



BUSINESS PAPER

EXTRAORDINARY MEETING

Thursday 10 October 2019

6.00PM

Council Chambers

TABLELANDS REGIONAL COUNCIL'S VISION

To build and maintain sustainable communities while retaining the region's natural beauty.

COUNCIL'S MISSION

To provide services and facilities to enhance the quality of life and economic viability within the Council area.

COUNCIL'S AIMS

To perform services in a cost efficient, effective and friendly manner in order to achieve Council's Mission in meeting the annual objectives and performance targets of the principal activities Council undertakes on behalf of the community.

NOTICE OF MEETING

4 October 2019

Councillors

Dear Members

Extraordinary Meeting of Council

Notice is hereby given that the Extraordinary Meeting of Council will take place on **Thursday 10 October 2019** in the **Crookwell Council Chambers** commencing at **6:00PM**.

Your presence is requested.

Yours faithfully



Andrew Croke
Acting General Manager
Upper Lachlan Shire Council

I, Councillor Paul Culhane and I, Councillor Darren O'Brien, in accordance with the Upper Lachlan Shire Council's Code of Meeting Practice and the Local Government Act 1993, request that the Mayor call an Extraordinary Meeting of Council to be held on Thursday, 10 October 2019, at 6pm, in the Crookwell Council Chambers.

The Extraordinary Meeting of Council shall deal only with the Referral for Audit of Council's 2018/2019 Financial Statements.

We request a report be provided by the Council General Manager to the Extraordinary Meeting and furnish a copy of the pre-audit Financial Statements to be independently audited by the NSW Audit Office.

Background

Nil.



Councillor Paul Culhane

Date: 1 October 2019



Councillor Darren O'Brien

EXTRAORDINARY MEETING OF COUNCIL

The following items are submitted for consideration -

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1 FINANCE AND ADMINISTRATION

The following item is submitted for consideration -

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Finance and Administration - 10 October 2019

ITEM 1.1 **Referral for Audit - 2018/2019 Financial Statements**

FILE REFERENCE **I19/651**

AUTHOR **Acting Director of Finance and Administration**

ISSUE

Upper Lachlan Shire Council's 2018/2019 Financial Statements are required to be referred to the Audit Office of NSW as Council's external auditor, to conduct the independent audit.

RECOMMENDATION That -

1. Council resolves that the 2018/2019 Financial Statements be referred for independent audit by external auditors, Audit Office of NSW;
2. The Mayor, Deputy Mayor, Acting General Manager and the Acting Director of Finance and Administration sign the Statement by Councillors and Management for the General Purpose and Special Purpose 2018/2019 Financial Statements;
3. Council adopt the 2018/2019 Financial Statements for Council, containing the General Purpose and Special Purpose Financial Statements; and
4. The Acting General Manager be delegated the authority to authorise the Council 2018/2019 Financial Statements for issue immediately upon receipt of the Auditors Report and delegated the authority to finalise the date at which the Auditor's Report and Financial Statements are presented to the public.

BACKGROUND

It is a legislative requirement under Section 413 (1) and (2), of *the Local Government Act 1993*, for Upper Lachlan Shire Council to resolve that the annual Financial Statements be referred for independent audit, by Council's external auditors.

REPORT

Council has prepared the draft pre-audited 2018/2019 Financial Statements ready to be referred to the Audit Office of NSW through contractor Deloitte Touche Tohmatsu to complete their conduct of audit and audit report on the Council's annual General Purpose and Special Purpose Financial Statements for year ended 30 June 2019.

The audit of Council's Financial Statements is scheduled to be undertaken by Deloitte Touche Tohmatsu on 9-18 October 2019. As required in accordance with Section 418 (1) (b), of the *Local Government Act 1993*, public notice will be given for the presentation of the Financial Statements to be undertaken upon receipt of the Auditor's Report.

Finance and Administration

REFERRAL FOR AUDIT - 2018/2019 FINANCIAL STATEMENTS cont'd

The Auditor's Report in conjunction with the Financial Statements will be presented to the Ordinary Council Meeting, to be held on 21 November 2019. A representative from the Audit Office of NSW will attend the Ordinary Council Meeting and address the Council with respect to the Auditor's Report for the Financial Statements for the period ending 30 June 2019.

A comprehensive overview report will be provided by the Acting Director of Finance and Administration at that November 2019 Council Meeting detailing the financial performance and financial position of Council.

