



Victoria Daly
REGIONAL COUNCIL

TABLED DOCUMENTS

**ORDINARY MEETING OF COUNCIL
HELD ON TUESDAY 31 OCTOBER 2023
AT 9:00 AM
AT THE REGIONAL OFFICE - KATHERINE
18 PEARCE STREET, KATHERINE NT 0850**



1. Tabled Documents

1. Financial Analysis of Reports 1 [**1.1.1** - 7 pages]
2. Comparison of Actual Performance against Budget [**1.1.2** - 4 pages]
3. Final VDRC GPFR-signed [**1.1.3** - 41 pages]

Financial Analysis of Report

The audited financial statements report provides information about the Council's financial performance and financial position. The following are discussions and analyses of revenue, expenditure, capital expenditure, Unexpended grant reserves, and Ratios.

Total Revenue

	2022-2023	2021-2022	Variance
Rates and annual charges	1,791,830.92	1,688,860.00	6.10%
User Charges and fees	166,054.00	176,418.00	-5.87%
Grants and subsidies	11,599,948.00	11,783,329.00	-1.56%
Gross profit from Store/Club	347,838.00	882,084.00	-60.57%
Other Revenue	7,523,279.00	8,547,851.00	-11.99%
Interest income	578,041.00	64,135.00	801.29%
Gain on disposal of Fixed assets	480,002.14	135,731.00	253.64%
Gain on Transfer of Warnkurr Club	285,797.00		
	<u>22,772,790.06</u>	<u>23,278,408.00</u>	-2.17%

The total operational income for the financial year ended 30th June 2023 was \$22.772m; compared to 2021-22, the revenue decreased by 2.17%.

The Council's primary sources of operational revenue is derived from.

Rates and annual charges:

- Rates and annual charges increased by 6.10% from \$1.688m in 2021-2022 to \$1.79m in 2022-2023. This was due to increased General Residential and commercial rates by 2%, Rates on mining leases by 36%, and Rates on Pastoral leases by 83%.

User Charges and Fees:

- User charges and fees decreased by 5.87% from \$0.176m in 2021-2022 to \$0.166m in 2022-2023. The decrease was due to the loss of rental income upon disposal of property on 2 Heron Crescent in February.

Grants and Subsidies:

- Income from grants and subsidies remains steady compared to the financial year 2021-2022. The revenue decreased by 1.56%. Council received \$6.549m from Commonwealth funding and \$4.821m from the Northern Territory Government.

Gross Profit from the store:

- Income from the store decreased by 60.57%, from \$0.882m in 2021-2022 to \$0.348m in 2022-2023. \$0.348m was operation profit for five-and-a-half months before Warnkurr Club ownership was transferred to Karu Bulangkarni.

Other Revenue:

- Other revenue includes NDIS income, Agency income, Insurance claims, Fuel tax credits, Contract fees, aged care services and Airstrip maintenance. Other revenue decreased by 11.99%. Income from insurance reimbursement increased by \$0.157m, NDIS income decreased by \$0.173m, and contract income decreased by \$1.04m. Flooding in Kalkarindji and Yarralin contributed to a decrease due to disruption in service delivery in these two communities.

Interest Income:

- Income from interest increased by 801.29%. This was due to an increase in the average cash rate of 0.45% during 2021-2022 to 3.225% in 2022-2023.

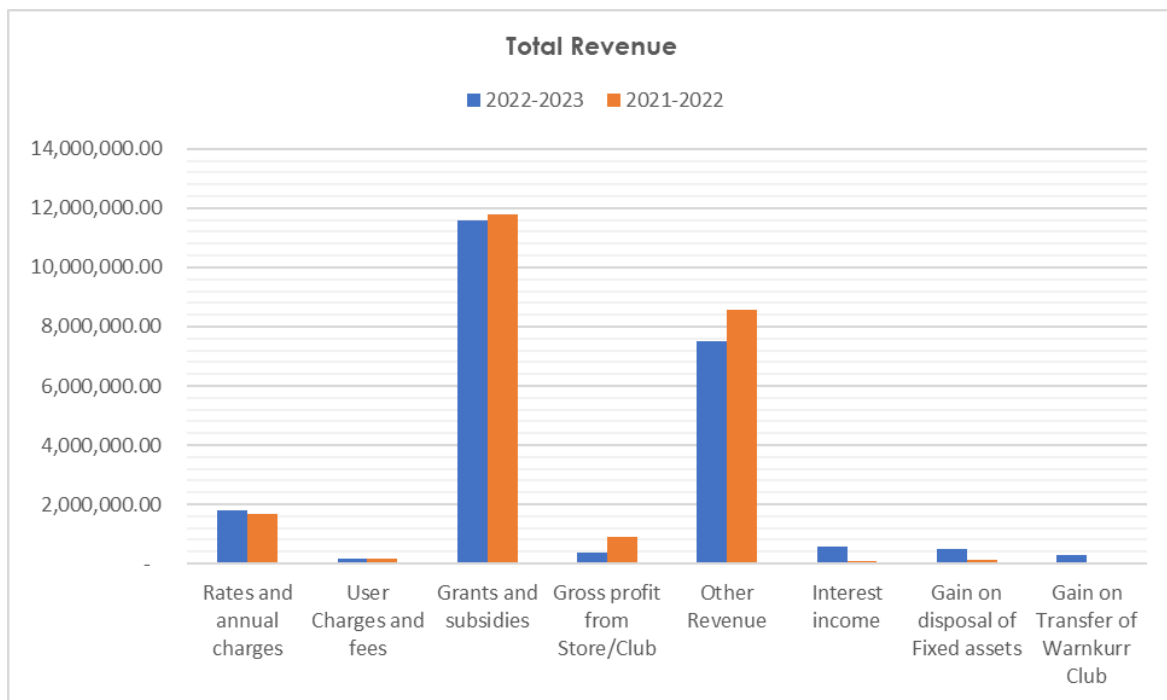
Gain on disposal of fixed assets

- Income from the disposal of fixed assets increased by 253.64%. This income depends on the condition and the number of assets sold during the year. During the financial year 2022-2023, VDRC disposed of 30 different types of fixed assets, and in 2021-2022 the Council sold 8 vehicles and plants.

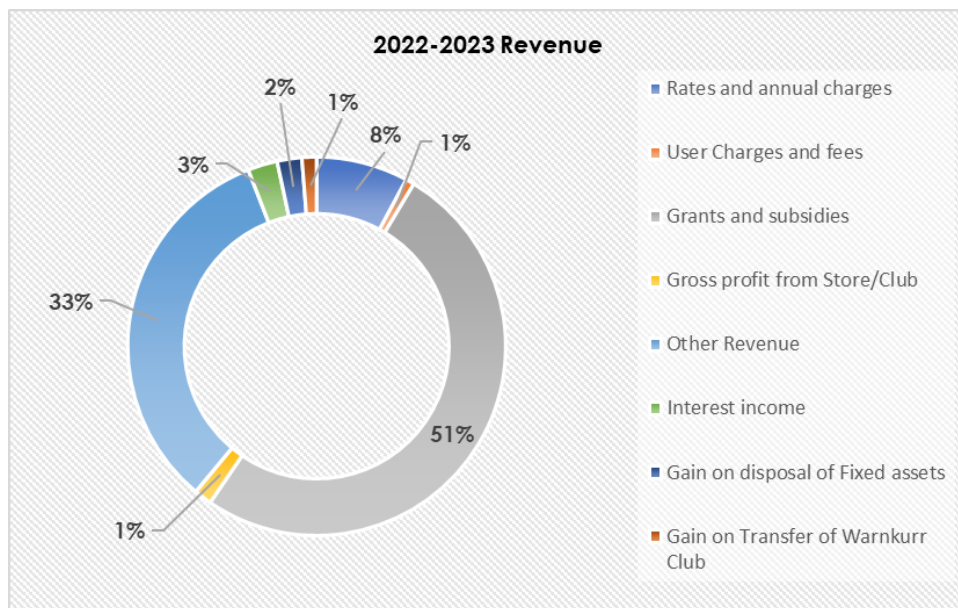
Gain on Transfer of Warnkurr Club

- This one-off gain was received when Warnkurr Club ownership was transferred to Karu Bulangkarni Pty Ltd.

Bar chart showing income received in 2022-2023 compared to revenue in 2021-2022



Pie chart showing different categories of income received during 2022-2023



As per the above chart, the Council's primary source of income is grants and subsidies, 51%; other revenues, 33%; and Rates and annual charges contribute only 8% towards total income. This shows that the Council relies on grants to finance its operation expenses.

Total Operating Expenditure

	2022-2023	2021-2022	Variance
Employee benefits expenses	10,172,641	10,434,368	-3%
Materials and Contracts	1,338,548	1,688,979	-21%
Depreciation and amortisation	2,748,302	2,910,602	-6%
Finance Cost (Leases)	14,149	5,030	181%
Other Expenses	5,153,644	5,286,255	-3%
	19,427,284	20,325,234	-4%

The total operation expenditure during the financial year ended 30th June 2023 amounted to \$19.427m. Operating expenses include employee benefit expenses, materials & contracts, Depreciation & amortisation, Finance Costs (lease) and other fees. The expenditure for 2022-2023 was 4% lower compared to 2021-2022.

Employee benefit expenses

- The Council increased wages and salaries by 2% during the year, but the cost decreased by 3% compared to financial 2021-2022. The primary reason for underspending was vacant positions across the organisation. Also, the Warnkurr Club transfer to Karu Bulandkarni resulted in decreased employee benefit costs.

