



Upper Lachlan Shire Council
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021



Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

44 Spring Street
Crookwell NSW 2583

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

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

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

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

Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 October 2021.



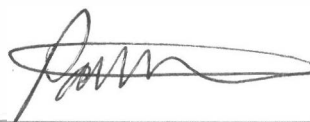
John Stafford
Mayor
21 October 2021



John Searl
Councillor
21 October 2021



Colleen Worthy
General Manager
21 October 2021



Paul Millett
Responsible Accounting Officer
21 October 2021

Upper Lachlan Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
11,548	Rates and annual charges	B2-1	11,479	11,028
6,142	User charges and fees	B2-2	6,544	5,155
871	Other revenue	B2-3	1,367	1,622
9,498	Grants and contributions provided for operating purposes	B2-4	10,263	10,036
9,344	Grants and contributions provided for capital purposes	B2-4	7,336	6,319
503	Interest and investment income	B2-5	289	512
198	Net gains from the disposal of assets	B4-1	–	–
38,104	Total income from continuing operations		37,278	34,672
	Expenses from continuing operations			
10,832	Employee benefits and on-costs	B3-1	11,847	11,123
7,736	Materials and services	B3-2	12,564	9,284
210	Borrowing costs	B3-3	282	177
6,788	Depreciation, amortisation and impairment for non-financial assets	B3-4	7,223	6,766
2,779	Other expenses	B3-5	617	557
2	Net losses from the disposal of assets	B4-1	1,299	89
28,347	Total expenses from continuing operations		33,832	27,996
9,757	Operating result from continuing operations		3,446	6,676
9,757	Net operating result for the year attributable to Council		3,446	6,676
415	Net operating result for the year before grants and contributions provided for capital purposes		(3,890)	357

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

Upper Lachlan Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		3,446	6,676
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	22,655	360
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-6	–	25
Total items which will not be reclassified subsequently to the operating result		22,655	385
Total other comprehensive income for the year		22,655	385
Total comprehensive income for the year attributable to Council		26,101	7,061

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

Upper Lachlan Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	8,231	7,779
Investments	C1-2	18,000	22,900
Receivables	C1-4	8,743	3,329
Inventories	C1-5	977	1,053
Other		179	88
Total current assets		36,130	35,149
Non-current assets			
Investments	C1-2	1,000	2,200
Receivables	C1-4	64	153
Infrastructure, property, plant and equipment	C1-6	448,642	418,122
Right of use assets	C2-1	179	211
Total non-current assets		449,885	420,686
Total assets		486,015	455,835
LIABILITIES			
Current liabilities			
Payables	C3-1	4,640	2,800
Contract liabilities	C3-2	2,120	118
Lease liabilities	C2-1	19	28
Borrowings	C3-3	634	546
Employee benefit provisions	C3-4	4,123	4,375
Total current liabilities		11,536	7,867
Non-current liabilities			
Lease liabilities	C2-1	166	185
Borrowings	C3-3	5,434	5,068
Provisions	C3-5	2,860	2,797
Total non-current liabilities		8,460	8,050
Total liabilities		19,996	15,917
Net assets		466,019	439,918
EQUITY			
Accumulated surplus	C4-1	310,671	307,225
IPPE revaluation reserve	C4-1	155,348	132,693
Council equity interest		466,019	439,918
Total equity		466,019	439,918

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

Upper Lachlan Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		307,225	132,693	439,918	301,291	132,308	433,599
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(742)	-	(742)
Net operating result for the year		3,446	-	3,446	6,676	-	6,676
Restated net operating result for the period		3,446	-	3,446	6,676	-	6,676
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	22,655	22,655	-	360	360
- Impairment (loss) reversal relating to IPP&E	C1-6	-	-	-	-	25	25
Other comprehensive income		-	22,655	22,655	-	385	385
Total comprehensive income		3,446	22,655	26,101	6,676	385	7,061
Closing balance at 30 June		310,671	155,348	466,019	307,225	132,693	439,918

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

Upper Lachlan Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
11,548	Rates and annual charges		11,496	10,989
6,142	User charges and fees		1,209	4,780
503	Investment and interest revenue received		359	568
18,842	Grants and contributions		19,601	15,731
871	Other		1,285	1,779
<i>Payments:</i>				
(10,718)	Employee benefits and on-costs		(12,097)	(10,927)
(7,508)	Materials and services		(10,590)	(6,382)
(180)	Borrowing costs		(219)	(177)
–	Bonds, deposits and retention amounts refunded		(70)	(116)
(2,779)	Other		(693)	(2,789)
16,721	Net cash flows from operating activities	G1-1	10,281	13,456
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		11,500	16,200
–	Sale of infrastructure, property, plant and equipment		575	238
<i>Payments:</i>				
–	Purchase of investment securities		(11,500)	(19,000)
–	Acquisition of term deposits		6,100	–
(20,218)	Purchase of infrastructure, property, plant and equipment		(16,931)	(12,309)
(20,218)	Net cash flows from investing activities		(10,256)	(14,871)
Cash flows from financing activities				
<i>Receipts:</i>				
1,681	Proceeds from borrowings		1,000	3,300
<i>Payments:</i>				
(546)	Repayment of borrowings		(546)	(341)
–	Principal component of lease payments		(27)	(29)
1,135	Net cash flows from financing activities		427	2,930
(2,362)	Net change in cash and cash equivalents		452	1,515
–	Cash and cash equivalents at beginning of year		7,779	6,264
(2,362)	Cash and cash equivalents at end of year	C1-1	8,231	7,779

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

Upper Lachlan Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 21 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Full dollars have been used in Note F1-1 and Note F1-2 Related party disclosures and Councillor and Mayoral fees in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

(ii) Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB15 *Revenue from Contracts with Customers* and/or AASB1058 *Income of Not-for-Profit Entities* - refer to Notes B2-2 - B2-4.

(iii) Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease - refer to Note C2-1.

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Domestic Waste Management

The Trust Fund

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

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

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

Volunteer services

Volunteer services received by Council have not been recognised in the financial statements as they are not considered material.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

A1-1 Basis of preparation (continued)

This standard has an effective date for the 30 June 2024 reporting period.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

Comparative figures

Adjustments have been made to the presentation of prior year comparatives in Council's Annual Financial Statements. The changes are either to improve presentation or as a result of format changes in the Local Government Code of Accounting Practice and Financial Reporting.

Changes impacting the Income Statement

Costs previously classed as 'Other Expenses' have been reallocated to the expenditure class 'Materials and Services' due to the format changes.

Changes impacting the Statement of Financial Position

'Provisions' have been separated into 'Employee benefit provisions' and 'Provisions'. 'Payables and Borrowings' have been separated into 'Borrowings' and 'Payables'.

These changes are reclassifications only, resulting in changes to the presentation of the Financial Statements and not the underlying results.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

A1-1 Basis of preparation (continued)

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at G4-1.

None of the Accounting Standards adopted during the year had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Our leadership	(15)	770	1,062	930	(1,077)	(160)	–	–	–	–
Our infrastructure	18,449	14,903	19,522	15,788	(1,073)	(885)	10,862	8,199	410,514	396,259
Our society/community	999	1,925	4,477	3,322	(3,478)	(1,397)	918	1,856	30,237	29,604
Our environment	971	1,559	1,633	1,720	(662)	(161)	508	1,083	18,138	6,443
Our economy	4,126	2,966	7,138	6,236	(3,012)	(3,270)	333	303	26,537	23,227
Other – general purpose income	12,748	12,549	–	–	12,748	12,549	4,978	4,914	589	302
Total functions and activities	37,278	34,672	33,832	27,996	3,446	6,676	17,599	16,355	486,015	455,835

B1-2 Components of functions or activities

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

Our leadership

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

Our infrastructure

Includes sealed local roads, sealed regional roads, unsealed local roads, unsealed regional roads, urban roads, bridges, stormwater drainage, quarries, footpaths and cycleways, parking areas, water supply, sewerage schemes, domestic waste management, solid waste management, engineering services and aerodromes.

Our society

Includes health services, aged and disabled services, community services, public halls, cultural services, community centres, animal control, swimming pools, sporting grounds, parks and gardens, libraries, and emergency services.

Our environment

Includes planning and development control, building control, noxious plants control and other environmental protection

Our economy

Includes administration costs for the running of Council, camping areas and caravan parks, tourism and area promotion, industrial development promotion, real estate development, private works, State road maintenance contracts and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	1,851	1,750
Farmland	5,194	5,071
Mining	2	2
Business	325	287
Other	–	6
Less: pensioner rebates (mandatory)	(116)	(116)
Rates levied to ratepayers	7,256	7,000
Pensioner rate subsidies received	53	54
Total ordinary rates	7,309	7,054
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,237	1,165
Stormwater management services	48	47
Water supply services	945	900
Sewerage services	1,244	1,197
Waste management services (non-domestic)	632	602
Annual charges levied	4,106	3,911
Pensioner subsidies received:		
– Water	19	19
– Sewerage	17	17
– Domestic waste management	28	27
Total annual charges	4,170	3,974
Total rates and annual charges	11,479	11,028

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

B2-2 User charges and fees

\$ '000	2021	2020
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	2	1
Water supply services	970	1,119
Sewerage services	312	297
Waste management services (non-domestic)	353	134
Total specific user charges	1,637	1,551
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	91	79
Section 10.7 certificates (EP&A Act)	33	31
Section 603 certificates	38	23
Dwelling entitlement searches	11	12
Premises inspections	1	4
Town planning / building	426	296
Total fees and charges – statutory/regulatory	600	445
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	59	49
Cemeteries	92	77
Quarry revenues	901	700
Transport for NSW charges (State roads not controlled by Council)	3,187	2,141
Water connection fees	7	3
Public halls	3	3
Sporting grounds	16	13
Swimming pools	10	36
Truck wash facility	16	10
Water meter readings	9	5
Engineering plan checking fees	–	113
Other	7	9
Total fees and charges – other	4,307	3,159
Total user charges and fees	6,544	5,155
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	–	–
User charges and fees recognised at a point in time (2)	6,544	5,155
Total user charges and fees	6,544	5,155

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	2021	2020
Rental income – other council properties	83	106
Ex gratia rates	23	30
Fines	25	18
Legal fees recovery – rates and charges (extra charges)	1	2
Commissions and agency fees	155	156
Proceeds from s355 Committees	94	–
Insurance claims recoveries	580	35
Advertising income – Council newsletter	2	1
Australia post supplies / sales	18	17
Fuel tax credits	121	109
Miscellaneous / sundry sales	10	–
Sale of old/surplus material	–	1
Other	143	238
Southern phone	–	803
Tourist information centre sales and membership fees	88	75
Windfarm Community Enhancement Program administration fee	24	31
Total other revenue	1,367	1,622

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,367	1,622
Total other revenue	1,367	1,622

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance	4,977	4,913	-	-
Amount recognised as income during current year	4,977	4,913	-	-
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Pensioners' rates subsidies:				
Bushfire and emergency services	160	160	-	-
Economic development	2	-	-	-
Heritage and cultural	123	37	-	-
Noxious weeds	160	171	-	-
Public halls	-	-	-	58
Recreation and culture	-	-	568	1,481
Environment	-	-	50	-
Footpaths	-	-	257	821
Public libraries	77	78	-	-
Street lighting	29	29	-	-
Transportation (3x3, block, repair, regional roads)	1,725	1,725	381	511
Youth week	-	1	-	-
Tourism	10	90	-	-
Transport (roads to recovery)	1,805	1,804	-	-
Transport (other roads and bridges funding)	-	-	5,406	2,232
Other specific grants	7	12	351	35
Previously contributions:				
Other councils – joint works/services	-	-	2	-
Recreation and culture	-	-	-	42
Roads and bridges	-	-	5	-
Natural disaster funding – roads	985	804	-	-
Transferred employee leave entitlements	8	24	-	-
Vehicle leaseback contributions	80	85	-	-
Waste management centres	10	-	-	-
New Gullen Range Wind Farm Contribution	105	103	-	-
Total special purpose grants and non-developer contributions – cash	5,286	5,123	7,020	5,180
Total special purpose grants and non-developer contributions (tied)	5,286	5,123	7,020	5,180
Total grants and non-developer contributions	10,263	10,036	7,020	5,180
Comprising:				
– Commonwealth funding	6,882	6,817	2,186	1,328
– State funding	3,171	2,192	4,781	3,220
– Other funding	210	1,027	53	632
	10,263	10,036	7,020	5,180

