items are considered then Council's result would be a deficit of \$2.7M.

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 2022/23 result

2022/23 ratio 61.83%

Once again Council has achieved the "Own Source Revenue" benchmark. However a slow decline in this measure can be seen from 71% in 2020 to 62% in 2023.

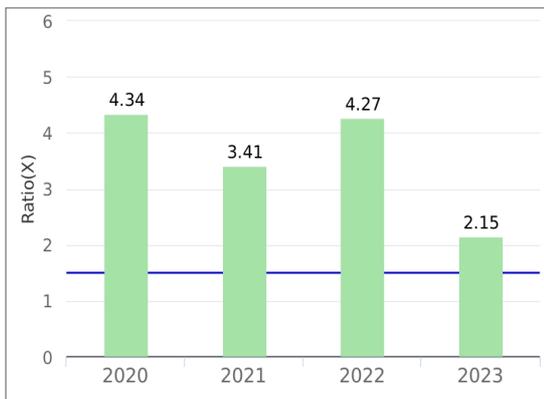
Benchmark: — > 60.00%

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 2022/23 result

2022/23 ratio 2.15x

Council has met this benchmark however it would be beneficial to improve Unrestricted Cash assets to provide a higher buffer in Working Capital.

Benchmark: — > 1.50x

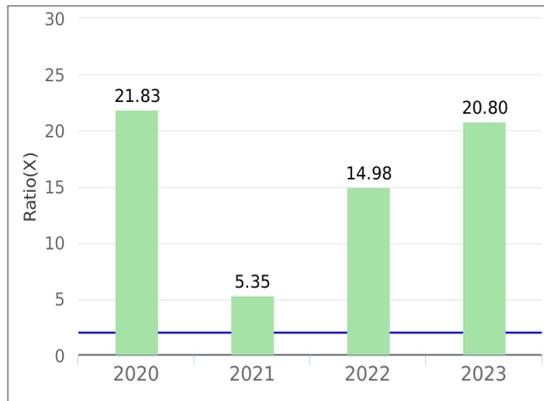
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2022/23 result

2022/23 ratio 20.80x

While Council has plans to undertake a number of borrowings these loans have been delayed. This combined with the lowering of existing loan balances has seen a favorable increase in this ratio.

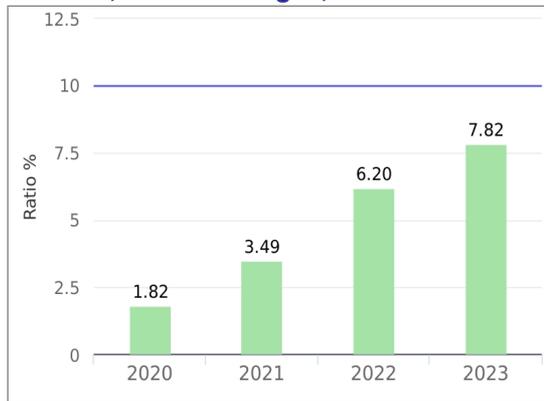
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage *



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2022/23 result

2022/23 ratio 7.82%

Council is still comfortably under the benchmark but again the ratio is worsening and staff will need to ensure collection of outstanding rates and charges is maintained.

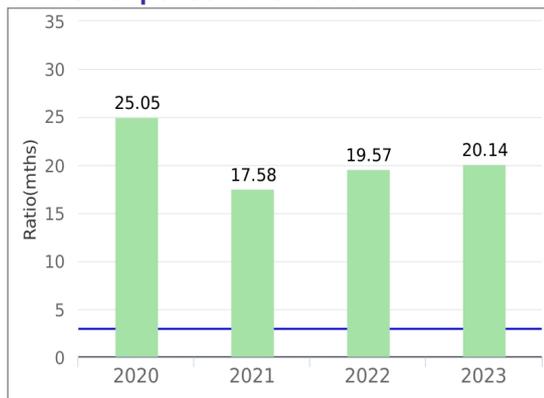
Benchmark: — < 10.00%

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 2022/23 result

2022/23 ratio 20.14 months

Council has a strong Cash Expense cover ratio with almost no shift from last year.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