Materials & Contracts

- Materials and Contracts for the financial year 2022-2023 was \$1.339m and decreased by 21% compared to 2021-2022. Contractors' and consultancy costs were reduced by \$0.185m and \$0.136m, respectively, compared to 2021-2022.

Depreciation and amortisation

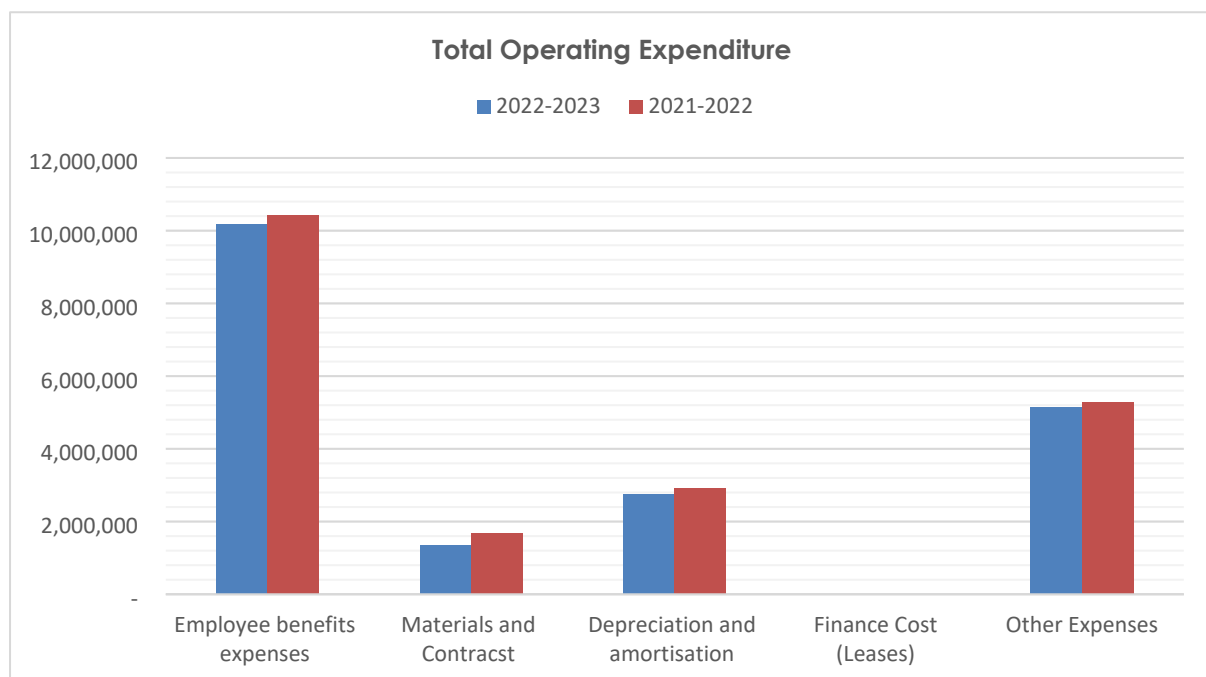
- Depreciation expenses decreased by 6%. The council disposed of 30 fixed assets during the year, which reduced the number of assets available for Depreciation, and some assets were fully depreciated in 2021-2022.

Finance Cost

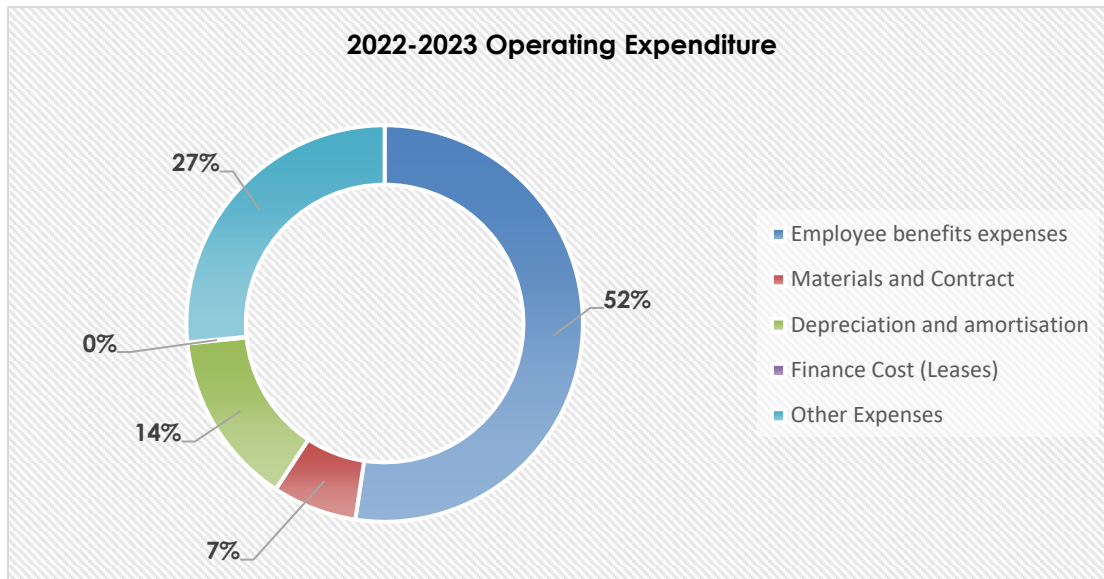
- Finance costs increased by 181%. The Council renewed three leases for two years for CDP staff accommodation in Lajamanu.

Other Expenses

- Other expenses were \$5.153m in 2022-2023, which is 3% less than in 2021-2022. This category includes travel and accommodation, which increased by \$0.120m; training and seminars, which increased by \$0.095m; Software and hardware purchases, which increased by \$0.084m; and other expenses increased by \$0.099m whilst other expenses like utilities reduced by \$0.108m, Administration fees decreased by \$0.109m, advertising reduced by \$0.079m. Communication costs decreased by \$0.379m.



Pie chart showing different categories of operating expenditure paid during 2022-2023



As per the above chart, the Council's main expenditure is employee benefit expense, 52%. Other expenses, 27%, and Depreciation and amortisation, 14%.

Capital Expenditure

The Council spent \$4.896m during the year. The amount was spent on the following assets:

- \$1.814m on the buildings (18 Pearce St and Timber Creek building)
- \$0.035m on land (Timber Creek)
- \$0.054m on motor vehicle.
- \$0.203 on plant and equipment (Trailer, tractor, two mowers, and a Generator)
- \$2.789m on structures (two transfer stations, fences, Birds hide, and a playground)

During the year, the Council carried out a revaluation of its assets, which resulted in an additional increase in revaluation reserves by \$10.403m

Unexpended Grants

Unexpended grants increased from \$2.687m in 2021-2022 to \$3.118m in 2022-2023. This represents an increase of 16%. Below is a list of unexpended grants that will be used in the financial year 2023-2024, apart from homelands grants. The Council will not run homeland programs in 2023-2024.

Programs	Unexpended grant @01/07/22	Grants received	Other incomes/ refunded	Total expenditure	Unexpended grants @30/6/23
CDP-Trial Mentor Program	-	406,223	-	-11,723	394,500
Aged Care Services	574,320	2,294,676	62,840	-2,233,204	698,632
Night Patrol	480,071	1,556,984	5,100	-1,764,622	277,534
Events and Festivals	7,840	5,500	-	-5,303	8,037
LCRI	607,600	90,844	-	-108,542	589,902
Homelands Remote Indigenous Broadcasting Services	126,819	142,321	4,189	-139,844	133,485
Remote School Attendance Strategy	40,279	128,046	710	-81,307	87,728
Outside School Hours Care Services	33,799	107,024	207	-125,130	15,900
Local Authority Funds	26,078	70,727	478	-93,249	4,035
	550,261	333,600	-	-78,967	804,894
Other Grants	36,431	-	-	0	36,431
Sport and Rec	203,965	266,155	2,567	-405,233	67,454
		5,402,100			
	2,687,463	00	76,091	-5,047,123	3,118,530

Key Performance Indicators

Current Assets Ratio

- This indicator is designed to provide information on the ability of the Council to meet its short-term financial obligations as they become due out of current assets. The Council's current ratio of 3.14 means it has 3.14 times more current assets than current liabilities. This represents an increase of 6% compared to 2021-2022.

2022-2023	2021-2022	Increase
3.15	2.96	6%

Operating Surplus Ratio

- This ratio shows whether Council has the ability to cover its operating costs from operating revenues. Like all businesses, the Council must ensure that it has sufficient revenue to meet its operational costs. A positive ratio means that the surplus can be used for capital expenditures or debt repayments. The target benchmark is between 0% and 10%. In 2022-2023, the Council's surplus was 15% of its total revenue, which is

better than the recommended benchmark. This was an increase of 15% compared to 2021-2022.

2022-2023	2021-2022	Increase
15%	13%	15%

Net Financial Liabilities Ratio

- The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year. An indicator of the extent to which the net financial liabilities of a Council are serviced by its operating revenues. The recommended benchmark should not be greater than 60%. If the ratio falls over time, this indicates that the Council's capacity to meet its financial obligations from operating income is strengthening.

2022-2023	2021-2022	decrease
11%	14%	-19%

Asset Sustainability Ratio

- This ratio indicates whether the Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out. It is a measure of whether the Council is reinvesting appropriately in existing infrastructure assets on an ongoing basis at defined levels to ensure that services are able to be provided effectively to the community. The recommended benchmark should be between 90% and 110%.