The 2018/2019 Financial Statements have been prepared in compliance with:-

- The *Local Government Act 1993* (as amended) and Regulations made there under;
- The Local Government Code 27 of Accounting Practice and Financial Reporting; and
- The Australian Accounting Standards and other professional pronouncements of the Australian Accounting Standards Board.

To the best of my knowledge and belief these Financial Statements:-

- Present fairly the Council's operating result and financial position for the year; and
- Accords with Council's accounting and other records.

Section 420 (2), of the *Local Government Act 1993*, provides that a submission to the Financial Statements must be in writing and is required to be lodged with Council within seven days after the day on which the Financial Statements are presented to the public.

Therefore, any submissions received will be referred to Council's auditors for comment and/or action as necessary. If warranted, the matter will be responded to by Council at its next Ordinary Meeting.

Financial Performance

Upper Lachlan Shire Council has achieved a surplus Net Operating Result from all Council Activities (before capital grants and contributions) totalling \$213,000. Council is at present in a sound financial position to meet all provisions and liabilities.

The Statement of Performance Measurement to the Financial Statements, Note 22 (a)-(c), provides further information and associated graphs which outline the financial management and sound financial position of Council and comparison to previous year's results.

POLICY IMPACT

Nil

OPTIONS

Nil

FINANCIAL IMPACT OF RECOMMENDATIONS

The Financial Statements show the financial performance and financial position of Upper Lachlan Shire Council as at 30 June 2019.

RECOMMENDATION That -

1. Council resolves that the 2018/2019 Financial Statements be referred for independent audit by external auditors, Audit Office of NSW;
2. The Mayor, Deputy Mayor, Acting General Manager and the Acting Director of Finance and Administration sign the Statement by Councillors and Management for the General Purpose and Special Purpose 2018/2019 Financial Statements;
3. Council adopt the 2018/2019 Financial Statements for Council, containing the General Purpose and Special Purpose Financial Statements; and
4. The Acting General Manager be delegated the authority to authorise the Council 2018/2019 Financial Statements for issue immediately upon receipt of the Auditors Report and delegated the authority to finalise the date at which the Auditor's Report and Financial Statements are presented to the public.

ATTACHMENTS

1. ↓	Upper Lachlan Shire Council - Financial Statements 2018-2019	Attachment
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Upper Lachlan Shire Council
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019



Upper Lachlan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019

Upper Lachlan Shire Council

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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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 2(b).

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

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of 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 2019.

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.

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Upper Lachlan Shire Council

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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 10 October 2019.

John Stafford
Mayor
10 October 2019

John Searl
Councillor
10 October 2019

Andrew Croke
Acting General Manager
10 October 2019

Daniel Cooper
Responsible Accounting Officer
10 October 2019

Upper Lachlan Shire Council

Financial Statements 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
10,596	Rates and annual charges	3a	10,580	10,309
5,028	User charges and fees	3b	8,037	7,509
681	Interest and investment revenue	3c	772	731
731	Other revenues	3d	948	597
8,735	Grants and contributions provided for operating purposes	3e,3f	8,777	8,534
3,568	Grants and contributions provided for capital purposes	3e,3f	2,993	6,082
29,339	Total income from continuing operations		32,107	33,762
Expenses from continuing operations				
10,287	Employee benefits and on-costs	4a	11,105	9,943
179	Borrowing costs	4b	223	172
5,752	Materials and contracts	4c	7,930	7,339
6,606	Depreciation and amortisation	4d	6,682	6,086
2,533	Other expenses	4e	2,759	2,675
104	Net losses from the disposal of assets	5	202	35
25,461	Total expenses from continuing operations		28,901	26,250
3,878	Operating result from continuing operations		3,206	7,512
3,878	Net operating result for the year		3,206	7,512
3,878	Net operating result attributable to council		3,206	7,512
310	Net operating result for the year before grants and contributions provided for capital purposes		213	1,430

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Upper Lachlan Shire Council

Financial Statements 2019

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		3,206	7,512
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	611	6,659
Impairment (loss) reversal relating to IPP&E	9(a)	(25)	–
Total items which will not be reclassified subsequently to the operating result		586	6,659
Total other comprehensive income for the year		586	6,659
Total comprehensive income for the year		3,792	14,171
Total comprehensive income attributable to Council		3,792	14,171