23-25 Chelmsford Place
Leeton NSW 2705

Contact details

Mailing Address:

23-25 Chelmsford Place
Leeton NSW 2705

Telephone: 02 6953 0911

Facsimile: 02 6953 0977

Opening hours:

Office Hours: 8:30am to 5:00pm

Cashier Hours: 9:00am to 4:00pm (Mon - Fri)

Internet: www.leeton.nsw.gov.au

Email: council@leeton.nsw.gov.au

Officers

General Manager

Jackie Kruger

Responsible Accounting Officer

Max Turner

Public Officer

Sarah Graham

Auditors

NSW Audit Office
Level 15, 1 Margaret Street
Sydney NSW 2000

Elected members

Mayor

Cr Tony Reneker

Councillors

Cr Michael Kidd (Deputy Mayor)

Cr George Weston

Cr Paul Smith

Cr Tracey Morris

Cr Matthew Holt

Cr Tony Ciccio

Cr Sandra Nardi

Cr Krystal Maytom

Other information

ABN: 59 217 957 665

Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Leeton Shire Council

To the Councillors of Leeton Shire Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that commenced on 1 January 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations'
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Mary Yuen
Delegate of the Auditor-General for New South Wales

21 February 2024
SYDNEY

Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports: (continued)

On the Financial Statements (Sect 417 [3])

Independent Auditor's Report

|



Cr Tony Reneker
Mayor
Leeton Shire Council
23-25 Chelmsford Place
LEETON NSW 2705

Contact: Mary Yuen
Phone no: 02 9275 7215
Our ref: R008-16585809-50544

21 February 2024

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting

equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 31 August 2011.

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

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

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2023 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2023 general purpose financial statements (GPFS) to be modified.

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

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	14.2	14.1	 0.7
Grants and contributions revenue	15.7	13.3	 18.0
Operating result from continuing operations	6.5	3.9	 66.7
Net operating result before capital grants and contributions	1.6	(1.1)	 245.5

Rates and annual charges revenue (\$14.2 million) increased by \$0.1 million (0.7 per cent) in 2022–23 due to:

- an increase in rateable properties
- the Council's rate peg, which increased general rates revenue by 0.7 per cent
- \$0.02 million increase in water supply services and \$0.1 million increase in sewerage services annual charges.

Grants and contributions revenue (\$15.7 million) increased by \$2.4 million (18.0 per cent) in 2022–23 due to:

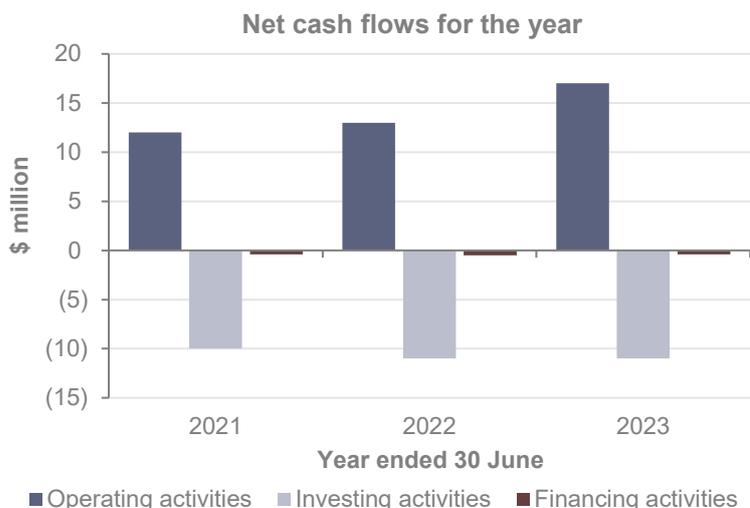
- \$1.0 million increase in Financial Assistance Grant
- \$1.6 million increase in Regional and Local Roads Repair Program funding relating to the road network that was significantly impacted by severe flooding, storm damage and persistent wet weather events during 2022.

The Council's operating result from continuing operations (\$6.5 million including depreciation and amortisation expense of \$9.0 million) was \$2.6 million higher than the 2021–22 result due to a \$2.4 million increase in grants and contributions revenue.