2022-2023	2021-2022
122%	61%

Rate Coverage Ratio

- This ratio measures the Council's dependence on rate revenue to fund its operations. The higher the ratio, the more the Council's income is sourced from its rating base, which in turn means a lower dependency on grant funding. In 2022-2023, rates and annual charges represent only 8% of total revenue. This shows that VDRC substantially depends on grant funding and other revenues to meet its operational costs, which reduces our flexibility and control when it comes to budget options.

2022-2023	2021-2022
8%	7%

Populated tables, to be set out in the required form provided in Schedule 2 to this Guideline, must be included in the Council's annual report to satisfy section 291(1)(h) of the Act. 5.2

The required form provides for the minimum information that is required for section 291(1)(h) of the Act but does not preclude a council from including additional information. 5.3 The required form does not contain all the annual report requirements set out in section 291 of the Act

Comparison of Actual Performance against Budget

Income and Expenditure Statement for the year ended 30th June 2023

	Financial Year Original Budget	Financial Year Final Budget	Actual Performance	Variation Between Final Budget and Actuals
	\$	\$	\$	\$
OPERATING INCOME				
Rates	1,046,148	1,065,129	1,065,129	-
Charges	742,620	726,702	726,702	-
Fees and Charges	7,402,269	7,767,580	7,580,361	(187,219)
Operating Grants and Subsidies	8,952,009	8,769,099	9,662,427	893,328
Interest / Investment Income	142,000	519,481	573,374	53,893
Commercial and Other Income	1,016,372	842,603	1,121,413	278,810
TOTAL OPERATING INCOME	19,301,417	19,690,593	20,729,405	1,038,811
OPERATING EXPENDITURE				
Employee Expenses	13,413,380	12,450,251	10,082,684	(2,367,567)
Materials and Contracts	5,642,018	6,422,921	5,653,811	(769,110)
Elected Member Allowances	209,988	209,989	201,980	(8,010)
Elected Member Expenses	117,615	103,843	91,230	(12,613)
Council Committee & LA Allowances	49,300	25,112	22,540	(2,572)
Council Committee & LA Expenses	7,900	3,728	4,686	957
Depreciation, Amortisation and Impairment	2,981,437	2,685,007	2,731,965	46,958
Interest Expenses	-	-	-	-
Other Expenses	26,119	4,751	4,861	110
TOTAL OPERATING EXPENDITURE	22,447,757	21,905,601	18,793,756	(3,111,845)
OPERATING SURPLUS / DEFICIT	(3,146,340)	(2,215,008)	1,935,648	4,150,656

Annual Operating Position

	Financial Year Original Budget	Financial Year Final Budget	Actual Result	Variation Between Final Budget and Actuals
	\$	\$	\$	\$
OPERATING SURPLUS / DEFICIT	(3,146,340)	(2,215,008)	1,935,648	4,150,656
Remove NON-CASH ITEMS				
Less Non-Cash Income	-	-	-	-
Add Back Non-Cash Expenses	2,981,437	2,685,007	2,731,965	46,958
TOTAL NON-CASH ITEMS	2,981,437	2,685,007	2,731,965	46,958
Less ADDITIONAL OUTFLOWS				
Capital Expenditure	7,890,557	8,660,890	5,070,059	(3,590,831)
Borrowing Repayments (Principal Only)	-	-	-	-
Transfer to Reserves	-	-	-	-
Other Outflows	-	-	-	-
TOTAL ADDITIONAL OUTFLOWS	(7,890,557)	(8,660,890)	(5,070,059)	3,590,831
Add ADDITIONAL OUTFLOWS				
Capital Grants Income	600,000	150,000	886,530	736,530
Prior Year Carry Forward Tied Funding	5,161,531	4,710,278	2,010,355	(2,699,924)
Other Inflow of Funds	-	-	-	-
Transfers from Reserves	3,000,000	4,804,454	2,909,522	(1,894,932)
TOTAL ADDITIONAL INFLOWS	8,761,531	9,664,732	5,806,407	(3,858,325)
NET OPERATING POSITION	706,071	1,473,842	5,403,961.50	3,930,120

Reasons for Material Variations Between Final Budget and Actual Performance

	Variation Between Final Budget and Actuals \$	Comments
OPERATING INCOME		
Rates	-	
Charges	-	
Fees and Charges	(187,219)	The \$187,219 decreased fees and Charges compared to the final budget resulted from flooding in Yarrallin and Kalkarindji, which affected the Council's ability to provide CDP and NDIS services.

Operating Grants and Subsidies	893,328	During the year, the Council received \$717,670 for FAA general purpose and \$1,099,054 for FAA-Road compared to what was expected in the Final budget of \$373,459 and \$568,148 respectively.
Interest / Investment Income	53,893	The \$53,893 increased interest income compared to the final budget resulted from an increase in cash rates interest.
Commercial and Other Income	278,810	The \$285,797 increased commercial and Other Income compared to the final budget was a result of the gain received on the disposal of Warnkurr. This gain was not budgeted for.
TOTAL OPERATING INCOME	1,038,811	
OPERATING EXPENDITURE		
Employee Expenses	(2,367,567)	The \$2,367,567 underspent compared to the final budget resulted from vacant positions across the organisation.
Materials and Contracts	(769,110)	There was an underspent of \$629,669 related to IEI (Aged Care) training, and Vet services underspent by \$51,257 compared to the final budget.
Elected Member Allowances	(8,010)	
Elected Member Expenses	(12,613)	
Council Committee & LA Allowances	(2,572)	
Council Committee & LA Expenses	957	
Depreciation, Amortisation and Impairment	46,958	The \$46,958 depreciation overspent compared to the final budget resulted from two waste management structures completed during the year. The structures were commissioned earlier than planned.
Interest Expenses	-	
Other Expenses	110	
TOTAL OPERATING EXPENDITURE	(3,111,845)	
OPERATING SURPLUS / DEFICIT	4,150,656	
Remove NON-CASH ITEMS		
Less Non-Cash Income	-	
Add Back Non-Cash Expenses	46,958	
TOTAL NON-CASH ITEMS	46,958	
Less ADDITIONAL OUTFLOWS		

Capital Expenditure	(3,590,831)	The \$3,590,831 decreased capital expenditure compared to the final budget resulted from several planned projects still needing to be completed or started. 18 Pearce St, \$1.55m, Daruragu sports and rec upgrade \$636k, Duplex \$675k, plant & Vehicle \$301k
Borrowing Repayments (Principal Only)	-	
Transfer to Reserves	-	
Other Outflows	-	
TOTAL ADDITIONAL OUTFLOWS	3,590,831	
Add ADDITIONAL OUTFLOWS		
Capital Grants Income	736,530	During the year, the Council received \$332,049 for Road to Recovery and \$412,800 for playground upgrades grants. The total of \$744,849 was not budgeted for in the final budget.
Prior Year Carry Forward Tied Funding	(2,699,924)	
Other Inflow of Funds	-	
Transfers from Reserves	(1,894,932)	
TOTAL ADDITIONAL INFLOWS	(3,858,325)	
NET OPERATING POSITION	3,930,120	

Section 291(1)(e) of the Act states that the annual report of a council must include an itemisation of any amounts of fees or allowances made to committee members in the relevant financial year.

Total Expenditure for Each Council Committee and Local Authority for the year ending 30th June 2023

	Council Committee & LA Allowances \$	Council Committee & LA Expenses \$	Total \$
Audit Committee	3,800	41	3,841
Amanbidji	1,382	238	1,619
Bulla	2,893	1,065	3,958
Kalkarindji	2,893	369	3,262
Nauiyu	3,023	517	3,539
Pine Creek	4,447	850	5,297
Timber Creek	3,066	1,004	4,070
Yarralin	1,037	602	1,639
Pigeon Hole	-	-	-
TOTAL	22,540	4,686	27,226



VICTORIA DALY REGIONAL COUNCIL

ABN: 66 931 675 319

GENERAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

VICTORIA DALY REGIONAL COUNCIL

ABN: 66 931 675 319

**GENERAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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VICTORIA DALY REGIONAL COUNCIL

ABN 66 931 675 319

**CHIEF EXECUTIVE OFFICER'S CERTIFICATE
FOR THE YEAR ENDED 30 JUNE 2023**

I, Brian Hylands, Chief Executive Officer of Victoria Daly Regional Council, certify that to the best of my knowledge, information and belief:

- a. the General Purpose Financial Report has been properly drawn up in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 2019* and the *Local Government (General) Regulations 2021* so as to present fairly the financial position of the Council as at 30 June 2023 and the results for the year then ended; and
- b. the General Purpose Financial Report is in accordance with the accounting and other records of the Council.

Brian Hylands
Chief Executive officer

Date: 27 October 2023

VICTORIA DALY REGIONAL COUNCIL
ABN 66 931 675 319

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
Revenue			
Sales	3A	559,655	1,462,706
Cost of goods sold	4A	(211,817)	(580,622)
Gross profit from trading		347,838	882,084
Rates and annual charges	3B	1,791,831	1,688,860
User charges and fees	3C	166,054	176,418
Grants and contributions	3D	11,599,948	11,783,329
Finance income	3E	578,041	64,135
Other revenue	3F	7,523,279	8,547,851
Gain on disposal of property, plant and equipment	3G	480,002	135,731
Gain on transfer of Warnkurr Club	3H	285,797	-
Total revenue		22,772,790	23,278,408
Expenses			
Employee benefits expense	4B	10,172,641	10,434,368
Materials and contracts	4C	1,338,548	1,688,979
Depreciation and amortisation	4D	2,748,302	2,910,602
Finance cost (leases)	4E	14,149	5,030
Other expenses	4F	5,153,644	5,286,255
Total expenses		19,427,284	20,325,234
Net surplus for the year		3,345,506	2,953,174
Other Comprehensive income			
Transfer to unexpended grants reserve		(434,335)	(867,080)
Total comprehensive income for the year		2,911,171	2,086,094

The accompanying notes form part of these financial statements.