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Upper Lachlan Shire Council

Financial Statements 2019

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	6,264	10,705
Investments	6(b)	18,900	19,300
Receivables	7	3,112	2,971
Inventories	8a	977	916
Other	8b	46	106
Total current assets		29,299	33,998
Non-current assets			
Investments	6(b)	3,400	–
Receivables	7	169	122
Infrastructure, property, plant and equipment	9(a)	412,490	407,521
Total non-current assets		416,059	407,643
TOTAL ASSETS		445,358	441,641
LIABILITIES			
Current liabilities			
Payables	10	2,037	2,157
Income received in advance	10	–	846
Borrowings	10	341	235
Provisions	11	4,284	6,608
Total current liabilities		6,662	9,846
Non-current liabilities			
Borrowings	10	2,314	1,655
Provisions	11	2,783	333
Total non-current liabilities		5,097	1,988
TOTAL LIABILITIES		11,759	11,834
Net assets		433,599	429,807
EQUITY			
Accumulated surplus	12a	301,291	298,085
Revaluation reserves	12a	132,308	131,722
Council equity interest		433,599	429,807
Total equity		433,599	429,807

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Upper Lachlan Shire Council

Financial Statements 2019

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		298,085	131,722	429,807	290,573	125,063	415,636
Net operating result for the year		3,206	–	3,206	7,512	–	7,512
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	611	611	–	6,659	6,659
– Impairment (loss) reversal relating to IPP&E	9(a)	–	(25)	(25)	–	–	–
Other comprehensive income		–	586	586	–	6,659	6,659
Total comprehensive income		3,206	586	3,792	7,512	6,659	14,171
Equity – balance at end of the reporting period		301,291	132,308	433,599	298,085	131,722	429,807

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Upper Lachlan Shire Council

Financial Statements 2019

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
Receipts				
10,596	Rates and annual charges		10,627	10,228
5,028	User charges and fees		7,271	7,344
681	Investment and interest revenue received		770	726
12,303	Grants and contributions		11,770	14,730
–	Bonds, deposits and retention amounts received		124	–
731	Other		635	834
Payments				
(10,087)	Employee benefits and on-costs		(11,061)	(9,837)
(5,752)	Materials and contracts		(8,336)	(8,207)
(139)	Borrowing costs		(223)	(156)
–	Bonds, deposits and retention amounts refunded		–	(30)
(2,533)	Other		(2,516)	(1,039)
10,828	Net cash provided (or used in) operating activities	13b	9,061	14,593
Cash flows from investing activities				
Receipts				
–	Sale of investment securities		6,700	14,700
–	Sale of infrastructure, property, plant and equipment		418	245
Payments				
–	Purchase of investment securities		(9,700)	(13,100)
(15,072)	Purchase of infrastructure, property, plant and equipment		(11,685)	(14,937)
(15,072)	Net cash provided (or used in) investing activities		(14,267)	(13,092)
Cash flows from financing activities				
Receipts				
974	Proceeds from borrowings and advances		1,000	–
Payments				
(235)	Repayment of borrowings and advances		(235)	(217)
739	Net cash flow provided (used in) financing activities		765	(217)
(3,505)	Net increase/(decrease) in cash and cash equivalents		(4,441)	1,284
–	Plus: cash and cash equivalents – beginning of year	13a	10,705	9,421
(3,505)	Cash and cash equivalents – end of the year	13a	6,264	10,705
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	22,300	19,300
(3,505)	Total cash, cash equivalents and investments		28,564	30,005

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

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 10 October 2019. Council has the power to amend and reissue these financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (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 19 Related party disclosures 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 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

(b) 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.

(c) 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 9
- (ii) estimated tip remediation provisions – refer Note 11
- (iii) employee benefit provisions – refer Note 11.

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 7.

Monies and other assets received by Council

(a) 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

(b) 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.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

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 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

To date, a detailed analysis has not been performed to assess the impact of AASB15.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

To date, a detailed analysis has not been performed to assess the impact of AASB1058.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

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for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

To date, a detailed analysis has not been performed to assess the impact of AASB2018-8.