The net operating result before capital grants and contributions of \$1.6 million was \$2.7 million higher than the 2021–22 result due to a \$1.0 million increase in interest and investment income.

STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents was \$20.3 million (\$15.0 million for the year ended 30 June 2022). There was a net increase in cash and cash equivalents of \$5.3 million during the 2022-23 financial year.
- Net cash provided by operating activities has increased by \$3.4 million.
- Grants and contributions inflows as operating activities have increased year on year.
- There were no significant movements in the net cash flows from investing and financing activities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	54.6	50.3	<ul style="list-style-type: none"> Externally restricted balances comprise mainly of specific purpose unexpended grants, water fund and DWM - Landfill Provision. The increase of \$3.5 million is primarily due to \$1.0 million increase in specific purpose unexpended grants, \$1.0 million increase in water funds and \$0.9 million increase in DWM - Landfill Provision. Internal allocations are determined by Council policies or decisions, which are subject to change. The increase of \$4.8 million in the internal allocations is primarily due to a \$5.7 million increase in financial assistance advance payment allocation.
Restricted and allocated cash, cash equivalents and investments:			
<ul style="list-style-type: none"> External restrictions Internal allocations 	39.8 14.4	36.3 9.6	

Debt

At 30 June 2023, Council had:

- \$2.4 million in secured loans (\$2.9 million in 2021-22)
- \$0.5 million in approved overdraft facility which was undrawn as at 30 June 2023
- \$0.1 million in credit card facility with nil used.

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, Housing and Infrastructure.

Operating performance ratio

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

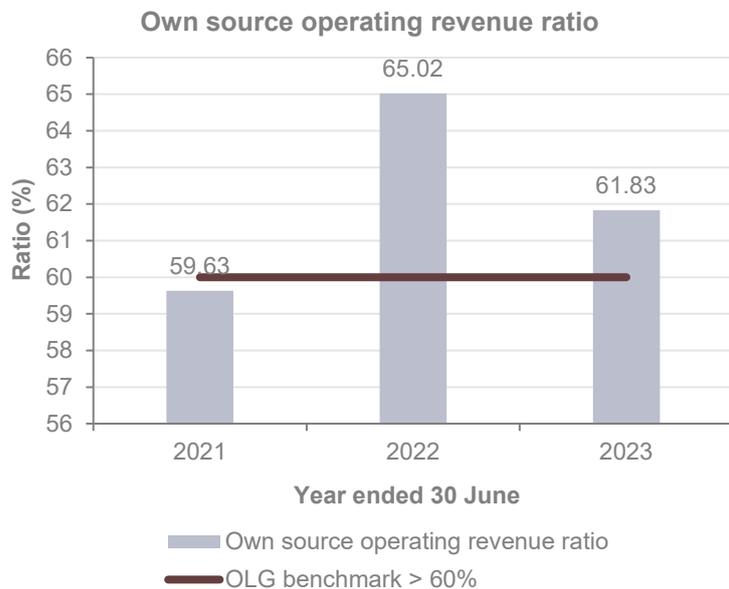
The Council met the benchmark for the current reporting period.



Own source operating revenue ratio

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

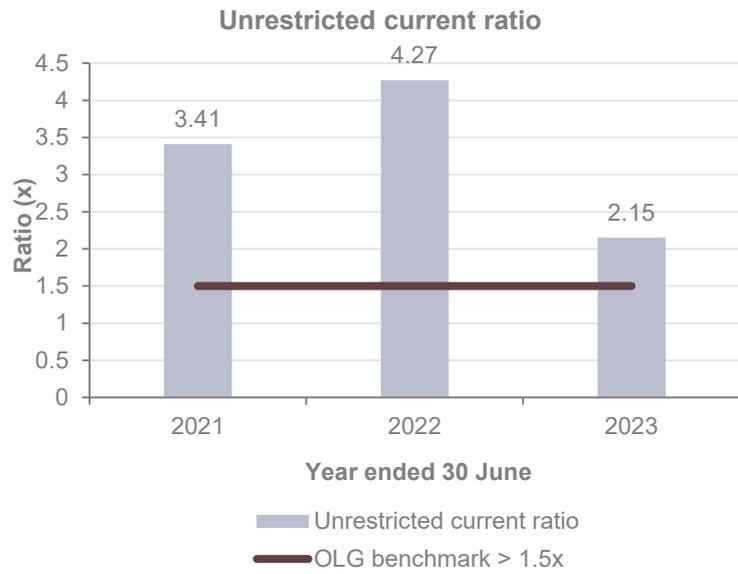
The Council met the benchmark for the current reporting period.