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G3				
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	285	927
S 64 – water supply contributions		–	–	21	111
S 64 – sewerage service contributions		–	–	10	101
Total developer contributions – cash		–	–	316	1,139
Total developer contributions		–	–	316	1,139
Total contributions		–	–	316	1,139
Total grants and contributions		10,263	10,036	7,336	6,319
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		–	–	–	–
Grants and contributions recognised at a point in time (2)		10,263	10,036	7,336	6,319
Total grants and contributions		10,263	10,036	7,336	6,319

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	202	63	1,109	717
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6	153	2,358	–
Add: Funds received and not recognised as revenue in the current year	–	–	–	744
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(187)	–	(714)	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	(14)	–	(352)
Unspent funds at 30 June	21	202	2,753	1,109
Contributions				
Unspent funds at 1 July	–	–	4,593	3,732
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
Add: contributions received and not recognised as revenue in the current year	–	–	334	1,193
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(266)	(332)
Unspent contributions at 30 June	–	–	4,661	4,593

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations within AASB 15 grants vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

B2-4 Grants and contributions (continued)

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

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

Developer Contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	14	27
– Cash and investments	275	485
Finance income on the net investment in the lease	–	–
Total interest and investment income (losses)	289	512
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	9	17
General Council cash and investments	225	310
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	16	48
– Section 64	2	6
Water fund operations	10	38
Sewerage fund operations	21	70
Domestic waste management operations	6	23
Total interest and investment income	289	512

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	9,299	8,516
Travel expenses	136	153
Employee leave entitlements (ELE)	1,984	2,163
Superannuation	1,174	1,155
Workers' compensation insurance	474	319
Fringe benefit tax (FBT)	50	65
Training costs (other than salaries and wages)	230	165
Other	74	100
Total employee costs	13,421	12,636
Less: capitalised costs	(1,574)	(1,513)
Total employee costs expensed	11,847	11,123

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		2,958	1,708
Contractor and consultancy costs			
– Contractors		5,737	4,132
– Consultancy services		1,186	1,151
Audit Fees	F2-1	64	68
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	156	178
Advertising		31	47
Bank charges		47	40
Electricity and heating		405	418
Insurance		791	693
Postage		48	42
Printing and stationery		115	125
Street lighting		83	90
Subscriptions and publications		99	80
Telephone and communications		105	118
Valuation fees		51	50
Other expenses		121	81
Australia post stock / supplies		13	21
Water usage		159	206
Taralga Water Treatment Plant claim		360	–
Health Care Cottage insurance claim		–	11

continued on next page ...

B3-2 Materials and services (continued)

\$ '000	2021	2020
Legal expenses:		
– Legal expenses: planning and development	1	3
– Legal expenses: other	29	22
Operating leases expense:		
– Operating lease rentals: minimum lease payments ¹	5	–
Total materials and services	12,564	9,284
Total materials and services	12,564	9,284

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on leases		8	8
Interest on loans		211	153
Total interest bearing liability costs		219	161
Total interest bearing liability costs expensed		219	161
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	63	16
Total other borrowing costs		63	16
Total borrowing costs expensed		282	177

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		1,249	1,139
Office equipment		255	254
Furniture and fittings		6	7
Land improvements (depreciable)		9	9
Infrastructure:	C1-6		
– Buildings – non-specialised		63	63
– Buildings – specialised		726	710
– Other structures		33	31
– Roads		2,513	2,596
– Bridges		500	503
– Footpaths		29	29
– Other road assets		12	–
– Stormwater drainage		388	28
– Water supply network		494	480
– Sewerage network		480	471
– Swimming pools		23	23
– Other open space/recreational assets		143	122
Right of use assets	C2-1	31	31
Other assets:			

continued on next page ...

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

\$ '000	Notes	2021	2020
– Other		53	54
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-6	204	204
– Quarry assets	C3-5,C1-6	12	12
Total gross depreciation and amortisation costs		7,223	6,766
Total depreciation and amortisation costs		7,223	6,766
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-6		
– Bridges		–	(25)
Total gross IPPE impairment / revaluation decrement costs		–	(25)
Amounts taken through revaluation reserve	C1-6	–	25
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
Total depreciation, amortisation and impairment for non-financial assets		7,223	6,766

Accounting policy**Depreciation and amortisation**

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

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		5	28
Total impairment of receivables	C1-4	5	28
Other			
Contributions/levies to other levels of government			
– Emergency services levy (SES)		15	12
– NSW fire brigade levy		37	33
– NSW rural fire service levy		502	418
Donations, contributions and assistance to other organisations (Section 356)		58	66
Total other		612	529
Total other expenses		617	557

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		575	238
Less: carrying amount of plant and equipment assets sold/written off		(252)	(153)
Gain (or loss) on disposal		323	85
Gain (or loss) on disposal of infrastructure	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(1,622)	(174)
Gain (or loss) on disposal		(1,622)	(174)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		11,500	16,200
Less: carrying amount of investments sold/redeemed/matured		(11,500)	(16,200)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		(1,299)	(89)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 18/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	11,548	11,479	(69)	(1)% U
User charges and fees	6,142	6,544	402	7% F
Other revenues	871	1,367	496	57% F
There was an unbudgeted Insurance Claim recovery totaling \$580K for the Taralga water treatment plant which was destroyed by a fire and was a property protection insurance claim payment from StateWide Mutual Ltd.				
Operating grants and contributions	9,498	10,263	765	8% F
There was unbudgeted operating contributions for natural disaster funding totaling \$985K. The natural disasters reimbursements related to clean up, emergency works, road reconstruction and restoration works as a consequence of four natural disaster events, the events included; February 2020 storm/flood damage event, August 2020 storm/flood damage event, December 2020 windstorm event, February-March 2021 bushfire and storm/flood damage events.				
Capital grants and contributions	9,344	7,336	(2,008)	(21)% U
There was a \$339K shortfall in development contributions income actually received compared to budget for capital purposes. The capital works project on Wombeyan Caves Road MR258 regional road reconstruction was delayed with environmental management issues and project income received was \$2.1 million less than budgeted in the reporting period.				
Interest and investment revenue	503	289	(214)	(43)% U
Lower than anticipated interest rates (0.49% average return on investments) resulted in lower interest income than was budgeted.				
Net gains from disposal of assets	198	-	(198)	(100)% U
No actual gains on disposal assets were achieved (refer below).				

EXPENSES

Employee benefits and on-costs	10,832	11,847	(1,015)	(9)% U
Workers Compensation claims experience resulted in premium expense exceeding budget by \$180K. Senior staff employment termination payments (one Director, two Managers and two Coordinators) included redundancy, severance payment and retirements and payment of their accrued employee leave entitlements totaled \$529K expense.				

Materials and services	7,736	12,564	(4,828)	(62)% U
Note Changes in the Code of Accounting Practice and Financial Reporting formatting resulted in shifting the budgeted Other Expenses of over \$2.2 million to Materials and Services Expenses category. Council waste transfer expenditure for covering and compaction contractor expenses at various waste sites exceeded budget by \$451K. Insurance premium expenses exceeded budget by \$125K this was a result of large scale natural disasters such as floods and bushfire and subsequent impact on reinsurers and annual premium expenses exceeding 15% in 2020/2021. The Taralga water treatment plant was destroyed by a fire and was an insurance claim and the expense totaled \$580K. RMS State Road MR54 work order expenditure exceeded budgeted work orders and is included as part of raw materials expense. Consultancy expenses exceeded budget by \$396K and relates to consultant costs for human resources services, building surveyor, grant writing				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
and water services consultants. Natural Disaster contractor expenses were incurred by Council in response to the natural disaster events clean up.				
Borrowing costs	210	282	(72)	(34)% U
Amortisation expenses for remediation liabilities has exceeded budget by \$33K.				
Depreciation, amortisation and impairment of non-financial assets	6,788	7,223	(435)	(6)% U
Other expenses	2,779	617	2,162	78% F
This relates to changes in the Code of Accounting Practice and Financial Reporting formatting and shifting the budgeted Other Expenses of over \$2.2 million to the Materials and Services Expenses category, expenses shifted included; Insurances, councillor and mayoral fees, printing and stationary, electricity and heating.				
Net losses from disposal of assets	2	1,299	(1,297)	(64,850)% U
There was an unbudgeted loss on disposal of infrastructure assets at carrying amount totaling \$1.623 million expenses. These assets include the two Crookwell swimming pools and associated pool amenity buildings, pump house and change rooms totaling \$1.02 million asset carrying amount, these assets were disposed of in June 2021. The replacement of seven timber bridges at \$605K asset carrying value were disposed of and new replacement concrete bridge structures were constructed. In addition, a \$323K net gain on disposal of plant and equipment was recognised.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	16,721	10,281	(6,440)	(39)% U
Council had additional employee benefits and on-costs expenses and materials and services costs and additional contract works expenses for State Road MR 54 works orders as outlined in the Expenses material variations in the Income Statement of \$2.8 million. In addition, Council receipts for capital grants was less than budgeted for projects in progress including; Grabine Road reconstruction (\$2.136 million) and Kangaroo Creek Bridge replacement project on Bigga Road (\$540K). The payment to Council for these works were received on 7 July 2021, a week outside the 2020/2021 reporting period.				
Cash flows from investing activities	(20,218)	(10,256)	9,962	(49)% F
Council had budgeted \$20.2 million in infrastructure, property and plant and equipment capital works projects. Council actual expenditure was \$3.3 million less than forecast in the reporting period. Council also acquired \$6.1 million in term deposits.				
Cash flows from financing activities	1,135	427	(708)	(62)% U
Council had budgeted \$1.681 million for loan borrowings for timber bridge replacement program, however Council were successful in securing grant funds that lowered the loan to \$1 million (\$681K) less than forecast in the reporting period.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	231	369
Cash-equivalent assets		
– Deposits at call	500	510
– Short-term deposits	7,500	6,900
Total cash and cash equivalents	8,231	7,779

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	8,231	7,779
Balance as per the Statement of Cash Flows	8,231	7,779

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	18,000	1,000	22,900	2,200
Total	18,000	1,000	22,900	2,200
Total financial investments	18,000	1,000	22,900	2,200
Total cash assets, cash equivalents and investments	26,231	1,000	30,679	2,200

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in the Other Comprehensive Income Statement.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments of \$19million in the Statement of Financial Position.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	26,231	1,000	30,679	2,200
attributable to:				
External restrictions	15,918	1,000	13,701	2,200
Internal restrictions	9,896	–	14,042	–
Unrestricted	417	–	2,936	–
	26,231	1,000	30,679	2,200

\$ '000	2021	2020
---------	------	------

Details of restrictions

External restrictions – other

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

Developer contributions – general	4,104	4,069
Developer contributions – water fund	214	192
Developer contributions – sewer fund	343	332
Specific purpose unexpended grants (recognised as revenue) – general fund	2,774	1,311
Water fund	2,442	2,770

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

\$ '000	2021	2020
Sewer fund	5,056	5,063
Stormwater management	302	294
Wind farms community fund	92	96
Trust fund	2	2
Domestic waste management	1,589	1,772
External restrictions – other	16,918	15,901
Total external restrictions	16,918	15,901
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Employees leave entitlement	1,937	2,058
Carry over works	1,971	2,692
Deposits, retentions and bonds	96	166
Buildings and infrastructure improvements	–	1,155
Community projects	–	12
Council houses capital works	67	70
Financial Assistance Grant prepayment Q1 and Q2	2,574	2,528
Garbage / waste disposal	37	37
Gravel pit restoration	–	345
Information technology and equipment	384	293
Library cooperative	71	71
Plant and equipment replacement	–	1,359
Public halls capital improvements	36	36
Rubbish tips remediation	834	834
State Road works contingencies	199	716
Upper Lachlan tourist association	70	45
Multipurpose Aquatic & Activity Centre Crookwell	786	–
Unexpended Loans/Borrowings	834	1,625
Total internal restrictions	9,896	14,042
Total restrictions	26,814	29,943