VICTORIA DALY REGIONAL COUNCIL

ABN 66 931 675 319

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Note	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	5,854,522	6,970,023
Short term investments	6	13,900,000	12,050,000
Trade and other receivables	7	1,336,593	1,217,757
Inventories	8	-	45,217
Other current assets	9	67,725	176,326
Total current assets		<u>21,158,840</u>	<u>20,459,323</u>
Non-current assets			
Property, plant and equipment	10	44,746,669	32,787,350
Lease assets	11	172,075	127,092
Total non-current assets		<u>44,918,744</u>	<u>32,914,442</u>
Total assets		<u>66,077,584</u>	<u>53,373,765</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,182,977	1,041,208
Contract liabilities	13	1,203,715	2,022,815
Lease liabilities	14	120,769	89,517
Provisions	15	1,096,699	1,080,777
Total current liabilities		<u>3,604,160</u>	<u>4,234,317</u>
Non-current liabilities			
Lease liabilities	14	70,466	59,839
Provisions	15	102,276	104,260
Total non-current liabilities		<u>172,742</u>	<u>164,099</u>
Total liabilities		<u>3,776,902</u>	<u>4,398,416</u>
Net Assets		<u>62,300,682</u>	<u>48,975,349</u>
ACCUMULATED FUNDS			
Accumulated surplus		21,097,502	18,329,159
Reserves	16	41,203,180	30,646,190
Total accumulated funds		<u>62,300,682</u>	<u>48,975,349</u>

The accompanying notes form part of these financial statements.

VICTORIA DALY REGIONAL COUNCIL

ABN 66 931 675 319

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Accumulated Surplus	Asset Revaluation Reserve	Asset Replacement Reserve	Unexpended Grant Reserve	Total Equity
	\$	\$	\$	\$	\$
ACCUMULATED SURPLUS					
Balance at 1 July 2021	16,243,065	27,542,997	530,000	1,820,382	46,136,444
Surplus for the year	2,953,174	-	-	-	2,953,174
Transfer to unexpended grants reserve	(867,080)	-	-	867,080	-
Transfer from asset revaluation reserve	-	(114,269)	-	-	(114,269)
Closing Balance at 30 June 2022	18,329,159	27,428,728	530,000	2,687,462	48,975,349
Balance at 1 July 2022	18,329,159	27,428,728	530,000	2,687,462	48,975,349
Surplus for the year	3,345,506	-	-	-	3,345,506
Transfer to unexpended grants reserve	(434,336)	-	-	431,067	(3,269)
Transfer from asset revaluation reserve	277,327	(277,327)	-	-	-
Revaluation of property, plant and equipment	-	10,403,250	-	-	10,403,250
Transfer of Warnkurr Club	(420,154)	-	-	-	(420,154)
Closing Balance at 30 June 2023	21,097,502	37,554,651	530,000	3,118,529	62,300,682

The accompanying notes form part of these financial statements.

VICTORIA DALY REGIONAL COUNCIL

ABN 66 931 675 319

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from user charges and fees		166,054	129,581
Receipts from rates and annual charges		1,863,571	1,855,591
Grants and contributions received		10,780,848	11,839,032
Other operating receipts		7,892,358	9,895,285
Interest received		578,041	64,135
Payments to suppliers and employees		(16,567,125)	(18,324,146)
Lease finance charges		(14,149)	(5,030)
Net cash flows from operating activities	17	<u>4,699,598</u>	<u>5,454,448</u>
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		1,091,767	173,045
Acquisition of property, plant and equipment		(4,923,445)	(1,852,006)
Acquisition of short term deposits		(1,850,000)	-
Net cash flows used in investing activities		<u>(5,681,678)</u>	<u>(1,678,961)</u>
Cash flows used in financing activities			
Payment of principal portion of lease liabilities		(133,421)	(292,993)
Net cash flows used in financing activities		<u>(133,421)</u>	<u>(292,993)</u>
Net (decrease)/increase in cash and cash equivalents		(1,115,501)	3,482,494
Cash and cash equivalents at the beginning of the year		<u>6,970,023</u>	<u>3,487,529</u>
Cash and cash equivalents at the end of the year	5	<u><u>5,854,522</u></u>	<u><u>6,970,023</u></u>

The accompanying notes form part of these financial statements.

VICTORIA DALY REGIONAL COUNCIL

ABN 66 931 675 319

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Introduction

The Victoria Daly Regional Council (the Council) was established as a body corporate by a restructuring order under section 114C of the *Local Government Act* on 16 October 2007. The Council came into full operation on 1 July 2008, when it merged with other constituent councils to form the local government authority, also referred to as the Victoria Daly Shire Council. As part of the Local Government reforms in the Northern Territory, the de-amalgamation of Victoria Daly Shire Council into the Victoria Daly Regional Council and West Daly Regional Council became effective as of 1 July 2014. The Victoria Daly Regional Council now comprises five indigenous communities and surrounding outstations:

1. Kalkarindji/Daguragu;
2. Nauiyu/Daly River;
3. Pine Creek
4. Timber Creek; and
5. Yarralin.

Principal place of business and Registered Office

29 Crawford Street
Katherine NT 0850

The Council has its main office located in Katherine NT. The business of the Council is conducted within the community government area situated in the Northern and Western Regions around Katherine and is a not-for-profit entity.

A summary of the Council's activities along with their contribution to the operating result is set out in note 2A. In the process of reporting on the local government as a single entity, all transactions and balances between those activities (for example, loans and transfers between activities) have been eliminated.

Note 1: Summary of Significant Accounting Policies

Statement of Compliance

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations, the requirements of the *Northern Territory of Australia Local Government Act 2019*, the *Local Government (General) Regulations 2021* and other authoritative pronouncements of the Australian Accounting Standards Board.

Basis of Preparation

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure has been made of any material changes to comparatives.

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (continued)

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Accounting Policies

(a) New, Revised or Amending Accounting Standards and Interpretations Adopted

The Council has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

(b) Revenue

Operating Grants, Donations and Bequests

When the Council receives operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to the grant;
- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Council:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (for example AASB 9, AASB 16, AASB 116 and AASB 138);
- recognises related amounts (being contributions, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Council recognises income in profit or loss when or as it satisfies its obligations under the contract.

Capital Grant

When the Council receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards.

The Council recognises income in profit or loss when or as the Council satisfies its obligations under terms of the grant.

Interest Income

Interest income is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (continued)

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Buildings and improvements

Buildings and improvements are shown at their fair value based on periodic valuations by external independent valuers, less subsequent accumulated depreciation and any accumulated impairment losses.

In periods when the buildings and improvements are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the buildings and improvements is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of buildings and improvements are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are shown at their fair value based on periodic valuations by external independent valuers, less any subsequent accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the Council commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Buildings, structure and site improvements	4-5%
Plant and equipment	10-25%
Motor vehicles	16½-25%
Infrastructure	4-5%
Furniture and fittings	5-25%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (continued)

(c) Property, Plant and Equipment (continued)

Land under roads

Council has elected not to value or recognise as an asset land under roads acquired prior to 1 July 2008 in accordance with the election available under AASB 1051: *Land under roads*.

Land under roads acquired after 1 July 2008 will be recognised at cost. The cost of the land under roads will be the fair value as at the date acquired.

(d) Leases

The Council as lessee

At inception of a contract, the Council assesses if the contract contains or is a lease. If there is a lease present, a lease asset and a corresponding lease liability is recognised by the Council where the Council is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Council uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- lease payments under extension options of lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the lease assets is at cost less accumulated depreciation and impairment losses.

Lease assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the lease asset reflects that the Council anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(e) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either purchase or sell the asset.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit and loss' in which case transaction costs are recognised as expenses in profit or loss immediately.

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and subsequent measurement

Financial Liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

A financial liability cannot be reclassified.

Financial Assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

(e) Financial Instruments (continued)

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Council initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expire, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (ie has no practical ability to make unilateral decision to sell the asset to a third party).

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

(e) Financial Instruments (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Council recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income; and
- lease receivables.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Council uses the simplified approach to impairment, as applicable under AASB 9.

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to trade receivables and lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Council recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to the asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

(f) Impairment of Non Financial Assets

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the

Where the assets are not held primarily for their ability to generate net cash inflows the recoverable amounts are expected to be materially the same as fair value.

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

(f) Impairment of Non Financial Assets (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

(g) Employee Benefits

Short-term employee benefits

Provision is made for the Council's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Council's obligations for short-term benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee provisions

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Council's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. The Council did not have an overdraft during the year.

(i) Trade and Other Receivables

Trade and other receivables include amounts receivable in the ordinary course of business. Receivables expected to

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion of impairment of financial assets.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Income tax

No provision for income tax has been raised as the Council believes that it is exempt under Sec 50-25 of the *Income Tax Assessment Act 1997*, being a local governing body.

(l) Provisions

Provisions are recognised when the Council has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances.

Key estimates

Useful lives of property, plant and equipment

As described in Note 1(c), the Council reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. The rate is based on what the Council estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the lease asset, with similar terms, security and economic environment.