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

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(a). Council functions/activities – financial information

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).									
\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)
	2019	2018	2019	2018	2019	2018	2019	2018	2019 2018
Functions or activities									
Our leadership	3	14	787	855	(784)	(841)	–	–	11,957 1,727
Our infrastructure	10,237	12,711	13,866	12,688	(3,629)	23	9,721	12,318	395,309 371,348
Our society/community	1,569	1,923	4,037	3,408	(2,468)	(1,485)	359	723	20,997 28,933
Our environment	2,339	2,465	2,733	2,306	(394)	159	197	370	5,904 1,315
Our economy	5,694	4,949	7,478	6,993	(1,784)	(2,044)	–	114	11,191 38,318
Other – general purpose income	12,265	11,700	–	–	12,265	11,700	1	–	– –
Total functions and activities	32,107	33,762	28,901	26,250	3,206	7,512	10,278	13,525	445,358 441,641

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Council functions/activities - component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) 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.

Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	1,710	1,637
Farmland	4,929	4,808
Mining	2	2
Business	281	274
Less: pensioner rebates (mandatory)	(112)	(104)
Rates levied to ratepayers	6,810	6,617
Pensioner rate subsidies received	53	54
Total ordinary rates	6,863	6,671
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,092	1,058
Stormwater management services	47	46
Water supply services	840	835
Sewerage services	1,116	1,097
Waste management services (non-domestic)	562	542
Annual charges levied	3,657	3,578
Pensioner subsidies received:		
– Water	18	18
– Sewerage	16	16
– Domestic waste management	26	26
Total annual charges	3,717	3,638
TOTAL RATES AND ANNUAL CHARGES	10,580	10,309

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

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.

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	1	1
Water supply services	1,025	973
Sewerage services	260	261
Waste management services (non-domestic)	231	203

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Total specific user charges	1,517	1,438
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	1,148	115
Section 10.7 certificates (EP&A Act)	26	35
Section 603 certificates	22	30
Dwelling entitlement searches	10	15
Premises inspections	8	2
Town planning / building	258	343
Total fees and charges – statutory/regulatory	1,472	540
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	62	60
Cemeteries	97	131
Fire and emergency services levy (FESL) implementation	–	11
Library and art gallery	–	7
Quarry revenues	785	888
RMS charges (state roads not controlled by Council)	3,811	4,307
Water connection fees	4	13
Public halls	9	11
Sporting grounds	27	28
Swimming pools	34	32
Truck wash facility	11	12
Water meter readings	7	7
Engineering plan checking fees	188	–
Other	13	24
Total fees and charges – other	5,048	5,531
TOTAL USER CHARGES AND FEES	8,037	7,509

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	34	35
– Cash and investments	738	696
TOTAL INTEREST AND INVESTMENT REVENUE	772	731

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	22	22
General Council cash and investments	419	409

Restricted investments/funds – external:

Development contributions		
– Section 7.11	88	80
– Section 64	8	6
Water fund operations	64	60
Sewerage fund operations	117	102
Domestic waste management operations	54	52

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Total interest and investment revenue	772	731

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Rental income – other council properties	113	98
Ex gratia rates	29	29
Fines	15	–
Other charges for overdue rates and charges (legal fees)	20	14
Commissions and agency fees	148	146
Insurance claims recoveries	289	22
Advertising income – Council newsletter	3	4
Australia post supplies / sales	16	27
Fuel tax credits	149	124
Miscellaneous / sundry sales	10	1
Sale of old/surplus material	3	14
Other	51	39
Southern phone	13	12
Tourist information centre sales and membership fees	73	57
Windfarm Community Enhancement Program administration fee	16	10
TOTAL OTHER REVENUE	948	597

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	4,861	4,503	–	–

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Total general purpose	4,861	4,503	–	–
Specific purpose				
Water supplies	–	–	(64)	1,428
Bushfire and emergency services	160	193	–	–
Economic development	–	16	–	–
Heritage and cultural	12	12	–	–
Noxious weeds	149	136	–	–
Public halls	–	–	39	15
Recreation and culture	–	–	263	647
Street lighting	28	28	–	–
Transport (roads to recovery)	1,018	1,680	–	–
Transport (other roads and bridges funding)	116	–	773	558
Environment	–	4	–	–
Footpaths	–	–	138	388
Public libraries	48	53	–	–
Other	37	9	7	–
Transportation (3x3, block, repair, regional roads)	1,689	1,579	1,002	2,154
Youth week	2	3	–	–
Tourism	–	5	–	–
Total specific purpose	3,259	3,718	2,158	5,190
Total grants	8,120	8,221	2,158	5,190
Grant revenue is attributable to:				
– Commonwealth funding	5,879	6,182	774	1,428
– State funding	2,199	1,829	1,348	3,710
– Other funding	42	210	36	52
	8,120	8,221	2,158	5,190