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	212	56	248	37
Interest and extra charges	10	8	8	9
User charges and fees	8,131	–	2,689	107
Accrued revenues				
– Interest on investments	104	–	175	–
Net investment in finance lease	–	–	–	–
Net GST receivable	268	–	192	–
Other debtors	35	–	34	–
Total	8,760	64	3,346	153
Less: provision of impairment				
User charges and fees	(17)	–	(17)	–
Total provision for impairment – receivables	(17)	–	(17)	–
Total net receivables	8,743	64	3,329	153
Externally restricted receivables				
Water supply				
– Rates and availability charges	41	6	40	4
– Other	743	–	119	–
Sewerage services				
– Rates and availability charges	65	10	69	6
– Other	19	–	27	–
Domestic waste management	54	6	55	4
Total external restrictions	922	22	310	14
Unrestricted receivables	7,821	42	3,019	139
Total net receivables	8,743	64	3,329	153

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	17	36
– previous impairment losses reversed	–	(19)
Balance at the end of the year	17	17

Accounting policy

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

Impairment

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

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

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

C1-4 Receivables (continued)

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	315	-	400	-
Stores and materials – gravel	454	-	448	-
Trading stock – Australia post agency	29	-	19	-
Trading stock – tourist information centres	8	-	10	-
Loose tools	171	-	176	-
Total inventories at cost	977	-	1,053	-
Total inventories	977	-	1,053	-

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	-	-	-	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	977	-	1,053	-
Total inventories	977	-	1,053	-

(i) Other disclosures

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

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	3,755	–	3,755	4,027	–	–	(1,370)	–	–	–	6,412	–	6,412
Plant and equipment	15,361	(8,114)	7,247	2,646	(252)	(1,249)	79	–	–	–	16,162	(7,691)	8,471
Office equipment	2,735	(1,791)	944	234	–	(255)	–	–	–	–	2,106	(1,182)	924
Furniture and fittings	213	(156)	57	–	–	(6)	–	–	–	–	145	(95)	50
Land:													
– Operational land	4,601	–	4,601	–	–	–	–	–	–	–	4,601	–	4,601
– Community land	3,289	–	3,289	–	–	–	–	–	–	1,134	4,423	–	4,423
Land improvements – depreciable	281	(188)	93	–	–	(9)	–	–	–	–	170	(86)	84
Infrastructure:													
– Buildings – non-specialised	4,703	(2,470)	2,233	20	–	(63)	–	–	–	–	4,724	(2,533)	2,191
– Buildings – specialised	47,414	(22,072)	25,342	429	(561)	(726)	24	–	–	–	46,572	(22,064)	24,508
– Other structures	1,785	(703)	1,082	29	–	(33)	10	–	–	–	1,825	(736)	1,089
– Roads	128,023	(51,750)	76,273	6,564	–	(2,513)	124	(20,414)	–	21,238	140,449	(59,178)	81,271
– Bridges	49,672	(21,982)	27,690	1,513	(590)	(500)	699	–	–	16,549	65,737	(20,375)	45,362
– Footpaths	3,221	(607)	2,614	432	–	(29)	–	–	(322)	–	4,351	(1,657)	2,694
– Other road assets	–	–	–	187	–	(12)	–	303	–	–	490	(12)	478
– Bulk earthworks (non-depreciable)	216,885	–	216,885	416	–	–	108	–	(7,860)	–	209,549	–	209,549
– Stormwater drainage	2,855	(1,193)	1,662	200	–	(388)	–	20,111	(8,430)	–	30,530	(17,375)	13,155
– Water supply network	39,196	(14,820)	24,376	59	–	(494)	41	–	–	221	39,657	(15,454)	24,203
– Sewerage network	23,100	(9,178)	13,922	169	–	(480)	6	–	–	125	23,489	(9,747)	13,742
– Swimming pools	1,707	(951)	756	–	(472)	(23)	–	–	–	–	714	(452)	262
– Other open space/recreational assets	3,469	(1,395)	2,074	132	–	(143)	136	–	–	–	3,726	(1,527)	2,199
Other assets:													
– Other	934	(613)	321	18	–	(53)	–	–	–	–	931	(647)	284
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	3,099	(501)	2,598	–	–	(204)	–	–	–	–	3,099	(705)	2,394
– Quarry assets	332	(24)	308	–	–	(12)	–	–	–	–	333	(37)	296
Total infrastructure, property, plant and equipment	556,630	(138,508)	418,122	17,075	(1,875)	(7,192)	(143)	–	(16,612)	39,267	610,195	(161,553)	448,642

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period						At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	3,601	–	3,601	2,885	–	–	–	(2,731)	–	3,755	–	3,755
Plant and equipment	14,901	(7,326)	7,575	965	(153)	(1,139)	–	–	–	15,361	(8,114)	7,247
Office equipment	2,488	(1,537)	951	247	–	(254)	–	–	–	2,735	(1,791)	944
Furniture and fittings	209	(150)	59	5	–	(7)	–	–	–	213	(156)	57
Land:												
– Operational land	4,601	–	4,601	–	–	–	–	–	–	4,601	–	4,601
– Community land	3,289	–	3,289	–	–	–	–	–	–	3,289	–	3,289
Land improvements – depreciable	282	(180)	102	–	–	(9)	–	–	–	281	(188)	93
Infrastructure:												
– Buildings – non-specialised	4,696	(2,408)	2,288	8	–	(63)	–	–	–	4,703	(2,470)	2,233
– Buildings – specialised	45,472	(21,361)	24,111	1,941	–	(710)	–	1,023	–	47,414	(22,072)	25,342
– Other structures	1,676	(672)	1,004	110	–	(31)	–	9	–	1,785	(703)	1,082
– Roads	125,385	(49,178)	76,207	2,665	(4)	(2,596)	–	314	–	128,023	(51,750)	76,273
– Bridges	48,063	(23,268)	24,795	3,542	(170)	(503)	25	807	–	49,672	(21,982)	27,690
– Footpaths	2,213	(578)	1,635	1,008	–	(29)	–	180	–	3,221	(607)	2,614
– Bulk earthworks (non-depreciable)	215,610	–	215,610	1,275	–	–	–	388	–	216,885	–	216,885
– Stormwater drainage	2,855	(1,165)	1,690	–	–	(28)	–	–	–	2,855	(1,193)	1,662
– Water supply network	38,791	(14,200)	24,591	37	–	(480)	–	–	229	39,196	(14,820)	24,376
– Sewerage network	22,872	(8,621)	14,251	10	–	(471)	–	–	131	23,100	(9,178)	13,922
– Swimming pools	1,697	(929)	768	10	–	(23)	–	–	–	1,707	(951)	756
– Other open space/recreational assets	3,137	(1,273)	1,864	331	–	(122)	–	10	–	3,469	(1,395)	2,074
Other assets:												
– Other	934	(558)	376	–	–	(54)	–	–	–	934	(613)	321
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	3,099	(298)	2,801	–	–	(204)	–	–	–	3,099	(501)	2,598
– Quarry assets	333	(12)	321	–	–	(12)	–	–	–	332	(24)	308
Total infrastructure, property, plant and equipment	546,204	(133,714)	412,490	15,039	(327)	(6,735)	25	–	360	556,630	(138,508)	418,122

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

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

Accounting policy

Initial recognition of Infrastructure, Property, Plant and Equipment (IPPE)

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

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

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

Revaluation Model

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	10 to 15	Playground equipment	15
Office furniture	5 to 10		
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	10 to 15	Buildings: masonry	75
Other plant and equipment	5 to 15	Buildings: other	45
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	100 to 120	Flood control structures	80 to 100
Bores	25 to 50		
Reticulation pipes	80		
Pump stations	25 to 70		
Telemetry	15		
		Other infrastructure assets	
Transportation assets		Drainage structure on roads	100
Sealed roads: surface	25	Other road structures	80
Sealed roads: pavement base	80	Swimming pools	50
Unsealed roads: wearing course	35	Other open space/recreational assets	15 to 50
Unsealed roads: formation	infinite	Other structures	15 to 50
Bridge: concrete	100		
Roads sub-base / Formation	infinite		
Kerb, gutter and footpaths	80		

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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

Land under roads

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

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

Crown reserves

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

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

Rural Fire Service assets

Upper Lachlan Shire Council accounting policy was approved in 2007/2008 in relation to the recognition of Rural Fire Service (RFS) plant, vehicles and equipment assets. Council determined that the RFS plant, vehicles and equipment is not owned by Council and Council does not have effective control of the plant and equipment assets. Upper Lachlan Shire Council Resolution No.104/08 stated Council will not recognise the assets in Financial Statements.

In accordance with the requirements of the Australian Accounting Standards and the Code of Accounting Practice, the Upper Lachlan Shire Council has continued not to recognise in their financial statements any rural firefighting plant and equipment assets that have been "vested" in Council.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over part of a building that it utilises to operate the Crookwell Visitor Information Centre, as well as leases over certain printing and copying office equipment. Information relating to the leases in place and associated balances and transactions is provided below:

Terms and conditions of leases

Buildings

Council leases part of a building at 36 Goulburn St, Crookwell from which it operates the Crookwell Visitor Information Centre. The original lease was for a period of ten years and expires 1st December, 2023. Council included an option, at Council's discretion, in this building lease to provide flexibility and certainty to Council's operations and reduce costs of moving premises.

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

Office and IT equipment

Leases for office equipment are for high value photocopiers and printers. The leases are between 1 and 3 years with no renewal option; the payments are fixed, however some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Office Equipment	Buildings	Total
2021			
Opening balance at 1 July	33	178	211
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–	–
Depreciation charge	(18)	(13)	(31)
Balance at 30 June	15	164	179
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	51	191	242
Depreciation charge	(18)	(13)	(31)
Balance at 30 June	33	178	211

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	19	166	28	185
Total lease liabilities	19	166	28	185

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	19	68	98	185	185

C2-1 Council as a lessee (continued)

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2020					
Cash flows	28	85	100	213	213

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	8	8
Depreciation of right of use assets	31	31
	39	39

(e) Statement of Cash Flows

Total cash outflow for leases	39	39
	39	39

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

Accounting policy

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

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

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

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

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

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

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

C2-2 Council as a lessor

Operating leases

Council provides operating leases on Council buildings, the table below relates to operating leases on assets disclosed in C1-8. These leases are classified as operating leases for financial reporting purposes and the asset is included in the Statement of Financial Position.

Council leases out part of the new Crookwell Memorial Oval Sports Centre building to Rising Sun Health Gym. The lease is for a period of one year and expires 14th March 2022. Council included an option to renew the lease for a period of three years and a further one year after that.

The building lease contains an annual pricing mechanism based on either fixed increase or CPI movement at each anniversary of the lease inception if the option to renew is taken.

\$ '000	2021	2020
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(i) Assets held as property, plant and equipment

Lease to Rising Sun Health (Fitness Centre operator) ⁱ	—	—
Total income relating to operating leases for Council assets	—	—

(i) Lease commenced March 2021, with 3 month rent free period

Amount of IPPE leased out by Council under operating leases

Crookwell Memorial Oval Sports Centre (Gym area)	481	—
Total amount of IPPE leased out by Council under operating leases	481	—

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

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

< 1 year	12	—
Total undiscounted lease payments to be received	12	—

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid rates	–	–	–	–
Goods and services	4,105	–	2,207	–
Accrued expenses:				
– Salaries and wages	302	–	300	–
– Other expenditure accruals	21	–	23	–
Security bonds, deposits and retentions	96	–	166	–
Community enhancement programs	94	–	96	–
Other	22	–	8	–
Total payables	4,640	–	2,800	–
Total payables	4,640	–	2,800	–

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Water	11	–	13	–
Sewer	3	–	4	–
Payables relating to externally restricted assets	14	–	17	–
Total payables relating to restricted assets	14	–	17	–
Total payables relating to unrestricted assets	4,626	–	2,783	–
Total payables	4,640	–	2,800	–

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

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

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	2,120	-	118	-
Total grants received in advance		2,120	-	118	-
Total contract liabilities		2,120	-	118	-

Notes

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

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

Significant changes in contract liabilities

Transport for NSW - Fixing Local Roads Program Grant \$1,485,000 for the reconstruction and sealing parts of Collector Road, Gunning. The associated Contract Liability at 30 June 2021 is \$778,456.

Dept Infrastructure, Transport, Regional Development and Communications - Local Roads and Community Infrastructure Program (LRCI) Grants \$2,216,926 for Multipurpose Aquatic & Activity Centre and Coleman Park upgrade, Crookwell. The associated Contract Liability at 30 June 2021 is \$1,045,989.