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

(m) Critical Accounting Estimates and Judgements (continued)

Key judgements

Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the Council expects that most employees will use all of their annual leave entitlements in the same year in which they are earned or during the 12-month period that follows the directors believe that obligations for annual leave entitlements satisfy the definition of short-term employee benefits.

(n) Economic Dependency

The continued operation of the Council is dependent on funding from the Commonwealth and Northern Territory Governments. At the date of this report, management has no reason to believe the support will not continue.

(o) Fair Value of Assets and Liabilities

The Council measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Council would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market value may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

VICTORIA DALY REGIONAL COUNCIL

ABN 66 931 675 319

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 2A: Functions

Revenues and expenses have been attached to the following functions. Council believes that it is not practical at this stage to reliably attribute the carrying amounts of fixed assets to the functions.

	General Public Services		Economic Affairs		Environmental Protection		Housing and Community Amenities		Health	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Revenue										
Rates and annual charges	1,791,831	1,791,831	-	-	-	-	-	-	-	-
Grants and subsidies	5,425,558	3,926,540	-	-	1,340,856	-	142,321	142,321	2,294,676	2,294,947
Gross profit from Store/Club	-	-	344,656	-	-	-	-	-	-	-
Contract income	-	-	6,097,580	6,503,644	-	-	-	-	16,914	-
Fees and charges	291,727	79,778	352,394	359,897	1,163	-	54,748	82,758	608,269	624,636
Interest	549,454	519,481	4,667	-	-	-	-	-	11,966	-
Gain on disposal of PPE	480,002	512,627	285,800	-	-	-	-	-	-	-
Other current income	56,216	60,253	15,963	-	-	-	678	-	279,426	269,723
Total income	8,594,788	6,890,510	7,101,060	6,863,541	1,342,019	-	197,747	225,079	3,211,251	3,189,306
Expenditure										
Employee benefits	4,025,381	4,355,419	1,663,526	2,470,187	-	-	31,260	29,850	1,962,226	2,307,908
Councillor and LA expenses	320,435	342,672	-	-	-	-	-	-	-	-
Materials and contracts	606,876	359,070	65,825	59,070	178,907	196,907	96,321	139,860	115,104	101,748
Depreciation	2,633,820	2,685,007	76,018	-	4,340	-	4,984	-	-	-
Fleet and plant expenses	248,124	292,013	84,319	65,349	35,242	32,798	15,322	26,000	105,019	129,944
Utility and communication expenses	110,588	103,684	84,843	82,380	-	11,760	38,943	57,288	135,685	149,277
Other operating expenses	2,368,630	2,391,606	227,924	333,859	30,938	32,985	18,056	46,211	381,979	900,026
Finance charges	9,129	5,977	8,182	40	1,004	-	225	-	113	97
Expenses - Store/Club	-	-	448,928	-	-	-	-	-	-	-
Other expenses	48,751	24,751	-	-	-	-	-	-	-	-
Allocated expenses/(income)	(5,134,230)	(5,119,361)	2,408,523	2,408,523	502,205	502,205	546,225	545,874	721,019	721,019
Total expenditure	5,237,504	5,440,838	5,068,088	5,419,408	752,636	776,655	751,336	845,083	3,421,145	4,310,019
Net surplus/(deficit)	3,357,284	1,449,672	2,032,972	1,444,133	589,383	(776,655)	(553,589)	(620,004)	(209,894)	(1,120,713)

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 2A: Functions (continued)

Revenues and expenses have been attached to the following functions. Council believes that it is not practical at this stage to reliably attribute the carrying amounts of fixed assets to the functions.

	Public Order and Safety		Recreation, Culture and Religion		Social Protection		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	2023	2023	2023	2023	2023	2023	2023	2023
	\$	\$	\$	\$	\$	\$	\$	\$
Operating Revenue								
Rates and annual charges	-	-	-	-	-	-	1,791,831	1,791,831
Grants and subsidiaries	1,556,985	-	619,889	847,991	-	-	11,380,285	7,211,799
Gross profit from Store/Club	-	-	-	-	-	-	344,656	-
Contract income	-	-	97,944	116,868	-	-	6,212,438	6,620,512
Fees and charges	-	-	20,144	-	-	-	1,328,445	1,147,069
Interest	8,052	-	3,902	-	-	-	578,041	519,481
Gain on disposal of PPE	-	-	-	-	-	-	765,802	512,627
Other current income	316	-	18,696	-	-	-	371,295	329,976
Total income	1,565,353	-	760,575	964,859	-	-	22,772,793	18,133,295
Expenditure								
Employee benefits	1,103,949	-	1,296,341	1,942,788	-	-	10,082,683	11,106,152
Councillor and LA expenses	-	-	-	-	-	-	320,435	342,672
Materials and contracts	4,912	9,420	256,359	211,098	-	-	1,324,304	1,077,173
Depreciation	-	-	12,803	-	-	-	2,731,965	2,685,007
Fleet and plant expenses	58,515	60,294	178,632	171,597	-	-	725,173	777,995
Utility and communication expenses	29,457	53,811	94,872	140,080	-	-	494,388	598,280
Other operating expenses	49,940	68,009	149,070	170,663	-	-	3,226,537	3,943,359
Finance charges	-	-	605	-	-	-	19,258	6,114
Expenses - Store/Club	-	-	-	-	-	-	448,928	-
Other expenses	-	-	-	-	-	-	48,751	24,751
Allocated expenses/(income)	517,849	498,470	443,271	443,271	-	-	4,865	1
Total expenditure	1,764,622	690,004	2,431,953	3,079,497	-	-	19,427,287	20,561,504
Net surplus/(deficit)	(199,269)	(690,004)	(1,671,378)	(2,114,638)	-	-	3,345,506	(2,428,209)

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 2B: Components of Functions

The activities relating to the Council functions reported in Note 2A are as follows:

General Public Services

Administrative, legal and executive affairs, financial and fiscal affairs and general services.

Economic Affairs

General economic, other labour and employment affairs.

Environmental Protection

Cemetaries, waste management, domestic waste, green waste, recycling, waste disposal facility, other waste management and other environment.

Housing and Community Amenities

Housing, community development, water supply and street lighting.

Health

Aged care and disability services.

Public Order and Safety

Animal management, environmental health and night patrol.

Recreation, Culture and Religion

Facilities and venues, recreation parks and reserves, culture and religion services, museums and libraries.

Social Protection

Outlays on day car services, family day care, occasional care and outside school hours care and aged services.

	Note	2023 \$	2022 \$
Note 3:	Revenue and Other Income		
Note 3A	Sales		
	Sales of goods	559,655	1,462,706
Note 3B	Rates and annual charges		
	General rate income base	1,065,129	940,586
	Domestic waste charge income base	726,702	748,274
	Total user charges and fees	1,791,831	1,688,860
Note 3C	User charges and fees		
	Property lease rental fees	134,457	164,826
	Equipment hire	31,597	11,592
	Total user charges and fees	166,054	176,418

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 \$	2022 \$
Note 3:	Revenue and Other Income (continued)	
Note 3D	Grants and contributions	
	Australian Government grants - recurrent	5,027,457
	Australian Government grants - special purpose	1,099,054
	Australian Government grants - capital	422,893
	Territory Government grants - recurrent	2,602,540
	Territory Government grants - special purpose	832,559
	Territory Government grants - capital	554,481
	Unexpended grants - movement for the year	831,327
	Other contributions	229,637
	Total revenue from grants and contributions	11,599,948
		5,881,118
		979,435
		876,881
		2,996,622
		895,148
		130,000
		(196,993)
		221,118
		11,783,329
The functions to which these grants relate are shown in Note 2.		
The table below shows the grant revenue expected to be recognised in the future related to the performance obligations that are unsatisfied, or partially unsatisfied, at the reporting date.		
Note 3E	Finance income	
	Interest received from Australian financial institutions	578,041
		64,135
Note 3F	Other revenue	
	Service fees	595,016
	Contract fees	6,212,438
	Fuel tax credits	7,989
	Insurance claims	15,706
	Agency income	284,897
	Other	407,233
	Total other revenue	7,523,279
		768,159
		7,251,649
		-
		2,273
		306,832
		218,938
		8,547,851
Note 3G	Gain on disposal of property, plant and equipment	
	<i>Building and structures</i>	
	Written down value	395,935
	Proceeds from disposal	570,000
	Loss from disposal of building and structures	174,065
	<i>Plant and equipment</i>	
	Written down value	162,710
	Proceeds from disposal	362,113
	Gain from disposal of plant and equipment	199,403
	<i>Motor vehicles</i>	
	Written down value	53,120
	Proceeds from disposal	159,654
	Gain from disposal of motor vehicles	106,534
	<i>Total</i>	
	Written down value	611,765
	Proceeds received	1,091,767
	Gain from disposal of property, plant and equipment	480,002
		37,314
		173,045
		135,731