Unrestricted current ratio

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

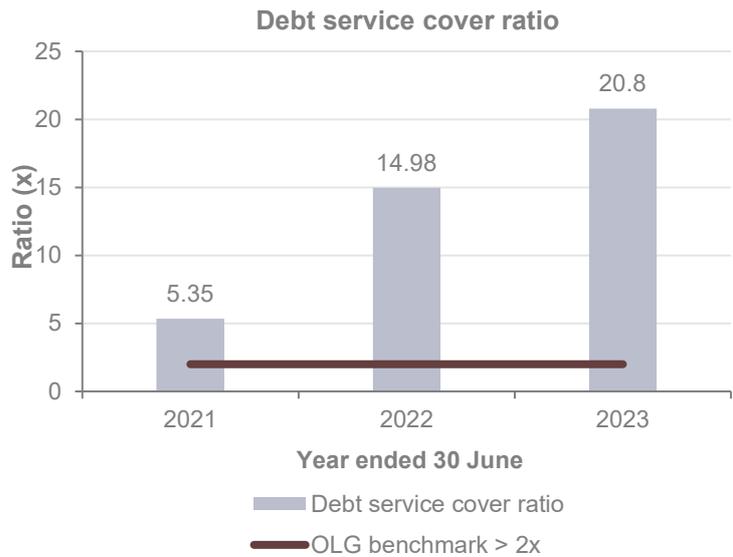
The Council met the benchmark for the current reporting period.



Debt service cover ratio

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

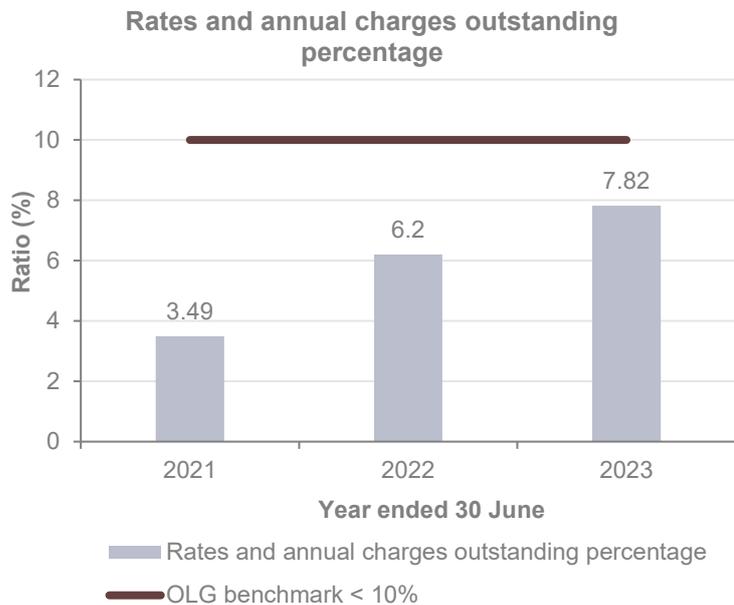
The Council met the benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

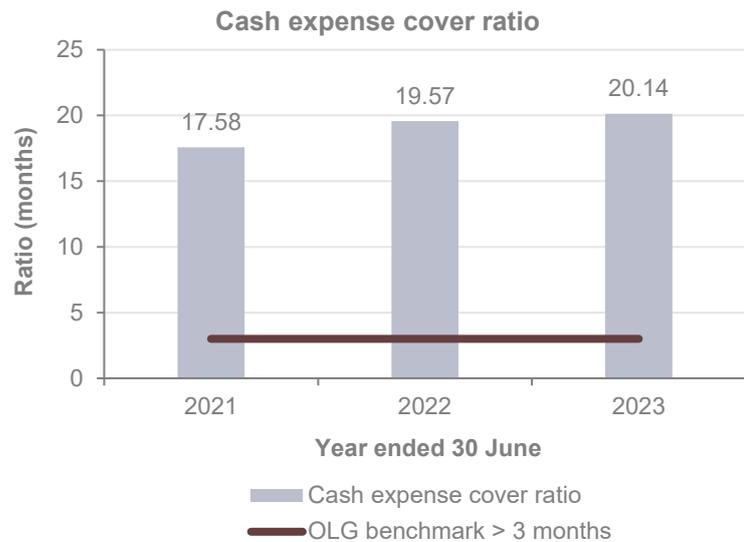
The Council met the benchmark for the current reporting period.