Dept Planning, Industry & Environment - Everyone Can Play Program Grant \$300,000 for the construction of an 'inclusive play space' as part of the upgrade of Coleman Park, Crookwell. The associated Contract Liability at 30 June 2021 is \$295,750.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	634	5,434	546	5,068
Total borrowings	634	5,434	546	5,068

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

Borrowings relating to restricted assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	170	309	193	365
Sewer	96	44	100	84
Borrowings relating to externally restricted assets	266	353	293	449
Total borrowings relating to restricted assets	266	353	293	449
Total borrowings relating to unrestricted assets	368	5,081	253	4,619
Total borrowings	634	5,434	546	5,068

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,614	454	–	–	–	–	6,068
Lease liability (Note C2-1b)	213	(28)	–	–	–	–	185
Total liabilities from financing activities	5,827	426	–	–	–	–	6,253

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,655	2,959	–	–	–	–	5,614
Lease liability (Note C2-1b)	–	213	–	–	–	–	213
Total liabilities from financing activities	2,655	3,172	–	–	–	–	5,827

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		

C3-3 Borrowings (continued)

\$ '000	2021	2020
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	30	30
Total financing arrangements	330	330
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	30	30
Total undrawn financing arrangements	330	330

Additional financing arrangements information**Breaches and defaults**

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

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

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	895	–	897	–
Long service leave	2,869	–	3,459	–
Other leave – time in lieu	12	–	19	–
ELE on-costs	347	–	–	–
Total employee benefit provisions	4,123	–	4,375	–

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	206	–	188	–
Sewer	162	–	148	–
Employee benefit provisions relating to externally restricted assets	368	–	336	–
Total employee benefit provisions relating to restricted assets	368	–	336	–
Total employee benefit provisions relating to unrestricted assets	3,755	–	4,039	–
Total employee benefit provisions	4,123	–	4,375	–

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,485	2,473
	2,485	2,473

Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
2021					
At beginning of year	897	3,459	–	19	4,375
Other	(2)	(590)	347	(7)	(252)
Total ELE provisions at end of year	895	2,869	347	12	4,123
2020					
At beginning of year	809	3,463	–	12	4,284
Other	88	(4)	–	7	91
Total ELE provisions at end of year	897	3,459	–	19	4,375

Accounting policy

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

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised

C3-4 Employee benefit provisions (continued)

in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	-	2,860	-	2,797
Sub-total – asset remediation/restoration	-	2,860	-	2,797
Total provisions	-	2,860	-	2,797
Provisions relating to restricted assets				
Externally restricted assets				
Domestic waste management	-	-	115	-
Provisions relating to externally restricted assets	-	-	115	-
Total provisions relating to restricted assets	-	-	115	-
Total provisions relating to unrestricted assets	-	2,860	(115)	2,797
Total provisions	-	2,860	-	2,797

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

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

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	2,797	2,797
Unwinding of discount	63	63
Total other provisions at end of year	2,860	2,860
2020		
At beginning of year	2,783	2,783
Other	14	14
Total other provisions at end of year	2,797	2,797

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Tip provision

Council is required to undertake significant works at the Crookwell waste management centre to comply with EPA requirements. Other minor remediation works on former tip sites converted to transfer stations must also be carried out.

Gravel pit provision

Council is required to remediate gravel pits (quarries).

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Other reserves

Other reserves are retained to meet the needs of Council.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	9,290	945	1,244
User charges and fees	5,222	998	324
Interest and investment revenue	251	13	25
Other revenues	850	498	19
Grants and contributions provided for operating purposes	10,227	19	17
Grants and contributions provided for capital purposes	7,305	21	10
Net gains from disposal of assets	288	14	22
Total income from continuing operations	33,433	2,508	1,661
Expenses from continuing operations			
Employee benefits and on-costs	10,550	759	538
Materials and services	10,507	1,225	832
Borrowing costs	236	35	11
Depreciation, amortisation and impairment of non-financial assets	6,214	509	500
Other expenses	612	5	–
Net losses from the disposal of assets	1,623	–	–
Total expenses from continuing operations	29,742	2,533	1,881
Operating result from continuing operations	3,691	(25)	(220)
Net operating result for the year	3,691	(25)	(220)
Net operating result attributable to each council fund	3,691	(25)	(220)
Net operating result for the year before grants and contributions provided for capital purposes	(3,614)	(46)	(230)

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	8,231	–	–
Investments	9,945	2,656	5,399
Receivables	7,875	784	84
Inventories	977	–	–
Other	179	–	–
Total current assets	27,207	3,440	5,483
Non-current assets			
Investments	1,000	–	–
Receivables	48	6	10
Infrastructure, property, plant and equipment	408,768	24,904	14,970
Right of use assets	179	–	–
Total non-current assets	409,995	24,910	14,980
TOTAL ASSETS	437,202	28,350	20,463
LIABILITIES			
Current liabilities			
Payables	4,626	11	3
Contract liabilities	2,120	–	–
Lease liabilities	19	–	–
Borrowings	501	85	48
Employee benefit provision	3,755	206	162
Total current liabilities	11,021	302	213
Non-current liabilities			
Lease liabilities	166	–	–
Borrowings	4,948	394	92
Provisions	2,860	–	–
Total non-current liabilities	7,974	394	92
TOTAL LIABILITIES	18,995	696	305
Net assets	418,207	27,654	20,158
EQUITY			
Accumulated surplus	269,766	25,537	15,368
Revaluation reserves	148,441	2,117	4,790
Council equity interest	418,207	27,654	20,158
Total equity	418,207	27,654	20,158

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	8,231	7,779	8,231	7,779
Receivables	8,807	3,482	8,807	3,482
Investments				
– Debt securities at amortised cost	19,000	25,100	19,000	25,100
Total financial assets	36,038	36,361	36,038	36,361
Financial liabilities				
Payables	4,640	2,800	4,640	2,800
Loans/advances	6,068	5,614	6,068	5,614
Total financial liabilities	10,708	8,414	10,708	8,414

Fair value is determined as follows:

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement	7	9
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Impact of a 10% movement in price of investments

– Equity / Income Statement	13	42
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(b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	212	56	–	–	268
2020						
Gross carrying amount	(17)	263	39	–	–	285

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	5,754	2,221	4	132	445	8,556
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	3.80%	0.20%
ECL provision	–	–	–	–	17	17
2020						
Gross carrying amount	2,900	49	118	75	72	3,214
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	96	4,544	–	–	4,640	4,640
Loans and advances	4.70%	–	835	2,608	3,883	7,326	6,068
Total financial liabilities		96	5,379	2,608	3,883	11,966	10,708
2020							
Trade/other payables	0.00%	166	2,634	–	–	2,800	2,800
Loans and advances	5.26%	–	756	2,454	3,763	6,973	5,614
Total financial liabilities		166	3,390	2,454	3,763	9,773	8,414

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

Fair value hierarchy

All assets and liabilities measured at fair value are assigned to a level in the fair value hierarchy as follows:

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

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

Level 3: Unobservable inputs for the asset or liability

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

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements									
– Cash and cash equivalents		30/06/21	30/06/20	8,231	7,779	–	–	8,231	7,779
– Term deposits		30/06/21	30/06/20	19,000	25,100	–	–	19,000	25,100
Total financial assets				27,231	32,879	–	–	27,231	32,879
Financial liabilities									
Payables		30/06/21	30/06/20	4,640	2,800	–	–	4,640	2,800
Loans and borrowings		30/06/21	30/06/20	6,068	5,614	–	–	6,068	5,614
Total financial liabilities				10,708	8,414	–	–	10,708	8,414
Infrastructure, property, plant and equipment									
	C1-6								
Plant and equipment		30/06/20	30/06/20	–	–	8,471	7,247	8,471	7,247
Office equipment		30/06/20	30/06/20	–	–	924	944	924	944
Furniture and fittings		30/06/20	30/06/20	–	–	50	57	50	57
Operational land		30/06/18	30/06/18	–	–	4,601	4,601	4,601	4,601
Community land		30/06/21	30/06/16	–	–	4,423	3,289	4,423	3,289
Land Improvements – depreciable		30/06/16	30/06/16	–	–	84	93	84	93
Buildings – non-specialised		30/06/18	30/06/18	–	–	2,191	2,233	2,191	2,233
Buildings – specialised		30/06/18	30/06/18	–	–	24,508	25,342	24,508	25,342
Other structures		30/06/18	30/06/18	–	–	1,089	1,082	1,089	1,082
Roads		30/06/21	30/06/15	–	–	81,749	76,273	81,749	76,273
Bridges		30/06/21	30/06/15	–	–	45,362	27,690	45,362	27,690
Footpaths		30/06/21	30/06/15	–	–	2,694	2,614	2,694	2,614
Stormwater drainage		30/06/21	30/06/15	–	–	13,155	1,662	13,155	1,662
Water supply network		30/06/17	30/06/17	–	–	24,203	24,376	24,203	24,376
Sewerage network		30/06/17	30/06/17	–	–	13,742	13,922	13,742	13,922
Swimming pools		30/06/18	30/06/18	–	–	262	756	262	756
Other open space/recreational assets		30/06/18	30/06/18	–	–	2,199	2,074	2,199	2,074
Other assets		30/06/18	30/06/18	–	–	284	321	284	321
Rehabilitation assets		30/06/18	30/06/18	–	–	2,690	2,906	2,690	2,906
Total infrastructure, property, plant and equipment				–	–	232,681	197,482	232,681	197,482
Non-recurring fair value measurements									

E2-1 Fair value measurement (continued)

Valuation techniques

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

Initial Valuation at Fair Value - Infrastructure, Property, Plant & Equipment

The Office of Local Government, Department of Premier and Cabinet determined that all asset classes will be valued at fair value in accordance with AASB 116 in a staged approach. The following classes of assets were all initially valued at fair value in the following years:

2006/2007 - Water Supply and Sewerage Networks.
 2007/2008 - Buildings, Operational Land, and Property, Plant and Equipment Assets.
 2009/2010 - Roads, Bridges, Footpaths, Stormwater, and Drainage Assets.
 2010/2011 - Community Land, Land Improvements, Other Structures and Other Assets.

Revaluation at Fair Value

All assets re-valued will be carried in the accounts at their re-valued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment costs.

All new assets and asset acquisitions made after the respective dates of valuation are recorded at their initial cost of acquisition.

Valuation of certain classes of assets require the engagement of an external valuer. To facilitate the valuation process Council has synchronised the valuation of Buildings, Operational Land and Property with Other Structures to occur at the same time every five years.

2017/2018 - Buildings, Operational Land and Property, Other Structures and Plant and Equipment assets.
 2020/2021 - Roads, Bridges, Footpaths, Stormwater, and Drainage assets (deferred from 2019/2020).
 2020/2021 - Community Land.
 2021/2022 - Water Supply and Sewerage network assets.

Additional information regarding capitalisation thresholds and depreciation rates utilised has been included as it is relevant in determining what property is deemed to be an 'asset' and is therefore subject to valuation measurement. It also discloses what level of acquisitions will be included after the date of valuation.

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPPE)

Plant and Equipment, Office Equipment and Furniture and Fittings – Fair Value

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at Fair Value under AASB 116 from 30 June 2018, as per the Office of Local Government's directions, using the depreciated historical cost method:-

'In light of the nature and value of Council plant and equipment the Department has stated that NSW Councils may use depreciated historic cost as fair value as long as Council has undertaken a high level review to determine if there has been any impairment to the assets.'

The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. All new assets and asset acquisitions made after the respective dates of valuation are recorded at their initial cost of acquisition.

No market based evidence (Level 2) could be supported therefore these assets were all classified as having been valued using Level 3 valuation inputs.

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

Plant and Equipment, Office Equipment and Furniture and Fittings - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Plant and Equipment, Road-making Equipment	10 to 15 years
Office Equipment	5 to 10 years
Furniture and Fittings	5 to 20 years

continued on next page ...

E2-1 Fair value measurement (continued)

Motor Vehicles 5 years

Asset capitalisation thresholds are:-

Office Equipment	\$2,000
Furniture and Fittings	\$2,000
Plant and Equipment	\$5,000

Operational Land

Operational Land was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2018. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value, which defines Fair Value as “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. This involved establishing the nature of the asset, characteristics important to market participants, the appropriate market and valuation premise. Having maximised the level of valuation input, the adopted technique deemed appropriate is the Market Approach which requires the comparison or income approach to valuation. All new Operational Land acquired after the current valuation date is recorded at the initial cost of acquisition.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

Community Land

Community land was required to be re-valued as at 30 June 2021. In line with the prescribed manner of attributing a valuation to Community Land, the land values (Unimproved Capital Value) as supplied by the Valuer General’s Office have been used.