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
Note 3: Revenue and Other Income (continued)			
Note 3H Gain on transfer of Warnkurr Club			
Accumulated proceeds		285,797	-
Warnkurr Club including all fixed assets, licences, insurance and net of employee entitlements were transferred to Karu Bulangkarni Pty Ltd on 20 December 2022. On settlement, the accumulated bank proceeds were transferred to Victoria Daly Regional Council.			
Note 4: Expenses			
Note 4A Cost of goods sold			
Opening stock		580,622	66,401
Purchases and direct costs		239,687	559,438
Closing stock		(608,492)	(45,217)
Total cost of goods sold		<u>211,817</u>	<u>580,622</u>
Note 4B Employee benefits expense			
Salaries and wages		7,512,235	7,681,250
Leave and other entitlements		1,348,753	1,369,764
Superannuation contributions	21	893,355	854,164
Other staff costs		418,298	529,190
Total employee benefits expense		<u>10,172,641</u>	<u>10,434,368</u>
Note 4C Materials and contracts			
Consultants		392,023	528,837
Contractors		530,579	715,801
Materials		415,946	444,341
Total materials and contracts		<u>1,338,548</u>	<u>1,688,979</u>
Note 4D Depreciation and amortisation			
<i>Depreciation</i>			
Buildings - structures and site improvements		1,545,839	1,549,967
Infrastructure		489,926	489,859
Plant and equipment		185,573	230,526
Furniture and fittings		1,846	3,037
Motor vehicles		411,028	496,558
	10	<u>2,634,212</u>	<u>2,769,947</u>
<i>Depreciation - right-of-use assets</i>			
Property		110,154	130,599
Office equipment		3,936	10,056
	11	<u>114,090</u>	<u>140,655</u>
Total depreciation and amortisation		<u>2,748,302</u>	<u>2,910,602</u>
Note 4E Finance cost			
Lease liability interest		<u>14,149</u>	<u>5,030</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 \$	2022 \$
Note 4: Expenses (continued)		
Note 4F Other expenses		
Accounting fees	22,515	36,920
Administration fees	100,582	209,917
Advertising	35,390	114,608
Animal and veterinary expenses	16,288	33,941
Audit fees	55,070	61,000
Bad and doubtful debts	30,783	54,195
Bank fees	7,016	10,890
Communication costs	357,022	736,297
Consumables	189,282	125,116
Employee amenities	9,254	12,756
Freight	76,220	61,226
Hire of plant, equipment and motor vehicles	37,356	-
Insurances	717,910	710,401
Lease payments	374,984	353,366
Legal fees	-	12,000
Licences and registrations	173,230	113,826
Mayor and councillor payments	320,435	373,992
Meetings and catering	4,364	8,992
Printing, postage and stationery	41,416	46,094
Relocation costs	33,437	27,860
Repairs and maintenance	533,233	486,825
Software and hardware purchases	520,530	436,892
Subscriptions and publications	88,594	88,953
Tools and equipment	17,834	12,480
Training and seminars	183,840	88,425
Travel and accomodation	305,368	185,427
Utilities	336,989	445,242
Vehicle costs	442,731	415,933
Other expenses	121,971	22,681
Total other expenses	<u>5,153,644</u>	<u>5,286,255</u>
Note 5: Cash and Cash Equivalents		
Cash on hand	400	3,750
Cash at bank	5,854,122	6,966,273
Total cash and cash equivalents	<u>5,854,522</u>	<u>6,970,023</u>

Included in cash and cash equivalents in 2022 is \$271,427 which relates to Warrnkurr Club. These funds were not available to meet the expenses of the Council. There are no funds held relating to Warrnkurr Club at 30 June 2023.

Note 6: Short Term Investments		
Term deposits held in Australian Banks	<u>13,900,000</u>	<u>12,050,000</u>

The term deposits have an average maturity of 193 days (2022: 99 days) and accrue interest at the rate of 4.62% (2022: 1.30%) per annum.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 \$	2022 \$
Note 7: Trade and Other Receivables		
Council rate receivables	365,279	376,692
General waste collection receivables	<u>241,708</u>	<u>271,252</u>
	606,987	647,944
Provision for impairment	<u>(356,856)</u>	<u>(326,073)</u>
	250,131	321,871
GST receivable	10,949	18,346
Other receivables	<u>1,075,513</u>	<u>877,540</u>
Total current trade and other receivables	<u><u>1,336,593</u></u>	<u><u>1,217,757</u></u>

No collateral has been pledged for any of the current or non-current trade and other receivable balances.

(a) Financial assets at amortised cost classified as trade and other receivables

Trade and other receivables:		
- total current	1,336,593	1,217,757
- total non-current	<u>-</u>	<u>-</u>
	1,336,593	1,217,757
Less GST receivable	<u>(10,949)</u>	<u>(18,346)</u>
Financial assets classified as trade and other receivables	<u><u>1,325,644</u></u>	<u><u>1,199,411</u></u>

(b) Impairment of receivables

The Council applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all accounts receivable.

The Council has recognised a loss of \$30,783 (2022: \$54,195) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

Credit Risk

The Council has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Council.

The following table details the Council's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided thereon. Amounts are considered

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Carrying amount 2023 \$	Carrying amount 2022 \$
Rate receivables are aged as follows:		
Current year	189,730	55,291
1 year	417,257	8,785
2 years	-	12,805
3 years	-	12,805
More than 3 years	-	558,258
Total rate receivables	<u><u>606,987</u></u>	<u><u>647,944</u></u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 \$	2022 \$
Note 7: Trade and Other Receivables (continued)		
Movements in the allowance for expected credit losses are as follows:		
Opening balance	326,073	271,878
Decrease/(increase) in provision	30,783	54,195
Closing balance	<u>356,856</u>	<u>326,073</u>
The Council does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.		
The other classes of receivables do not contain impaired assets.		
Note 8: Inventories		
Stock on hand - Warnkurr Club	<u>-</u>	<u>45,217</u>
Note 9: Other Current Assets		
Prepayments	<u>67,725</u>	<u>176,326</u>
Note 10: Property, Plant and Equipment		
Land, at fair value	4,468,000	3,333,000
Land, at cost	-	527,228
Buildings, structures and site improvements, at fair value	19,941,450	17,283,663
Buildings, at cost	-	4,509,178
Less: Accumulated depreciation	<u>-</u>	<u>(5,964,186)</u>
	19,941,450	15,828,655
Infrastructure, at fair value	15,237,000	12,239,762
Infrastructure, at cost	-	40,400
Less: Accumulated depreciation	<u>-</u>	<u>(2,317,270)</u>
	15,237,000	9,962,892
Plant and equipment, at fair value	1,585,400	2,237,400
Plant and equipment, at cost	-	1,116,486
Less: Accumulated depreciation	<u>-</u>	<u>(1,744,891)</u>
	1,585,400	1,608,995
Motor vehicles, at fair value	2,093,999	2,051,573
Motor vehicles, at cost	-	1,239,488
Less: Accumulated depreciation	<u>-</u>	<u>(1,810,510)</u>
	2,093,999	1,480,551
Furniture and fittings, at cost	-	30,035
Less: Accumulated depreciation	<u>-</u>	<u>(8,744)</u>
	-	21,291
Capital work in progress	<u>1,420,820</u>	<u>24,738</u>
Total property, plant and equipment	<u>44,746,669</u>	<u>32,787,350</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 10: Property, Plant and Equipment (continued)

	2023	2022
	\$	\$
Capital work in progress	1,420,820	24,738
Total property, plant and equipment	<u>44,746,669</u>	<u>32,787,350</u>
Total gross property, plant and equipment	44,746,669	44,632,951
Total accumulated depreciation	<u>-</u>	<u>(11,845,601)</u>
Total property, plant and equipment	<u>44,746,669</u>	<u>32,787,350</u>

Asset Revaluations

The property, plant and equipment were independently valued at 30 June 2023 by Opteon Property Group Pty Ltd.

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land	Buildings, structures and site improvements	Infrastructure	Plant and equipment	Motor vehicles	Furniture and fittings	Capital work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	3,860,228	15,828,655	9,962,892	1,608,995	1,480,551	21,291	24,738	32,787,350
Additions, at cost	35,000	3,207,290	-	230,689	54,384	-	1,396,082	4,923,445
Depreciation	-	(1,545,839)	(489,926)	(185,573)	(411,028)	(1,846)	-	(2,634,212)
Revaluation adjustment	692,772	2,747,573	5,764,034	175,659	1,023,212	-	-	10,403,250
Disposals	(120,000)	(275,935)	-	(162,710)	(53,120)	-	-	(611,765)
Transfer of Warnkurr Club	-	(20,294)	-	(81,660)	-	(19,445)	-	(121,399)
Net book value as at 30 June 2023	<u>4,468,000</u>	<u>19,941,450</u>	<u>15,237,000</u>	<u>1,585,400</u>	<u>2,093,999</u>	<u>-</u>	<u>1,420,820</u>	<u>44,746,669</u>

Net book value as of 30 June 2023 represented by:

Gross book value	4,468,000	19,941,450	15,237,000	1,585,400	2,093,999	-	1,420,820	44,746,669
Accumulated depreciation	-	-	-	-	-	-	-	-
Net book value 30 June 2023	<u>4,468,000</u>	<u>19,941,450</u>	<u>15,237,000</u>	<u>1,585,400</u>	<u>2,093,999</u>	<u>-</u>	<u>1,420,820</u>	<u>44,746,669</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 11: Right-of-Use Assets

The Council's lease portfolio includes property and equipment.