Cash expense cover ratio

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

The Council met the benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

The Council renewed \$9.2 million of assets in the 2022-23 financial year, compared to \$7.2 million of assets in the 2021-22 financial year. This was mainly spent on capital work in progress (\$7.4 million), plant and equipment (\$1.0 million) and sewerage network (\$0.3 million).

OTHER MATTERS

Legislative compliance

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

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

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



Mary Yuen
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ms Jackie Kruger, General Manager
Mr Graham Bradley, Chair of Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning, Housing and Infrastructure

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Leeton Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

"Preserving the Past, Enhancing the Future"



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Background

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

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

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

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

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

Leeton Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

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

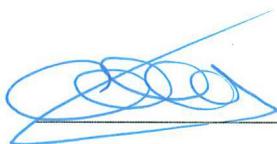
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

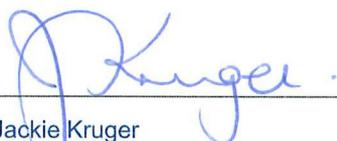
Signed in accordance with a resolution of Council made on 23 August 2023.



Tony Reneker
Mayor



Michael Kidd
Deputy Mayor



Jackie Kruger
General Manager



Lawrence Amato
Responsible Accounting Officer

Leeton Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	1,526	1,507
User charges	2,530	2,491
Interest and investment income	553	121
Grants and contributions provided for operating purposes	38	36
Other income	48	47
Total income from continuing operations	4,695	4,202
Expenses from continuing operations		
Employee benefits and on-costs	1,671	1,869
Materials and services	1,196	1,069
Depreciation, amortisation and impairment	1,469	1,434
Water purchase charges	221	215
Total expenses from continuing operations	4,557	4,587
Surplus (deficit) from continuing operations before capital amounts	138	(385)
Grants and contributions provided for capital purposes	70	132
Surplus (deficit) from continuing operations after capital amounts	208	(253)
Surplus (deficit) from all operations before tax	208	(253)
Less: corporate taxation equivalent (25%) [based on result before capital]	(35)	–
Surplus (deficit) after tax	173	(253)
Plus accumulated surplus	25,369	25,622
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	35	–
Closing accumulated surplus	25,577	25,369
Return on capital %	0.3%	(0.9)%
Subsidy from Council	1,714	1,992
Calculation of dividend payable:		
Surplus (deficit) after tax	174	(253)
Less: capital grants and contributions (excluding developer contributions)	(70)	(132)
Surplus for dividend calculation purposes	104	–
Potential dividend calculated from surplus	52	–

Leeton Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	2,625	2,493
User charges	10	2
Liquid trade waste charges	351	275
Interest and investment income	314	86
Grants and contributions provided for operating purposes	28	30
Other income	21	2
Total income from continuing operations	3,349	2,888
Expenses from continuing operations		
Employee benefits and on-costs	1,112	1,197
Materials and services	834	704
Depreciation, amortisation and impairment	979	959
Total expenses from continuing operations	2,925	2,860
Surplus (deficit) from continuing operations before capital amounts	424	28
Grants and contributions provided for capital purposes	518	116
Surplus (deficit) from continuing operations after capital amounts	942	144
Surplus (deficit) from all operations before tax	942	144
Less: corporate taxation equivalent (25%) [based on result before capital]	(106)	(7)
Surplus (deficit) after tax	836	137
Plus accumulated surplus	21,173	21,029
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	106	7
Closing accumulated surplus	22,115	21,173
Return on capital %	1.0%	0.1%
Subsidy from Council	1,272	1,397
Calculation of dividend payable:		
Surplus (deficit) after tax	836	137
Less: capital grants and contributions (excluding developer contributions)	(518)	(116)
Surplus for dividend calculation purposes	318	21
Potential dividend calculated from surplus	159	11