Land Improvements - Depreciable

Land Improvements - Depreciable were re-valued at Fair Value under AASB 116 as at 30 June 2016 using the depreciated historical cost method.

The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. All new assets and asset acquisitions made after the current valuation date are recorded at their initial cost of acquisition. Due to the diverse nature of land improvements, major depreciation periods are up to 100 years and the capitalisation threshold is \$5,000.

No market based evidence (Level 2) could be supported therefore these assets were all classified as having been valued using Level 3 valuation inputs.

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

Buildings - Specialised & Non-Specialised

Buildings were re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2018. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value, which defines Fair Value as “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. This involved establishing the nature of the asset, characteristics important to market participants, the appropriate market and valuation premise. Having maximised the level of valuation input, the adopted techniques deemed appropriate are:

Non-specialised buildings - Market Approach - This requires the comparison or income approach to valuation.

Specialised buildings - Cost Approach - This requires the depreciated replacement cost approach to valuation.

This asset class is categorised as Level 3 as there are inputs used in the valuation of these assets that require significant professional judgement and are therefore unobservable.

All new buildings acquisitions (new acquisitions and capital improvements) made after the current valuation date are recorded at their initial cost of acquisition.

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

Buildings - Specialised & Non-Specialised – Depreciation & Capitalisation Thresholds

Major depreciation periods and capitalisation thresholds remain unchanged.

E2-1 Fair value measurement (continued)

Major depreciation periods are:-

Buildings	45 to 75 years
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Asset capitalisation thresholds include:-

Buildings - construction/extensions/renovations	\$2,000
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Other Structures

The Other Structures asset class was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2018. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value with the adopted technique deemed appropriate being the Cost Approach which requires the depreciated replacement cost approach to valuation. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

This asset class is categorised as Level 3 as there are inputs used in the valuation of these assets that require significant professional judgement and are therefore unobservable.

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

Other Structures - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Other Structures	15 to 50 years
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Asset capitalisation thresholds include:-

Other Structures	\$2,000
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Roads

The Roads asset class was re-valued as at 30 June 2021 componentised by formation (non-depreciable), pavement sub-base (non-depreciable), pavement base, surface and structures including kerb & gutter. This asset class was re-valued at Fair Value by external consultants Assetic and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2021. The Cost Approach using Level 3 inputs was used to value this asset class. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Roads - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Sealed Roads – Surface	25 years
Sealed Roads – Pavement Base	80 years
Unsealed Roads – Wearing Course	35 years
Unsealed Roads – Formation	Infinite
Roads Pavement Sub-base	Infinite
Other Road Structures	80 years
Formation (Bulk Earthworks)	Infinite
Kerb and Gutter	80 years

Asset capitalisation thresholds include:-

Road construction, gravel re-sheeting and reconstruction	\$5,000
Kerb and Gutter	\$5,000

Bridges

The Bridges asset class was re-valued as at 30 June 2021 classified as concrete, timber or drainage structures. This asset class was re-valued at Fair Value by external consultants Assetic and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2021. The Cost Approach using Level 3 inputs was used to value this

E2-1 Fair value measurement (continued)

asset class. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Bridges - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Bridges – Concrete	100 years
Drainage Structures on Roads	100 years

Asset capitalisation thresholds include:-

Bridge construction and reconstruction	\$5,000
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Footpaths

Footpaths were re-valued as at 30 June 2021 at Fair Value by external consultants Assetic and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2021. The same historical cost per square metre of works carried out was utilised. The Cost Approach using Level 3 inputs was used to value this asset class. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Footpaths - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Footpaths	40 to 80 years
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Asset capitalisation thresholds include:-

Footpaths	\$5,000
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Stormwater Drainage Assets

Stormwater Drainage assets were re-valued as at 30 June 2021 at Fair Value by external consultants Assetic and Upper Lachlan Shire Council professional engineering staff. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The NSW Office of Water 'Reference Rates Manual - valuation of water supply, sewerage and stormwater assets' was utilised to assist to determine fair value. While the unit rates may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement. All asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

Limited market based evidence (Level 2) could be supported therefore these assets were all classified as having been valued using Level 3 valuation inputs.

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

Stormwater Drainage Assets – Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Stormwater and Flood Control Structures	80 to 100 years
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Asset capitalisation thresholds include:-

All Stormwater assets	\$5,000
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Water Supply and Sewerage Infrastructure Assets

Water Supply and Sewerage infrastructure assets were re-valued at Fair Value by an internal valuation undertaken by Upper Lachlan Shire Council professional operations staff and were recognised at fair value as at 30 June 2012 and 30 June 2017.

E2-1 Fair value measurement (continued)

Council's extensive water and sewer capital works programme carried out over the last 5 years has provided useful comparative data on the local construction cost of water and sewer assets. This information was used in conjunction with the NSW Office of Water 'Reference Rates Manual - valuation of water supply, sewerage and stormwater assets' to determine fair value. These assets are indexed each year in line with the Reference Rates Manual as published by the NSW Office of Water. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

This asset class is categorised as Level 3 as there are inputs used in the valuation of these assets (such as estimates of pattern of consumption, residual value, asset condition and useful life), that require significant professional judgement and are therefore unobservable.

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

Water Supply and Sewerage Infrastructure Assets - Depreciation

Major depreciation periods for future years determined following the revaluation are:-

Dams	120 years
Reservoirs	100 years
Bores	25 - 50 years
Reticulation Pipes	80 years
Pump Stations	25 - 70 years
Pumps	25 years
Telemetry	15 years

Asset capitalisation thresholds include: -

Reticulation extensions and new assets	\$3,000
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Swimming Pool Assets

Swimming Pool assets were included in the asset class Other Structures prior to 30 June 2017.

The Swimming Pool asset class was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2018. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value with the adopted technique deemed appropriate being the Cost Approach which requires the depreciated replacement cost approach to valuation. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

This asset class is categorised as Level 3 as there are inputs used in the valuation of these assets that require significant professional judgement and are therefore unobservable.

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

Swimming Pool - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Swimming Pools	50 years
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Asset capitalisation thresholds include:-

Swimming Pools	\$3,000
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Other Open Space/Recreational Assets

Other Open Space/Recreational assets were included in the asset class Other Structures prior to 30 June 2017.

The Other Open Space/Recreational asset class was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2018. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value with the adopted technique deemed appropriate being the Cost Approach which requires the depreciated replacement cost approach to valuation. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

This asset class is categorised as Level 3 as there are inputs used in the valuation of these assets that require significant professional judgement and are therefore unobservable.

E2-1 Fair value measurement (continued)

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

Other Open Space/Recreational - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Playground Equipment and Park Furniture	15 years
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Asset capitalisation thresholds include:-

Playground Equipment and Park Furniture	\$1,000
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Other Assets (including Tips & Quarries Rehabilitation)

Assets within this class comprise of all assets not classified elsewhere. Other Assets, other than tips and quarries rehabilitation, are valued at Fair Value under AASB 116 from 30 June 2012 using the depreciated historical cost method. A review of these assets was undertaken for 30 June 2018 and the same valuation methodology was retained. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life Residual value
Office equipment	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Furniture and fittings	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Operational Land	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Community Land	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Land improvements	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Buildings non-specialised	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Buildings specialised	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Other structures	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Roads	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Bridges	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Footpaths	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Stormwater drainage	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Water supply network	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Sewerage network	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Swimming pools	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other open space/recreational	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other assets	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Rehabilitation assets	Level 3	<ul style="list-style-type: none"> • Discount Rate • CPI

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Operational Land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	7,247	7,575	944	951	57	59	4,601	4,601
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,725	965	234	247	–	5	–	–
Disposals (WDV)	(252)	(153)	–	–	–	–	–	–
Depreciation and impairment	(1,249)	(1,140)	(254)	(254)	(7)	(7)	–	–
Closing balance	8,471	7,247	924	944	50	57	4,601	4,601

\$ '000	Community Land		Land improvements		Buildings non-specialised		Buildings specialised	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	3,289	3,289	93	102	2,233	2,288	25,342	24,111
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	1,134	–	–	–	–	–	–	–
Other movements								
Purchases (GBV)	–	–	–	–	20	8	453	1,941
Disposals (WDV)	–	–	–	–	–	–	(561)	–
Depreciation and impairment	–	–	(9)	(9)	(62)	(63)	(726)	(710)
Closing balance	4,423	3,289	84	93	2,191	2,233	24,508	25,342

\$ '000	Other structures		Roads		Bridges		Footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	Other structures		Roads		Bridges		Footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	1,082	1,004	293,158	291,817	27,690	24,795	2,614	1,635
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	13,378	–	16,549	25	(322)	–
Other movements								
Transfers from/(to) another asset class	–	–	(20,111)	–	–	–	–	–
Purchases (GBV)	39	110	7,399	3,940	2,212	3,542	432	1,008
Disposals (WDV)	–	–	–	(4)	(590)	(170)	–	–
Depreciation and impairment	(32)	(32)	(2,526)	(2,595)	(499)	(502)	(30)	(29)
Closing balance	1,089	1,082	291,298	293,158	45,362	27,690	2,694	2,614

\$ '000	Stormwater drainage		Water supply network		Sewerage network		Swimming pools	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	1,662	1,690	24,376	24,591	13,922	14,251	756	768
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	(8,430)	–	221	229	125	131	–	–
Other movements								
Transfers from/(to) another asset class	20,111	–	–	–	–	–	–	–
Purchases (GBV)	200	–	100	37	175	10	–	10
Disposals (WDV)	–	–	–	–	–	–	(472)	–
Depreciation and impairment	(388)	(28)	(494)	(481)	(480)	(470)	(22)	(22)
Closing balance	13,155	1,662	24,203	24,376	13,742	13,922	262	756

\$ '000	Other open space/recreational		Other assets		Rehabilitation assets		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	2,074	1,864	321	376	2,906	3,122	414,367	408,889
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	22,655	385
Purchases (GBV)	268	331	18	–	–	–	14,275	12,154
Disposals (WDV)	–	–	–	–	–	–	(1,875)	(327)
Depreciation and impairment	(143)	(121)	(55)	(55)	(216)	(216)	(7,192)	(6,734)
Closing balance	2,199	2,074	284	321	2,690	2,906	442,230	414,367

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$212,800. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$320,845.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

* excluding member accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 0.53% or \$212,800.

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

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

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021

(ii) Statewide Mutual Limited

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

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

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

(iii) StateCover Mutual Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii.) Legal Matters

At balance date Upper Lachlan Shire Council had matters pending with its solicitors related to advice on day to day operational activities, such as conveyance on land acquisitions, renewal of Council's quarry contracts, and other operational matters. The fees and costs associated with these were estimated at approximately \$64,500. This figure includes \$46,500 estimate for Upper Lachlan Shire Council ats Tutzing Pty Ltd - Supreme Court Proceeding No. 2021/123548 Kokomo Road matter.

(iii.) Industrial Relations Commission dispute

Backpays to 1 July 2019 for eligible employees under Oosoft job evaluation Industrial Relations Commission dispute. Quantum undeterminable until dispute is settled.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Not applicable.

(iii)

The Minister for Local Government made the following determination on 7 September 2006, relating to the transfer of assets, rights and liabilities of the former Mulwaree Shire Council to Upper Lachlan Shire Council. Schedule 2 of the determination states that "the fixed assets of the Montague Street and Clinton Street, Goulburn properties remain with Goulburn Mulwaree Council. In the event of the sale of this property Upper Lachlan Shire Council will be reimbursed 24.22% of the net profit". The Montague Street property was sold in 2014/2015. Council retains a 24.22% share in the Clinton Street property which remains as a contingent asset.

(iv)

Council has entered into a voluntary Planning Agreement with AGL Energy Ltd on 11 September 2012 in relation to Critical Infrastructure Project reference number MP10_0035 for the project commonly known as the Dalton Gas Fired Power Station. As per section 5 of the voluntary Planning Agreement, AGL Energy Ltd has agreed to pay a monetary contribution of 0.833% of the total capital expenditure of stage one of the development into a Community Enhancement Fund, administered by Council. Payment shall be by instalments over a period of 40 years (indexed) as per clause 5.1 of the planning agreement. Should the development proceed to stage two, a further contribution payment shall be made under clause 5.2 of the voluntary Planning Agreement with the terms and conditions being the same as those applying to stage one.