Options to extend or terminate

The option to extend or terminate is contained in some property leases. There were no extension options for equipment leases. These clauses provide the Council opportunities to manage leases in order to align with its strategies. All of the extension or termination options which were probable to be exercised have been included in the calculation of the lease asset.

i) AASB 16 related amounts recognised in the balance sheet

Right-of-use assets	2023	2022
	\$	\$
Leased property	577,874	469,387
Accumulated amortisation	(446,377)	(342,295)
	<u>131,497</u>	<u>127,092</u>
Leased equipment	50,723	-
Accumulated amortisation	(10,145)	-
	<u>40,578</u>	<u>-</u>
Total right-of-use assets	<u>172,075</u>	<u>127,092</u>

Reconciliation of the carrying amount of right-of-use assets at the beginning and end of the year:

	Property	Equipment	Total
Opening balance	127,092	-	127,092
Addition to right of use asset	108,350	50,723	159,073
Amortisation expense	(103,945)	(10,145)	(114,090)
Net carrying amount	<u>131,497</u>	<u>40,578</u>	<u>172,075</u>

ii) AASB 16 related amounts recognised in the statement of profit or loss:

	2023	2022
	\$	\$
Amortisation charge related to right of use assets	114,090	140,655
Interest expense on lease liabilities	14,149	5,030

Note 12: Trade and Other Payables

Trade payables	526,898	60,369
Other payables	656,079	980,839
Total trade and other payables	<u>1,182,977</u>	<u>1,041,208</u>

Settlement of trade creditors is generally net 30 days.

(a) Financial liabilities at amortised cost classified as trade and other payables

Trade and other payables:		
- total current	1,182,977	1,041,208
- total non-current	-	-
Financial liabilities classified as trade and other payables	<u>1,182,977</u>	<u>1,041,208</u>

No interest is payable on outstanding payables.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 \$	2022 \$
Note 13: Contract Liabilities		
<i>Current</i>		
Deferred income	18,109	-
Contract liability	1,185,606	2,022,815
Total contract liabilities	<u>1,203,715</u>	<u>2,022,815</u>
<i>Contract liabilities</i>		
Balance at the beginning of the year	2,022,815	1,924,493
Additional liabilities	-	98,322
Grants for which performance obligations have been satisfied	(819,100)	-
Closing balance at the end of the year	<u>1,203,715</u>	<u>2,022,815</u>

If grants are enforceable and have sufficiently specific performance obligations in accordance with AASB 15 the amount received at that point in time, is recognised as a contract liability until the performance obligations have been satisfied.

Note 14: Lease Liabilities		
Lease liabilities		
Current	120,769	89,517
Non-current	70,466	59,839
	<u>191,235</u>	<u>149,356</u>

Note 15: Provisions		
<i>Current</i>		
Employee benefits - annual leave entitlements	736,109	769,215
Employee benefits - long service leave entitlements	360,590	311,562
Total current provisions	<u>1,096,699</u>	<u>1,080,777</u>
<i>Non-Current</i>		
Employee benefits - long service leave entitlements	102,276	104,260
Total provisions	<u>1,198,975</u>	<u>1,185,037</u>

Note 16: Reserves		
Movement in reserves		
<i>Asset revaluation reserve</i>		
Balance at beginning of reporting year	27,428,728	27,542,997
Transfer to accumulated surplus on disposal of revalued assets	(277,327)	(114,269)
Revaluation decrement for buildings and improvements	10,403,250	-
Balance at end of the reporting year	<u>37,554,651</u>	<u>27,428,728</u>

The asset revaluation reserve arises on the revaluation of buildings, structures, site improvements, infrastructure, plant and equipment and motor vehicles. Where a revalued item of property, plant and equipment is sold, that portion of asset revaluation reserve which relates to that asset and is effectively realised, is transferred directly into retained earnings.

<i>Asset replacement reserve</i>		
Balance at beginning of reporting year	530,000	530,000
Balance at end of the reporting year	<u>530,000</u>	<u>530,000</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

	2023 \$	2022 \$
Note 16: Reserves (continued)		
The asset replacement reserve has been created to hold funds for the future purchase of new assets.		
<i>Unexpended grants reserve</i>		
Balance at beginning of reporting year	2,687,462	1,820,382
Transfer from accumulated surplus	431,067	867,080
Balance at end of the reporting year	3,118,529	2,687,462
The unexpended grants reserve has been created to hold unspent grant funds which have been recognised as revenue under AASB 1058: <i>Income for Not-for-profit entities</i> . The Council generally has no incomplete specific performance obligations and has therefore earned the revenue. These funds are recorded in the unexpended grants reserve and are shown within equity. Grants with an outstanding specific performance obligation are treated as a liability in accordance with AASB 15: <i>Revenue from contracts with customers</i> .		
Total reserves	41,203,180	30,646,190
Note 17: Reconciliation to Statement of Cash Flows		
For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at call deposits with other financial institutions. Term deposits with a maturity period of 89 days or less are also included. Cash at the end of the financial year is shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand	400	3,750
Cash at bank	5,854,122	6,966,273
Balance as per Statement of Cash Flows	5,854,522	6,970,023
Reconciliation of Cash Flow from Operating Activities with Current Year Surplus		
Current year surplus	3,345,506	2,953,174
<i>Non-cash flows:</i>		
Gain from disposal of property, plant and equipment	(480,002)	(135,731)
Gain on transfer of Warnkurr Club	(285,797)	-
Depreciation	2,748,302	2,910,602
<i>Changes in assets and liabilities:</i>		
<i>(Increase) / Decrease in assets:</i>		
Trade and other receivables	(118,836)	4,622
Inventories	45,217	21,184
Other current assets	108,601	(92,983)
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	141,769	(285,400)
Contract liabilities	(819,100)	55,703
Employee provisions	13,938	23,277
Net cash from operating activities	4,699,598	5,454,448

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 18: Financial Risk Management

(a) Accounting Classification

The Council's financial instruments consist mainly of deposits with banks, short term investments, trade and other receivables, trade and other payables and lease liabilities.

The following table shows the allocation of carrying amounts for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

		Held-to-Maturity	Other financial assets	Other financial liabilities
30 June 2023				
Financial assets measured at amortised cost:	Note			
Cash and cash equivalents	5	-	5,854,522	-
Short term deposits	6	13,900,000	-	-
Trade and other receivables	7a	-	1,325,644	-
Financial liabilities measured at amortised cost:				
Trade and other payables	12a	-	-	1,182,977
Lease liabilities	14	-	-	191,235
Total financial liabilities		<u>13,900,000</u>	<u>7,180,166</u>	<u>1,374,212</u>
		Held-to-Maturity	Other financial assets	Other financial liabilities
30 June 2022				
Financial assets measured at amortised cost:	Note			
Cash and cash equivalents	5	-	6,970,023	-
Short term deposits	6	12,050,000	-	-
Trade and other receivables	7a	-	1,199,411	-
Financial liabilities measured at amortised cost:				
Trade and other payables	12a	-	-	1,041,208
Lease liabilities	14	-	-	149,356
Total financial liabilities		<u>12,050,000</u>	<u>8,169,434</u>	<u>1,190,564</u>

Fair values

Unless otherwise stated, all carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

The Council does not have any derivative instruments as at 30 June 2023 (2022: \$Nil).

(b) Financial Risk Management

The Council has exposure to the following risks arising from financial instruments:

- i. Credit risk;
- ii. Liquidity risk; and
- iii. Market risk

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 18: Financial Risk Management (continued)

Risk management framework

The Council has overall responsibility for the establishment and oversight of the Council's risk management framework. The Council's risk management policies are established to identify and analyse the risks faced by the Council, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

(i) Credit risk

Credit risk is the risk of financial loss to the Council if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Council's receivables from rate payers.

Council's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and the accompanying notes to the financial statements.

The Council's main concentration of credit risk is with the Commonwealth Bank of Australia and National Australia Bank as the Council's bank accounts are held with these banking institutions.

The maximum credit risk on the financial assets of the Council is the carrying amount of trade and other receivables net of any allowances for doubtful debts. The Council believes that it does not have any significant credit risk exposure to any other counter party or group of counter parties as the Council actively manages credit risk by following up outstanding debtors.

There are no material amounts of collateral held as security as at 30 June 2023 (2022: \$Nil).

(ii) Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as and when they fall due. The Council manages its liquidity risk by monitoring actual expenditure to ensure it is maintaining sufficient cash reserves.

(iii) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Council's income or the values of its holdings of financial instruments.

The Council does not have any exposure in relation to changes in foreign exchange rates and equity prices. The Council is however, exposed to interest rate risk in relation to cash and cash equivalents and short term investments (term deposits). The Council partly manages this by entering into fixed-rate instruments.

Exposure to interest rate risk

The interest rate profile of the Council's interest-bearing financial instruments is as follows:

	Note	2023 \$	2022 \$
Fixed rate instruments (held-to-maturity investments)	6	13,900,000	12,050,000
Variable rate instruments (cash and cash equivalents, excluding cash on hand)	5	5,854,522	6,970,023
		<u>19,754,522</u>	<u>19,020,023</u>

Fair value sensitivity analysis for fixed-rate instruments

The Council does not account for any fixed-rate financial asset or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates as the reporting date would not affect profit or loss.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 18: Financial Risk Management (continued)

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change in 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	100bp Increase	100bp Decrease
30 June 2023		
Variable rate instruments	58,545	(58,545)
30 June 2022		
Variable rate instruments	69,700	(69,700)

(c) Measurement of fair values

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used.

Property, plant and equipment measured at fair value

Type	Valuation technique
(a) Plant and equipment and motor vehicles (Level 2)	Market comparison technique and replacement cost approach
(b) Land (Level 2)	Market comparison technique and replacement cost approach
(c) Buildings, structures and site improvements and infrastructure (Level 2)	Replacement cost approach

Market comparison technique: the fair value was determined by comparing the subject asset with identical or similar assets for which price information is available.

Replacement cost approach: the valuation model reflects the amount that would be normally required currently to replace the service capacity of an asset.

Note 19: Commitments for Expenditure

Finance Lease Commitments

There were no finance lease commitments at 30 June 2023 (2022: \$Nil).