Leeton Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
Current assets		
Cash and cash equivalents	2,233	3,785
Investments	8,000	4,000
Receivables	390	268
Total current assets	10,623	8,053
Non-current assets		
Investments	8,300	10,000
Receivables	5	20
Infrastructure, property, plant and equipment	46,067	43,906
Total non-current assets	54,372	53,926
Total assets	64,995	61,979
LIABILITIES		
Current liabilities		
Payables	2	19
Total current liabilities	2	19
Total liabilities	2	19
Net assets	64,993	61,960
EQUITY		
Accumulated surplus	25,577	25,369
Revaluation reserves	39,416	36,591
Total equity	64,993	61,960

Leeton Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
Current assets		
Cash and cash equivalents	1,423	1,572
Investments	6,000	6,000
Receivables	734	352
Total current assets	8,157	7,924
Non-current assets		
Investments	2,000	2,000
Receivables	5	263
Infrastructure, property, plant and equipment	42,187	38,926
Total non-current assets	44,192	41,189
Total assets	52,349	49,113
Net assets	52,349	49,113
EQUITY		
Accumulated surplus	22,115	21,173
Revaluation reserves	30,234	27,940
Total equity	52,349	49,113

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Comprising the whole of the operations and net assets of Council's water supply activities servicing the towns of Leeton, Yanco, Whitton and Murrumbidgee which are established as a separate Special Rate Fund.

b. Sewerage Service

Comprising the whole of the operations and net assets of Council's sewerage reticulation & treatment activities servicing the towns of Leeton, Whitton and Yanco, which are established as a separate Special Rate Fund.

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.

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.

Note – Significant Accounting Policies (continued)

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%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

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%.

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.

(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'.

Note – Significant Accounting Policies (continued)

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective 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 3.92% at 30 June 2023.

(iii) Dividends

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

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

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

- 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Leeton Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023



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

To the Councillors of Leeton Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Leeton 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply business activity
- Sewerage business activity.

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 2023, 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 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Mary Yuen
Delegate of the Auditor-General for New South Wales

21 February 2024
SYDNEY

Leeton Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

"Preserving the Past, Enhancing the Future"



LEETON
SHIRE COUNCIL

Leeton Shire Council

Special Schedules

for the year ended 30 June 2023

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Leeton Shire Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	7,787	7,936
Plus or minus adjustments ²	b	19	33
Notional general income	c = a + b	7,806	7,969
Permissible income calculation			
Additional Special variation percentage - permanent ³	d	1.10%	0.00%
Or rate peg percentage	e	0.70%	3.70%
	SS3C		
Plus additional special variation amount	h = d x (c + g)	86	–
Or plus rate peg amount	i = e x (c + g)	55	295
Sub-total	k = (c + g + h + i + j)	7,947	8,264
Plus (or minus) last year's carry forward total	l	–	10
Sub-total	n = (l + m)	–	10
Total permissible income	o = k + n	7,947	8,274
Less notional general income yield	p	7,936	8,136
Catch-up or (excess) result	q = o – p	10	138
Carry forward to next year ⁶	t = q + r + s	10	138

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'Additional Special variation - permanent' percentage is in addition to the rate peg percentage and will be an ongoing amount that will be reported as part of our rate peg going forward.
- (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

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Mary Yuen
Delegate of the Auditor-General for New South Wales