(v)

Council has entered into a voluntary Community Enhancement Planning Agreement with Goldwind Australia Pty Ltd on 24 October 2013 in relation to the project commonly known as the Gullen Range Wind Farm. As per section 3 'The Community Enhancement Program' of the voluntary Planning Agreement, Goldwind Australia Pty Ltd has agreed to pay a monetary contribution of \$1,666.00 per annum per completed turbine to be indexed by CPI annually commencing at the September 2010 quarter. A Community Fund Committee has been formed to govern the Community fund. Council will be responsible for the administration and governance of the Committee.

E3-1 Contingencies (continued)

(vi)

Council has entered into a Community Enhancement Planning Agreement with Taralga Wind Farm Nominees (No 2) Pty Ltd on 7 September 2014 in relation to the project commonly known as the Taralga Wind Farm. As per section 3 'The Community Enhancement Program' of the voluntary Planning Agreement, Taralga Wind Farm Nominees (No 2) Pty Ltd has agreed to pay a monetary contribution of \$2,500.00 per annum per completed turbine to be indexed by CPI annually commencing at the September 2015 quarter. A Community Fund Committee will be formed to govern the Community fund. Council will be responsible for the administration and governance of the Committee.

(vii)

Council has entered into a Community Enhancement Planning Agreement with Cullerin Range Wind Farm Pty Ltd on 20 October 2016 in relation to the project commonly known as the Cullerin Range Wind Farm. As per section 4 'The Community Enhancement Program' of the voluntary Planning Agreement, Cullerin Range Wind Farm Pty Ltd has agreed to pay a total monetary contribution of \$1,500.00 per turbine per annum to be indexed by CPI annually commencing at the March 2015 quarter. A Community Fund Committee will be formed to govern the Community fund. Council will be responsible for the administration and governance of the Committee.

(viii)

Council entered into a Community Enhancement Planning Agreement with Crookwell Developments Pty Ltd on 27 July 2017 in relation to the project commonly known as the Crookwell 2 and 3 Wind Farm.

(ix)

Upper Lachlan Shire Council has a Community Enhancement Program agreement with Rye Park Renewable Energy Pty Ltd on 21 August 2017 in relation to the State Significant Development of Rye Park Wind Farm project.

(x)

Upper Lachlan Shire Council has a Community Enhancement Program agreement with Newtricity Developments Biala Pty Ltd on 5 December 2018 in relation to the State Significant Development of Biala Wind Farm project.

(xi)

Upper Lachlan Shire Council entered into a Community Enhancement Program agreement with Collector Wind Farm Pty Ltd on 11 January 2019 in relation to the State Significant Development of Collector Wind Farm Project.

(xii)

Council entered into a Contract for the Sale of Land to Crookwell/Taralga Aged Care Ltd regarding property: Part Lot 3 DP 1112816 Laggan Road, Crookwell on 2 June 2021. A deposit of \$44,000 was paid and is being held in the trust account of Council's solicitors Robert J McCarthy & Co. pending delayed settlement with boundary adjustment contractual requirements on Council.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,063	1,369
Termination benefits	94	443
Total	1,157	1,812

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	27
Councillors' fees	90	111
Other Councillors' expenses (including Mayor)	39	40
Total	156	178

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	49	48
Remuneration for audit and other assurance services	49	48
Total Auditor-General remuneration	49	48
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Due diligence services – Grant Thornton Australia internal audit services	15	20
Remuneration for audit and other assurance services	15	20
Total remuneration of non NSW Auditor-General audit firms	15	20
Total audit fees	64	68

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	3,446	6,676
Adjust for non-cash items:		
Depreciation and amortisation	7,223	6,766
Net losses/(gains) on disposal of assets	1,299	89
Adoption of AASB 15/1058	–	(742)
Unwinding of discount rates on reinstatement provisions	63	–
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(5,325)	(182)
Increase/(decrease) in provision for impairment of receivables	–	(19)
Decrease/(increase) in inventories	76	(76)
Decrease/(increase) in other current assets	(91)	(42)
Increase/(decrease) in payables	1,898	778
Increase/(decrease) in other accrued expenses payable	–	24
Increase/(decrease) in other liabilities	(58)	(39)
Increase/(decrease) in contract liabilities	2,002	118
Increase/(decrease) in provision for employee benefits	(252)	91
Increase/(decrease) in other provisions	–	14
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	10,281	13,456

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	52	5
Plant and equipment	1,785	224
Total commitments	1,837	229
These expenditures are payable as follows:		
Within the next year	1,837	229
Total payable	1,837	229
Sources for funding of capital commitments:		
Unrestricted general funds	744	70
Future grants and contributions	1,093	159
Total sources of funding	1,837	229

Details of capital commitments

Council has capital commitments as at 30 June 2021. Capital commitments are related to the finalisation of Council's timber bridge replacement program, other transport projects, plant replacement program, IWCM and Water main replacements in Crookwell.

G3 Statement of developer contributions as at 30 June 2021

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	2,916	202	–	12	(256)	–	2,874	–
Open space	259	17	–	1	(5)	–	272	–
Community facilities	579	33	–	2	–	–	614	–
Other	108	4	–	–	–	–	112	–
Bushfire	180	17	–	1	(5)	–	193	–
Waste management	27	12	–	–	–	–	39	–
S7.11 contributions – under a plan	4,069	285	–	16	(266)	–	4,104	–
Total S7.11 and S7.12 revenue under plans	4,069	285	–	16	(266)	–	4,104	–
S64 contributions	524	31	–	2	–	–	557	–
Total contributions	4,593	316	–	18	(266)	–	4,661	–

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

G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Upper Lachlan Development Contributions Plan 2007 (previously Section 94)								
Bushfire	180	17	–	1	(5)	–	193	–
Roads	2,916	202	–	12	(256)	–	2,874	–
Waste management	27	12	–	–	–	–	39	–
Open space	259	17	–	1	(5)	–	272	–
Community facilities	579	33	–	2	–	–	614	–
Other	108	4	–	–	–	–	112	–
Total	4,069	285	–	16	(266)	–	4,104	–

G3-3 S64 contributions

G3-3 S64 contributions (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Upper Lachlan Development Servicing Plan for Water & Sewer								
Water supply	192	21	–	1	–	–	214	–
Sewerage services	332	10	–	1	–	–	343	–
Total	524	31	–	2	–	–	557	–

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,586)	(8.64)%	1.67%	1.42%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	29,942				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	19,679	52.79%	52.83%	63.34%	> 60.00%
Total continuing operating revenue ¹	37,278				
3. Unrestricted current ratio					
Current assets less all external restrictions	19,290	2.30x	4.56x	5.12x	> 1.50x
Current liabilities less specific purpose liabilities	8,403				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,919	5.75x	13.56x	15.98x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	855				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	286	2.42%	2.67%	2.39%	< 10.00%
Rates and annual charges collectable	11,796				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	27,231	13.48	19.00	15.32	> 3.00
Monthly payments from cash flow of operating and financing activities	2,020	mths	mths	mths	mths

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

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

G4-2 Statement of performance measures by fund

\$ '000	General Indicators		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(8.95)%	1.55%	(1.85)%	(2.06)%	(13.93)%	8.43%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ^{1,2}							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	47.05%	47.67%	98.41%	94.09%	98.37%	93.02%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.30x	4.56x	11.39x	9.30x	25.74x	24.80x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.03x	16.67x	4.37x	4.29x	5.11x	11.46x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	1.73%	2.01%	4.75%	4.58%	5.69%	5.89%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.49	18.31	12.45	13.17	39.08	32.50	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

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

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (8.64)%

Ratio is below benchmark for the first time in over a decade. Current year contributing factors losses on disposal of infrastructure assets - swimming pool and replacement of 7 bridges. Other factors are large increase in depreciation expense and employee benefit costs.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 52.79%

Council has significant reliance on external grant funding and a limited rate base. There are few alternatives income streams available similar to those easily sourced by larger regional or city Councils. Large capital income for road reconstruction projects, Roads to Recovery and Bridges income resulted in lower ratio result.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.30x

Council has been above benchmark for the past 15 years. Adequate working funds are retained to meet short term liabilities.

Benchmark: — > 1.50x

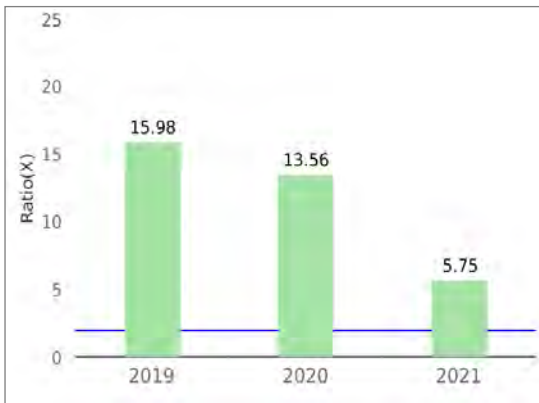
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 5.75x

Council borrowed \$1million in current year and \$4.3million over previous 2 years for bridge replacement program; this combined with decrease in operational results from increase in operating expenditure.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 2.42%

Council's debt recovery management practices and dedicated revenue staff have achieved impressive and consistent results in rates and debt recovery over the past 15 years keeping rates and charges outstanding levels well below the Upper Lachlan Shire Council's benchmark of 5%.

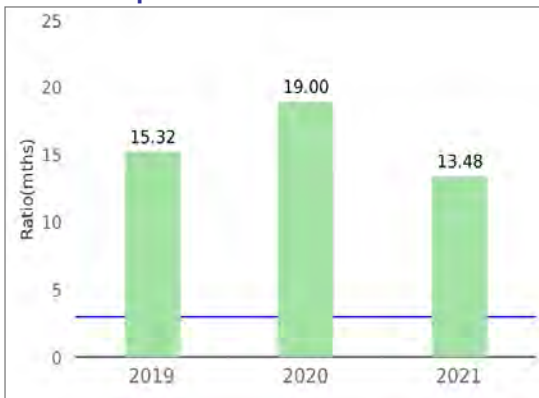
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 13.48 mths

Performance is above benchmark for the past 10 years and Council currently has liquidity with the capacity to fund the works program detailed in the 4 year delivery program. Council has reduced capacity to met short-term liquidity expenses for unanticipated natural disaster events.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Upper Lachlan Shire Council

To the Councillors of the Upper Lachlan Shire Council

Opinion

I have audited the accompanying financial statements of Upper Lachlan Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath.

Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 November 2021
SYDNEY

Ms Colleen Worthy
General Manager
Upper Lachlan Shire Council
PO Box 42
GUNNING NSW 2550

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2123602/1797

3 November 2021

Dear Ms Worthy

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Upper Lachlan Shire Council**

I have audited the general-purpose financial statements (GPFS) of the Upper Lachlan Shire Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements

Council did not record rural fire-fighting equipment in the financial statements.

Rural fire-fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in the financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between Councils and the NSW Rural Fire Service (RFS)

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the RFS.

INCOME STATEMENT

Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	11.5	11.0	↑ 4.5
Grants and contributions revenue	17.6	16.4	↑ 7.3
Operating result from continuing operations	3.4	6.7	↓ 49.3
Net operating result before capital grants and contributions	-3.9	0.4	↓ 107.5

Rates and annual charges revenue (\$11.5 million) increased by \$0.5 million (4.5 per cent) in 2020–21. This was due to the IPART annual rate increase of 2.6 per cent and a slight increase in rateable properties by 1.8 per cent (6,390 in 2020-21 compared to 6,280 in 2019-20).

Grants and contributions revenue (\$17.6 million) increased by \$1.2 million (7.3 per cent) in 2020–21. This was mainly due to the net effect of the following:

- \$3.2 million increase in grants for transport, mainly other roads and bridges funding
- \$0.6 million decrease in grants and contribution for footpaths
- \$0.9 million decrease in grants for recreation and culture.

The Council's operating result from continuing operations (including depreciation and amortisation expense of \$7.2 million) was \$3.3 million lower than the 2019-20 result. This was primarily due to:

- Overall increase in income by \$2.6 million. The increase was due to matters noted above including a \$1.3 million increase in user charges and fees.