Leases as Lessor

There were no material sub-leased properties at 30 June 2023 (2022: Nil).

Contractual Commitments

Contractual commitments at financial year end but not recognised in the financial statements was \$Nil (2022: \$Nil).

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 20: Financial Indicators

These Financial Indicators have been calculated in accordance with information paper 9 - Local Government Financial Indicators prepared as part of the Local Government Association Financial Sustainability Program.

	2023	2022
(a) Operating Surplus Ratio	15%	13%
$\frac{\text{Operating Surplus}}{\text{Total Operating Revenue}}$		

This ratio expresses the operating surplus as a percentage of total operating revenue.

(b) Net Financial Liabilities Ratio	11%	14%
$\frac{\text{Net Financial Liabilities}}{\text{Total Operating Revenue}}$		

Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.

Note 21: Superannuation

The Council contributes in respect of its employees to an accredited superannuation fund. The Council contributes amounts to the scheme in accordance with the *Superannuation Guarantee Charge Act 1992*. Contributions to the fund accumulate in the fund to meet members' benefits as they accrue.

The amount of the superannuation contributions made by the Council during the year ended 30 June 2023 was \$893,355 (2022: \$854,164).

Note 22: Contingencies

A number of the Council's funding programs are currently under review by the funding bodies in accordance with the funding agreements. Neither the outcome or financial impact can be reliably estimated at the time these financial statements were authorised. There were no other contingent assets or liabilities at 30 June 2023 (2022: \$Nil).

Note 23: Events After the Reporting Period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Corporation's operations, the results of those operations or the Corporation's state of affairs in future financial years.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 24: Related Party Transactions

(a) Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly, including any Councilor (whether executive or otherwise) is considered key management personnel.

During the year the following persons were identified as key management personnel, with the greatest authority and responsibility for planning, directing and controlling the activities of the Council:

Name	Title
Russell Anderson	Chief Executive Officer
Brian Hylands	Chief Executive Officer
Trudy Braun	Director of Corporate Services
Matthew Cheminant	Director of Council Operations
Janelle Iszlaub	Governance and Compliance Manager
Jocelyn Moir	Regional Council Operations Manager
Jackson Bernard	Chief Financial Officer
Patricia McGillivray	CDP Regional Manager
Alicia King	CDP Administrative support
Brian Pedwell	Mayor
Shirley Garlett	Councillor
Georgina Macleod	Councillor
Andrew McTaggart	Deputy Mayor
Yvette Williams	Councillor

	2023*	2022
	\$	\$
Key management personnel compensation	1,583,063	1,458,563

* Short term benefits provided to the CEO in 2023 totalled \$301,194. There were no long term benefits.

Other Related Party Transactions

There were no materially significant related party transactions during the financial year.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 25: Other Detailed Information

Statement of comprehensive income for the year ended 30 June 2023

	Victoria Daly Regional	Warnkurr Club	Total
	\$	\$	\$
Revenue			
Sales of goods	3,182	556,473	559,655
Cost of goods sold	-	(211,817)	(211,817)
Gross profit from trading	3,182	344,656	347,838
 Rates and annual charges	 1,791,831	 -	 1,791,831
User charges and fees	166,054	-	166,054
Grants and contributions	11,599,947	-	11,599,947
Finance income	573,374	4,667	578,041
Gain on disposal of property, plant and equipment	765,799	-	765,799
Other revenue	7,507,599	15,681	7,523,280
Total revenue	22,407,786	365,004	22,772,790
 Expenses			
Employee benefits expense	10,082,684	89,957	10,172,641
Materials and contracts	1,325,875	12,673	1,338,548
Depreciation and amortisation	2,731,966	16,336	2,748,302
Finance cost (leases)	14,149	-	14,149
Other expenses	4,823,682	329,962	5,153,644
Total expenses	18,978,356	448,928	19,427,284
 Net surplus	 3,429,430	 (83,924)	 3,345,506
 Transfer to unexpended grants reserve		 -	 -
 Total comprehensive income	 3,429,430	 (83,924)	 3,345,506

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 25: Other Detailed Information (continued)

Statement of comprehensive income for the year ended 30 June 2022

	Victoria Daly Regional	Warnkurr Club	Total
	\$	\$	\$
Revenue			
Sales of goods	7,598	1,455,108	1,462,706
Cost of goods sold	-	(580,622)	(580,622)
Gross profit from trading	7,598	874,486	882,084
Rates and annual charges	1,688,860	-	1,688,860
User charges and fees	129,581	-	129,581
Grants and contributions	11,783,329	-	11,783,329
Finance income	63,796	339	64,135
Gain on disposal of property, plant and equipment	135,731	-	135,731
Other revenue	8,594,688	-	8,594,688
Total revenue	22,403,583	874,825	23,278,408
Expenses			
Employee benefits expense	10,239,715	194,653	10,434,368
Materials and contracts	1,685,203	3,776	1,688,979
Depreciation and amortisation	2,881,574	29,028	2,910,602
Finance cost (leases)	5,030	-	5,030
Other expenses	4,754,077	532,178	5,286,255
Gain/(loss) on disposal of	-	-	-
Total expenses	19,565,599	759,635	20,325,234
Net surplus	2,837,984	115,190	2,953,174
Other comprehensive income	867,080	-	867,080
Total comprehensive income	1,970,904	115,190	2,086,094

VICTORIA DALY REGIONAL COUNCIL

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 25: Other Detailed Information (continued)

Statement of financial position as at 30 June 2023

	Victoria Daly Regional	Warnkurr Club	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5,854,522	-	5,854,522
Short term investments	13,900,000	-	13,900,000
Trade and other receivables	1,336,593	-	1,336,593
Other	67,725	-	67,725
Total current assets	21,158,840	-	21,158,840
Non-current assets			
Property, plant and equipment	44,746,669	-	44,746,669
Lease assets	172,075	-	172,075
Total Non-current assets	44,918,744	-	44,918,744
TOTAL ASSETS	66,077,584	-	66,077,584
LIABILITIES			
Current liabilities			
Trade and other payables	1,182,977	-	1,182,977
Grant liabilities	1,203,715	-	1,203,715
Lease liabilities	120,769	-	120,769
Provisions	1,096,699	-	1,096,699
Total current liabilities	3,604,160	-	3,604,160
Non-current liabilities			
Lease liabilities	70,466	-	70,466
Provisions	102,276	-	102,276
Total Non-current liabilities	172,742	-	172,742
TOTAL LIABILITIES	3,776,902	-	3,776,902
Net Assets	62,300,682	-	62,300,682
EQUITY			
Accumulated surplus	21,097,502	-	21,097,502
Reserves	41,203,180	-	41,203,180
Total Equity	62,300,682	-	62,300,682

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 25: Other Detailed Information (continued)

Statement of financial position as at 30 June 2022

	Victoria Daly Regional	Warnkurr Club	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6,664,578	305,445	6,970,023
Short term investments	11,900,000	150,000	12,050,000
Trade and other receivables	1,217,757	-	1,217,757
Inventories	-	45,217	45,217
Other	160,794	15,532	176,326
Total current assets	19,943,129	516,194	20,459,323
Non-current assets			
Property, plant and equipment	32,677,065	110,285	32,787,350
Lease assets	127,092	-	127,092
Total Non-current assets	32,804,157	110,285	32,914,442
TOTAL ASSETS	52,747,286	626,479	53,373,765
LIABILITIES			
Current liabilities			
Trade and other payables	970,016	71,192	1,041,208
Grant liabilities	2,022,815	-	2,022,815
Lease liabilities	89,517	-	89,517
Provisions	1,069,045	11,732	1,080,777
Total current liabilities	4,151,393	82,924	4,234,317
Non-current liabilities			
Lease liabilities	59,839	-	59,839
Provisions	104,260	-	104,260
Total Non-current liabilities	164,099	-	164,099
TOTAL LIABILITIES	4,315,492	82,924	4,398,416
Net Assets	48,431,794	-	543,555
EQUITY			
Accumulated surplus	17,785,604	543,555	18,329,159
Reserves	30,646,190	-	30,646,190
Total Equity	48,431,794	543,555	48,975,349



INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND COUNCIL MEMBERS OF VICTORIA DALY REGIONAL COUNCIL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Victoria Daly Regional Council (the Council), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, the notes to the financial report including a summary of significant accounting policies and the Chief Executive Officer's certificate.

In our opinion, the financial report of the Victoria Daly Regional Council has been prepared in accordance with the *Local Government Act* and the *Local Government (Accounting) Regulations*, including:

- (i) giving a true and fair view of the Council's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act* and the *Local Government (Accounting) Regulations*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of accounting and restriction on distribution

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting and the significant accounting policies. The financial report has been prepared to assist the Council to meet the reporting requirement of the *Local Government Act* and the *Local Government (Accounting) Regulations*. As a result, the financial report may not be suitable for another purpose.

Responsibilities of the Chief Executive Officer for the Financial Report

The Chief Executive Officer of the Council is responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards, the *Local Government Act* and the *Local Government (Accounting) Regulations* and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is 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 unless the Mayor and Council Members intend to either liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Chief Executive Officer is also responsible for overseeing the Council's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND COUNCIL MEMBERS OF VICTORIA DALY REGIONAL COUNCIL

Report on the Audit of the Financial Report (continued)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

This description forms part of our auditor's report.

LOWRYS AUDIT

A handwritten signature in black ink, appearing to read "Colin James", with a long horizontal line extending to the right.

Colin James, FCA
Registered Company Auditor

Darwin
Date: 27 October 2023