21 February 2024
SYDNEY

Leeton Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Buildings – non-specialised	75	75	9	9	468	563	32.0%	42.0%	0.0%	0.0%	26.0%
	Buildings – specialised	13,266	13,266	225	225	24,874	44,252	16.0%	25.0%	15.0%	0.0%	44.0%
	Water buildings	977	977	24	24	960	2,421	0.0%	9.0%	51.0%	0.0%	40.0%
	Sewer Buildings	153	153	7	7	159	382	17.0%	7.0%	53.0%	0.0%	23.0%
	Sub-total	14,471	14,471	265	265	28,422	47,618	15.4%	24.2%	17.0%	0.0%	43.4%
Other structures	Other	888	888	190	190	6,333	8,711	61.0%	22.0%	15.0%	2.0%	0.0%
	Sub-total	888	888	190	190	7,736	8,711	61.0%	22.0%	15.0%	2.0%	0.0%
Roads	Sealed roads	16,995	16,995	2,549	2,550	62,018	107,519	25.0%	46.0%	16.0%	8.0%	5.0%
	Unsealed roads	400	400	586	586	9,936	15,802	60.0%	36.0%	0.0%	2.0%	2.0%
	Bridges	106	106	–	–	4,904	6,905	79.0%	18.0%	2.0%	1.0%	0.0%
	Footpaths	355	355	–	–	9,469	12,610	76.0%	18.0%	6.0%	0.0%	0.0%
	Other road assets	2,363	2,363	21	21	4,020	8,913	14.0%	36.0%	33.0%	8.0%	9.0%
	Bulk earthworks	–	–	–	–	41,145	41,145	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Guttering	3,254	3,254	–	–	10,267	19,094	15.0%	47.0%	31.0%	6.0%	1.0%
	Sub-total	23,473	23,473	3,156	3,157	140,810	211,988	45.6%	33.4%	12.7%	5.1%	3.2%
Water supply network	Mains	11,668	11,668	786	786	20,952	44,822	2.0%	47.0%	34.0%	13.0%	4.0%
	Dams/Weirs	–	–	–	–	4,113	7,499	14.0%	86.0%	0.0%	0.0%	0.0%
	Pump Stations	358	358	26	26	1,050	2,050	2.0%	63.0%	21.0%	11.0%	3.0%
	Filtration/Treatment Plant	11,565	11,565	698	698	10,473	27,582	3.0%	2.0%	71.0%	23.0%	1.0%
	Reservoirs	3,408	3,408	1	1	6,158	13,521	11.0%	31.0%	47.0%	8.0%	3.0%
	Water Nodes	2,233	2,233	–	–	2,507	6,238	34.0%	11.0%	16.0%	10.0%	29.0%
	Sub-total	29,232	29,232	1,511	1,511	45,222	101,712	6.3%	33.7%	41.9%	13.9%	4.2%
Sewerage network	Sewer Lines	4,736	4,736	205	205	24,302	36,433	52.0%	22.0%	19.0%	7.0%	0.0%
	Pump Stations	3,744	3,744	294	294	6,856	13,442	2.0%	63.0%	21.0%	11.0%	3.0%
	Treatment Plants	7,410	7,410	–	–	9,158	23,704	3.0%	2.0%	71.0%	23.0%	1.0%
	Sewer Nodes	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	15,890	15,890	499	499	40,286	73,579	27.1%	23.0%	36.1%	12.9%	0.9%
	Pipes	703	703	26	26	22,682	29,921	69.0%	25.0%	6.0%	0.0%	0.0%
	Other	–	242	–	–	2,449	–	57.0%	28.0%	14.0%	1.0%	0.0%

Leeton Shire Council

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

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Pump Stations	31	31	–	–	810	1,154	87.0%	8.0%	3.0%	0.0%	2.0%
Stormwater drainage	Pits & Inlets	163	163	–	–	2,606	3,878	45.0%	47.0%	6.0%	1.0%	1.0%
	Sub-total	897	1,139	26	26	28,547	34,953	66.9%	26.9%	5.9%	0.1%	0.2%
Open space / recreational assets	Recreation Assets	1,595	1,595	1,056	1,056	1,852	4,366	0.0%	13.0%	52.0%	20.0%	15.0%
	Sub-total	1,595	1,595	1,056	1,056	–	4,366	0.0%	13.0%	52.0%	20.0%	15.0%
	Total – all assets	86,446	86,688	6,703	6,704	291,023	482,927	32.9%	30.1%	22.7%	7.4%	6.9%