This increase in income was offset by the increase in expenditure by \$5.8 million mainly relating to:

- \$1.2 million increase in net losses from the disposal of assets
- \$0.7 million increase in employee benefits and on-costs
- \$3.3 million increase in materials and contracts
- \$0.4 million increase in depreciation and amortisation

The net operating result before capital grants and contributions (-\$3.9 million) was \$4.2 million lower than the 2019-20 result.

STATEMENT OF CASH FLOWS

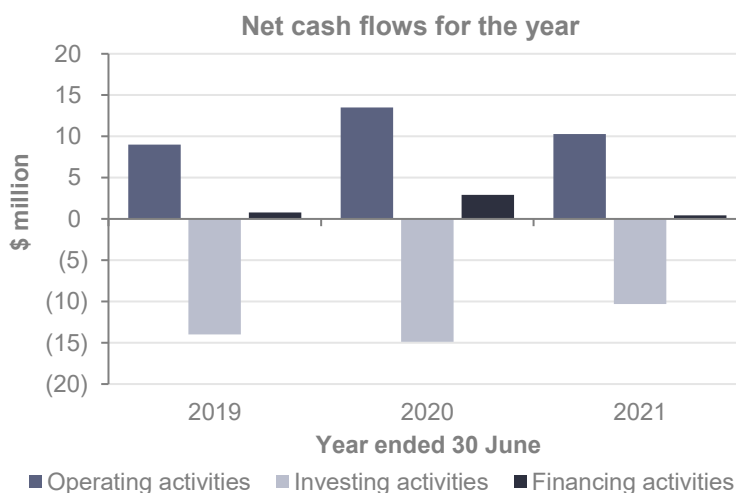
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash and cash equivalents increased by \$0.4 million.

Cash inflows from operating activities decreased by \$3.2 million (from \$13.5 million in 2019-20 to \$10.3 million in 2020-21) mainly due to increased expenses which has been slightly set off with an increase in user charges and fees and grants and contributions as highlighted in the income statement section.

The decrease in cash outflows from investing activities of \$4.6 million (from \$14.9 million in 2019-20 to \$10.3 million in 2020-21) was primarily due to the increase of \$4.6 million in the purchase of infrastructure, property, plant and equipment during the current year.

Cash inflow from financing activities decreased by \$2.5 million (\$2.9 million in 2019-20 to \$0.4 million in 2020-21) mainly due to the \$2.3 million decrease in net proceeds from borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
External restrictions	16.9	15.9	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	9.9	14.1	
Unrestricted	0.4	2.9	
Cash and investments	27.2	32.9	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

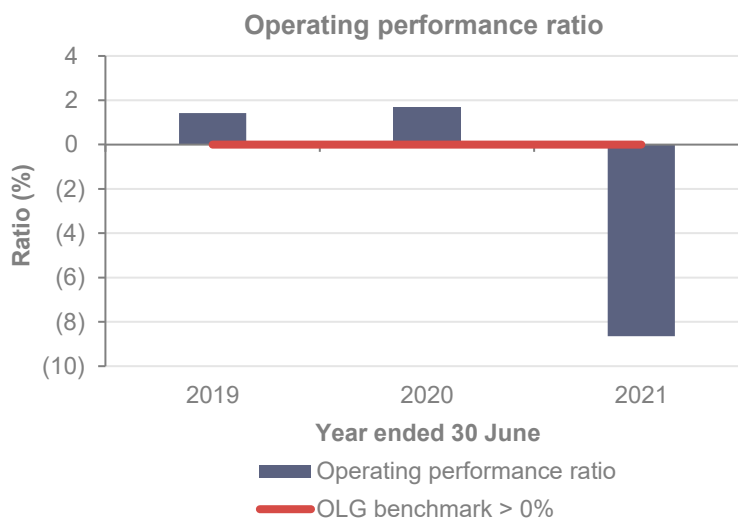
Performance measures

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

Operating performance ratio

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

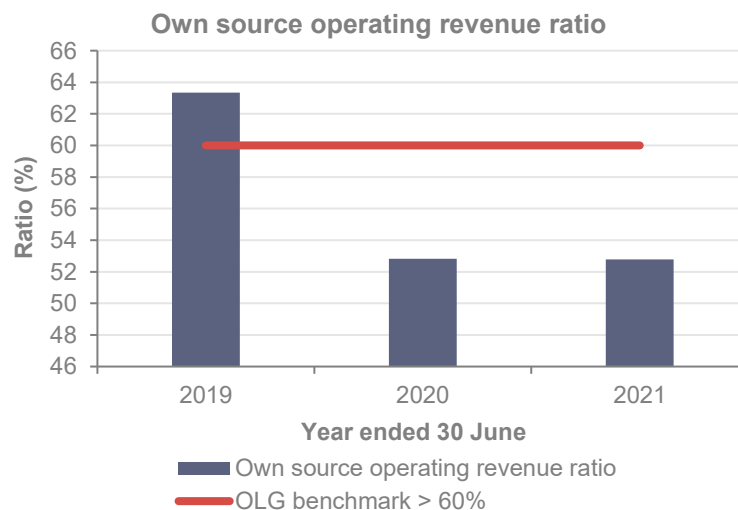
The Council's ratio of (8.64) per cent did not meet the OLG benchmark in FY21.



Own source operating revenue ratio

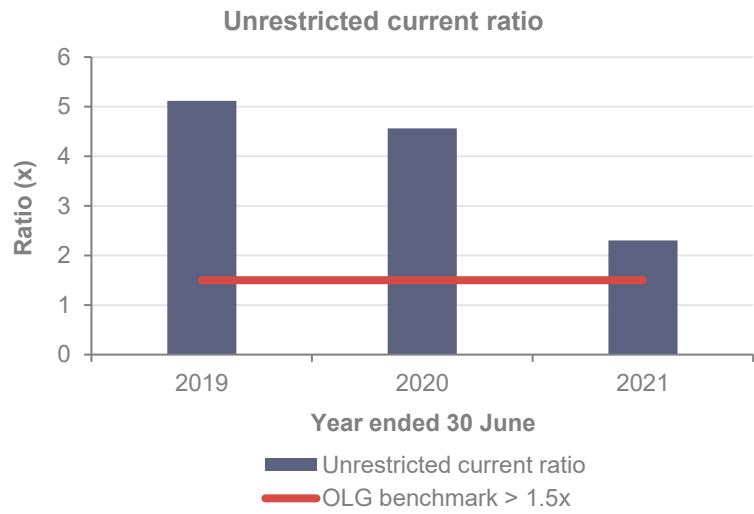
The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

The Council's own source operating ratio of 52.79 per cent for the current reporting period did not meet the OLG benchmark.



Unrestricted current ratio

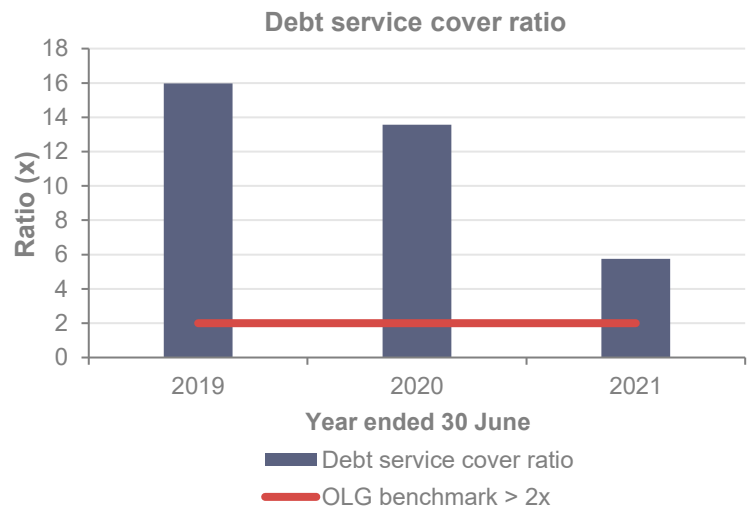
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

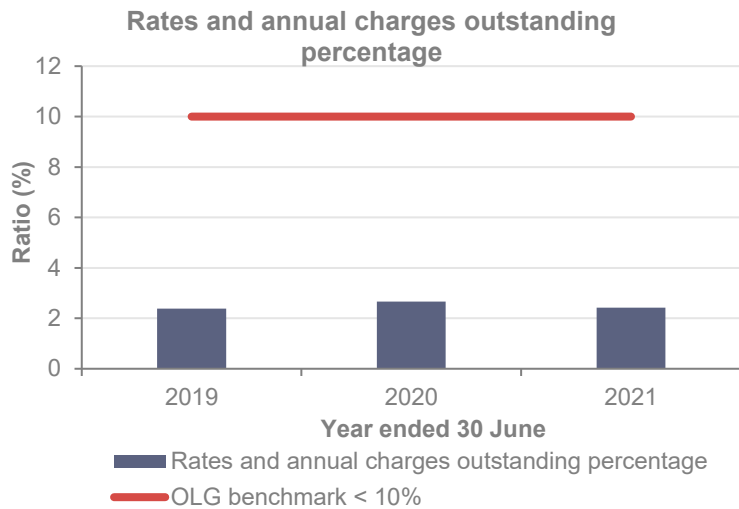
The Council's current year ratio of 5.75 times exceeded the OLG benchmark.



Rates and annual charges outstanding percentage

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

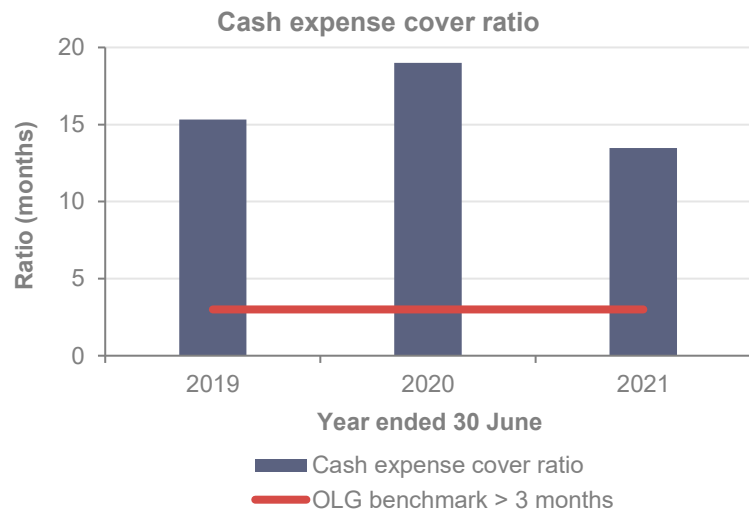
The Council ratio of 2.42 per cent met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

The Council ratio of 13.48 months exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2020-21 amounted to \$17.1 million, an increase of \$2.1 million from the prior year balance of \$15.0 million. The increase mainly related to capital works in progress and plant and equipment.

OTHER MATTERS

Legislative compliance

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

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Council's:

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



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Councillor John Stafford, Mayor
Mr Malcom Barlow, Chair of Audit, Risk and Improvement Committee

Upper Lachlan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Upper Lachlan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Upper Lachlan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

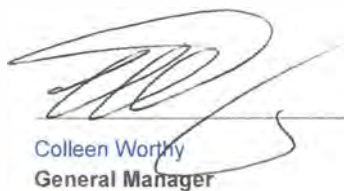
Signed in accordance with a resolution of Council made on 21 October 2021.