(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

Leeton Shire Council

Report on infrastructure assets as at 30 June 2023

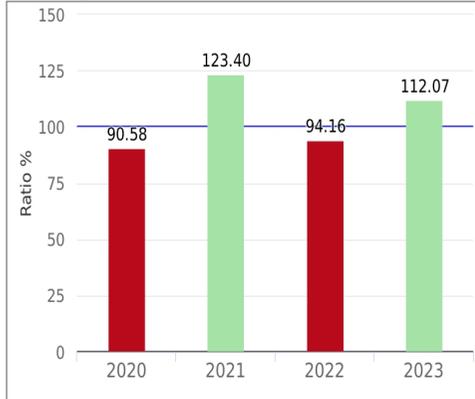
Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	2022	Indicators 2021	2020	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	8,294					
Depreciation, amortisation and impairment	7,401	112.07%	94.16%	123.40%	90.58%	> 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	86,446					
Net carrying amount of infrastructure assets	304,139	28.42%	15.83%	17.36%	6.58%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	6,704					
Required asset maintenance	6,703	100.01%	101.36%	146.32%	96.97%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	86,688	17.95%	12.19%	13.55%	5.10%	
Gross replacement cost	482,927					

(*) 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.

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	
22/23 ratio	112.07%

Council has undertaken a number of large building renewal projects which is skewing the 2023 results. Council is averaging around 100% year on year.

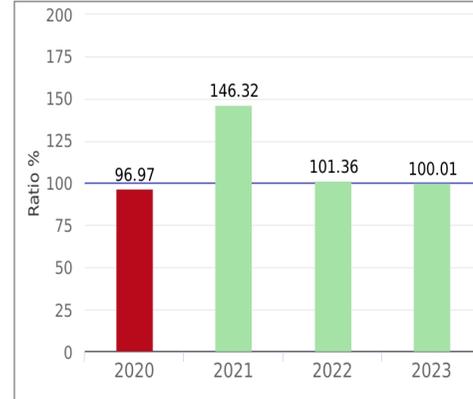
Benchmark: — > 100.00%

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	
22/23 ratio	100.01%

Council has met the 100% threshold.

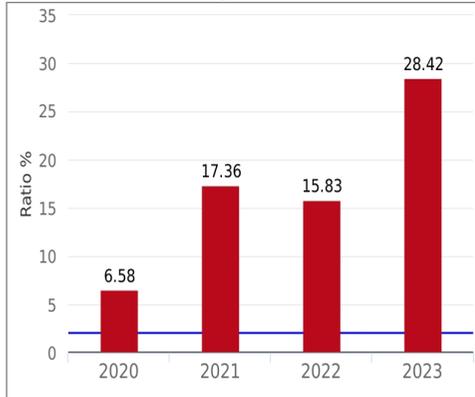
Benchmark: — > 100.00%

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	
22/23 ratio	28.42%

The following factors have contributed to the rise in the backlog ratio:-

- Methodology for recognition of gross replacement cost and accumulated depreciation has changed.
- The Building valuation has shown a decrease in building condition overall
- Inflationary pressure has put pressure on renewal costs

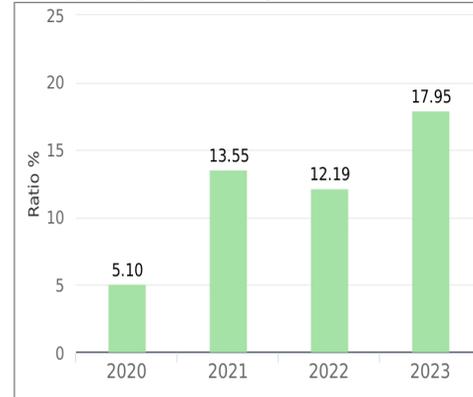
Benchmark: — < 2.00%

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	
22/23 ratio	17.95%

The following factors have contributed to the rise in this ratio:-

- Methodology for recognition of gross replacement cost and accumulated depreciation has changed.
- The Building valuation has shown a decrease in building condition overall
- Inflationary pressure has put pressure on renewal costs

Leeton Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	163.98%	110.08%	0.00%	57.92%	0.00%	63.36%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	18.90%	8.55%	64.64%	32.01%	39.44%	38.03%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.02%	92.18%	100.00%	102.41%	100.00%	138.40%	> 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	13.51%	8.23%	28.74%	14.65%	21.60%	21.81%	

(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.