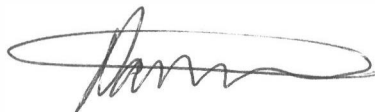
John Stafford
Mayor
21 October 2021



John Searl
Councillor
21 October 2021



Colleen Worthy
General Manager
21 October 2021



Paul Millett
Responsible Accounting Officer
21 October 2021

Upper Lachlan Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	945	900
User charges	970	1,119
Fees	28	8
Interest	13	43
Grants and contributions provided for non-capital purposes	19	19
Profit from the sale of assets	14	-
Other income	498	-
Total income from continuing operations	2,487	2,089
Expenses from continuing operations		
Employee benefits and on-costs	759	640
Borrowing costs	35	40
Materials and services	1,225	727
Depreciation, amortisation and impairment	509	492
Other expenses	5	233
Total expenses from continuing operations	2,533	2,132
Surplus (deficit) from continuing operations before capital amounts	(46)	(43)
Grants and contributions provided for capital purposes	21	111
Surplus (deficit) from continuing operations after capital amounts	(25)	68
Surplus (deficit) from all operations before tax	(25)	68
Surplus (deficit) after tax	(25)	68
Plus accumulated surplus	25,563	25,495
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	25,538	25,563
Return on capital %	0.0%	0.0%
Subsidy from Council	382	224
Calculation of dividend payable:		
Surplus (deficit) after tax	(25)	68
Less: capital grants and contributions (excluding developer contributions)	(21)	(111)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Upper Lachlan Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	1,244	1,197
User charges	312	297
Fees	12	1
Interest	25	78
Grants and contributions provided for non-capital purposes	17	17
Profit from the sale of assets	22	–
Other income	19	–
Total income from continuing operations	1,651	1,590
Expenses from continuing operations		
Employee benefits and on-costs	538	388
Borrowing costs	11	14
Materials and services	832	403
Depreciation, amortisation and impairment	500	494
Other expenses	–	157
Total expenses from continuing operations	1,881	1,456
Surplus (deficit) from continuing operations before capital amounts	(230)	134
Grants and contributions provided for capital purposes	10	101
Surplus (deficit) from continuing operations after capital amounts	(220)	235
Surplus (deficit) from all operations before tax	(220)	235
Less: corporate taxation equivalent [based on result before capital]	–	(37)
Surplus (deficit) after tax	(220)	198
Plus accumulated surplus	15,589	15,354
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	37
Closing accumulated surplus	15,369	15,589
Return on capital %	(1.5)%	1.0%
Subsidy from Council	442	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(220)	198
Less: capital grants and contributions (excluding developer contributions)	(10)	(101)
Surplus for dividend calculation purposes	–	97
Potential dividend calculated from surplus	–	49

Upper Lachlan Shire Council

Income Statement of Domestic Waste Management

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
Access charges	1,237	1,165
User charges	2	1
Interest	8	26
Grants and contributions provided for non-capital purposes	28	27
Other income	–	1
Total income from continuing operations	1,275	1,220
Expenses from continuing operations		
Employee benefits and on-costs	239	211
Materials and services	859	784
Depreciation, amortisation and impairment	234	137
Other expenses	–	2
Total expenses from continuing operations	1,332	1,134
Surplus (deficit) from continuing operations before capital amounts	(57)	86
Grants and contributions provided for capital purposes	12	26
Surplus (deficit) from continuing operations after capital amounts	(45)	112
Surplus (deficit) from all operations before tax	(45)	112
Less: corporate taxation equivalent [based on result before capital]	–	(24)
Surplus (deficit) after tax	(45)	88
Plus accumulated surplus	3,142	3,030
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	24
Closing accumulated surplus	3,097	3,142
Return on capital %	(4.0)%	6.7%
Subsidy from Council	78	–

Upper Lachlan Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Investments	2,656	2,962
Receivables	784	159
Total current assets	3,440	3,121
Non-current assets		
Receivables	6	4
Infrastructure, property, plant and equipment	24,904	25,081
Total non-current assets	24,910	25,085
Total assets	28,350	28,206
LIABILITIES		
Current liabilities		
Payables	11	13
Borrowings	85	114
Employee benefit provisions	206	188
Total current liabilities	302	315
Non-current liabilities		
Borrowings	394	443
Total non-current liabilities	394	443
Total liabilities	696	758
Net assets	27,654	27,448
EQUITY		
Accumulated surplus	25,537	25,564
Revaluation reserves	2,117	1,884
Total equity	27,654	27,448

Upper Lachlan Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Investments	5,399	5,395
Receivables	84	96
Total current assets	5,483	5,491
Non-current assets		
Receivables	10	6
Infrastructure, property, plant and equipment	14,970	15,065
Total non-current assets	14,980	15,071
Total assets	20,463	20,562
LIABILITIES		
Current liabilities		
Payables	3	4
Borrowings	48	56
Employee benefit provisions	162	148
Total current liabilities	213	208
Non-current liabilities		
Borrowings	92	128
Total non-current liabilities	92	128
Total liabilities	305	336
Net assets	20,158	20,226
EQUITY		
Accumulated surplus	15,368	15,590
Revaluation reserves	4,790	4,636
Total equity	20,158	20,226

Upper Lachlan Shire Council

Statement of Financial Position of Domestic Waste Management

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Investments	1,588	1,772
Receivables	77	81
Total current assets	1,665	1,853
Non-current assets		
Receivables	6	4
Infrastructure, property, plant and equipment	1,420	1,281
Total non-current assets	1,426	1,285
Total assets	3,091	3,138
LIABILITIES		
Current liabilities		
Employee benefit provisions	114	115
Total current liabilities	114	115
Total liabilities	114	115
Net assets	2,977	3,023
EQUITY		
Accumulated surplus	3,096	3,142
Revaluation reserves	(119)	(119)
Total equity	2,977	3,023

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

Council has no Category 1 businesses.

Category 2

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

a. Water Supply

Provision of reticulated water supply to the townships of Crookwell, Gunning, Taralga and Dalton.

b. Sewerage Services

Provision of sewerage service to the townships of Crookwell, Gunning and Taralga

c. Domestic Waste Management

Provision of Domestic Waste disposal services for the townships of Crookwell, Gunning, Taralga and villages.

Note – Significant Accounting Policies (continued)

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **26%** (19/20 27.5%)

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

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

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

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

Note – Significant Accounting Policies (continued)

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

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

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

(ii) Return on investments (rate of return)

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

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

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30 June 2021.

(iii) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Upper Lachlan Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Upper Lachlan Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Domestic Waste Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 November 2021
SYDNEY

Upper Lachlan Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Upper Lachlan Shire Council

Special Schedules

for the year ended 30 June 2021

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Upper Lachlan Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	7,325	7,584
Plus or minus adjustments ²	b	70	177
Notional general income	c = a + b	7,395	7,761
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	192	155
Sub-total	k = (c + g + h + i + j)	7,587	7,916
Plus (or minus) last year's carry forward total	l	2	3
Sub-total	n = (l + m)	2	3
Total permissible income	o = k + n	7,589	7,919
Less notional general income yield	p	7,584	7,916
Catch-up or (excess) result	q = o - p	5	3
Less unused catch-up ⁵	s	(2)	-
Carry forward to next year ⁶	t = q + r + s	3	3

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Upper Lachlan Shire Council

To the Councillors of Upper Lachlan Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Upper Lachlan Shire Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath.

Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 November 2021
SYDNEY

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	599	599	643	817	26,699	51,295	10.0%	23.0%	55.0%	12.0%	0.0%
	Sub-total	599	599	643	817	26,699	51,295	10.0%	23.0%	55.0%	12.0%	0.0%
Other structures	Other structures	19	19	18	–	1,089	1,825	25.0%	43.0%	28.0%	4.0%	0.0%
	Sub-total	19	19	18	–	1,089	1,825	25.0%	43.0%	28.0%	4.0%	0.0%
Roads	Roads	22,516	22,516	4,523	2,825	291,298	350,488	31.0%	5.0%	38.0%	25.0%	1.0%
	Bridges	2,784	2,784	895	912	45,362	65,737	5.7%	39.3%	46.7%	7.9%	0.4%
	Footpaths	884	884	119	13	2,694	4,351	0.6%	34.3%	26.3%	34.4%	4.5%
	Sub-total	26,184	26,184	5,537	3,750	339,354	420,576	26.7%	10.7%	39.2%	22.4%	0.9%
Water supply network	Water supply network	3,700	3,700	954	2,043	24,203	39,657	50.0%	18.0%	13.0%	1.0%	18.0%
	Sub-total	3,700	3,700	954	2,043	24,203	39,657	50.0%	18.0%	13.0%	1.0%	18.0%
Sewerage network	Sewerage network	1,489	1,489	402	1,390	13,742	23,489	38.0%	30.0%	7.0%	24.0%	1.0%
	Sub-total	1,489	1,489	402	1,390	13,742	23,489	38.0%	30.0%	7.0%	24.0%	1.0%
Stormwater drainage	Stormwater drainage	4,116	4,116	1,056	472	13,155	30,530	7.6%	58.4%	7.5%	25.4%	1.1%
	Sub-total	4,116	4,116	1,056	472	13,155	30,530	7.6%	58.4%	7.5%	25.4%	1.1%
Open space / recreational assets	Swimming pools	–	–	11	1,217	262	714	0.0%	0.0%	100.0%	0.0%	0.0%
	Other open space/recreational assets	256	256	66	810	2,199	3,726	37.0%	31.0%	5.0%	27.0%	0.0%
	Sub-total	256	256	77	2,027	2,461	4,440	31.1%	26.0%	20.3%	22.7%	0.0%
Total – all assets		36,363	36,363	8,687	10,499	420,703	571,812	26.3%	15.8%	35.6%	20.2%	2.0%

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

Infrastructure asset condition assessment 'key'

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

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2021 (continued)

5 **Very poor**

Urgent renewal/upgrading required

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	5,834	107.96%	108.79%	89.50%	>= 100.00%
Depreciation, amortisation and impairment	5,404				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	36,363	8.51%	4.98%	1.29%	< 2.00%
Net carrying amount of infrastructure assets	427,115				
Asset maintenance ratio					
Actual asset maintenance	10,499	120.86%	144.26%	105.21%	> 100.00%
Required asset maintenance	8,687				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	36,363	6.36%	13.00%	0.75%	
Gross replacement cost	571,812				

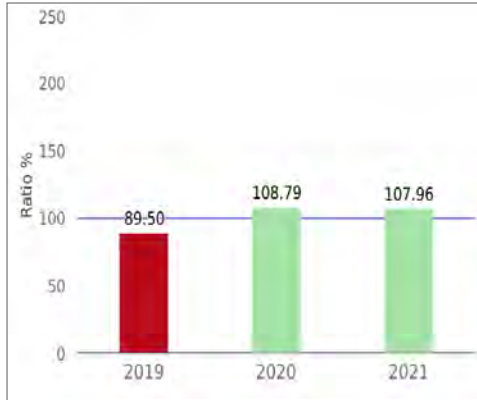
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
20/21 ratio	107.96%

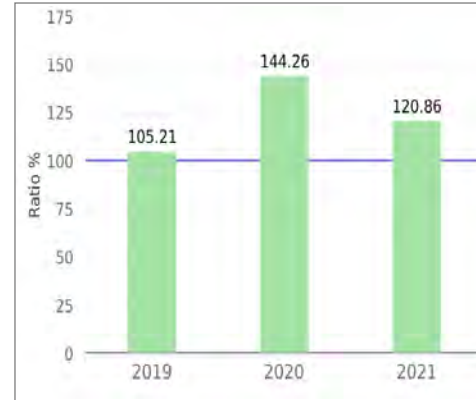
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
20/21 ratio	120.86%

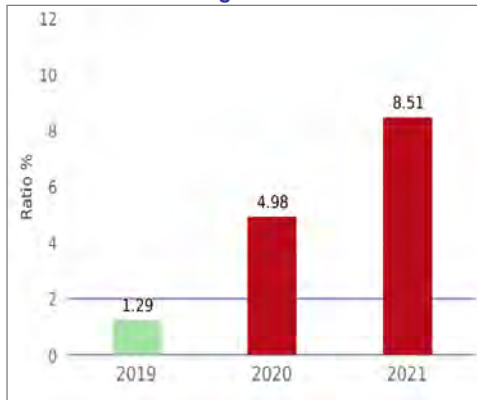
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
20/21 ratio	8.51%

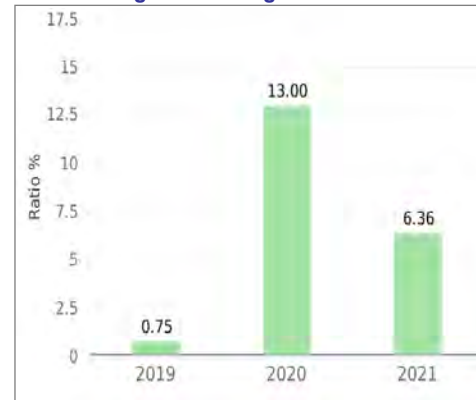
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
20/21 ratio	6.36%

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	131.69%	134.14%	0.00%	0.00%	0.00%	0.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	8.01%	3.73%	15.29%	20.18%	10.84%	10.81%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	96.39%	140.22%	214.15%	153.78%	345.77%	183.13%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	6.13%	11.01%	9.33%	29.25%	6.34%	25.09%	

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.