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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(f) Contributions

Developer contributions:
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):

Cash contributions

S 7.11 – contributions towards amenities/services	–	–	609	713
S 64 – water supply contributions	–	–	73	64
S 64 – sewerage service contributions	–	–	143	59
Total developer contributions – cash	–	–	825	836

Total developer contributions

20

–	–	825	836
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Other contributions:

Cash contributions

Bushfire services	–	–	–	13
Kerb and gutter	–	–	–	23
Other councils – joint works/services	–	–	2	–
Recreation and culture	–	–	8	20

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Natural disaster funding – roads		440	86	–	–
Section 44 bushfire reimbursement		–	21	–	–
Transferred employee leave entitlements		–	12	–	–
Vehicle leaseback contributions		73	87	–	–
Waste management centres		58	7	–	–
New Gullen Range Wind Farm Contribution		86	100	–	–
Total other contributions – cash		657	313	10	56
Total other contributions		657	313	10	56
Total contributions		657	313	835	892
TOTAL GRANTS AND CONTRIBUTIONS		8,777	8,534	2,993	6,082

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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

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

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

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	274	404
Add: operating grants recognised in the current period but not yet spent	12	225
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(223)	(355)
Unexpended and held as restricted assets (operating grants)	63	274

Capital grants

Unexpended at the close of the previous reporting period	1,351	223
	157	586

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Add: capital grants recognised in the current period but not yet spent	157	586
Add: capital grants received for the provision of goods and services in a future period	–	648
Less: capital grants recognised in a previous reporting period now spent	(791)	(106)
Unexpended and held as restricted assets (capital grants)	717	1,351
Contributions		
Unexpended at the close of the previous reporting period	4,691	3,568
Add: contributions recognised in the current period but not yet spent	–	845
Add: contributions received for the provision of goods and services in a future period	312	922
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 in a previous reporting period now spent	(1,271)	(644)
Unexpended and held as restricted assets (contributions)	3,732	4,691

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	8,628	8,171
Travel expenses	157	214
Employee leave entitlements (ELE)	2,069	1,810
Superannuation	1,124	1,144
Workers' compensation insurance	231	165
Fringe benefit tax (FBT)	47	47
Training costs (other than salaries and wages)	113	136
Other	102	55
Total employee costs	12,471	11,742
Less: capitalised costs	(1,366)	(1,799)
TOTAL EMPLOYEE COSTS EXPENSED	11,105	9,943
Number of 'full-time equivalent' employees (FTE) at year end	137	138

Accounting policy for employee benefits and on-costs

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 15 for more information.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		139	156
Total interest bearing liability costs expensed		139	156
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	84	16
Total other borrowing costs		84	16
TOTAL BORROWING COSTS EXPENSED		223	172

Accounting policy for borrowing costs

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.

\$ '000	2019	2018
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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	1,864	1,831
Contractor and consultancy costs		
– Contractors	5,142	5,042
– Consultancy services	814	303
Auditors remuneration ²	57	87
Legal expenses:		
– Legal expenses: planning and development	2	4
– Legal expenses: other	31	53
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	20	19
Total materials and contracts	7,930	7,339
TOTAL MATERIALS AND CONTRACTS	7,930	7,339

Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Other	20	19
	20	19

2. Auditor remuneration

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	47	46
Remuneration for audit and other assurance services	47	46
Total Auditor-General remuneration	47	46

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Due diligence services – Grant Thornton Australia internal audit services	10	41
Remuneration for audit and other assurance services	10	41
Total remuneration of non NSW Auditor-General audit firms	10	41
Total Auditor remuneration	57	87

\$ '000	Notes	2019	2018
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(d) Depreciation, amortisation and impairment of intangible assets and IPP&E

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
Depreciation and amortisation			
Plant and equipment		1,192	1,108
Office equipment		196	124
Furniture and fittings		7	9
Land improvements (depreciable)		9	9
Infrastructure:			
– Buildings – non-specialised		63	48
– Buildings – specialised		697	534
– Other structures		31	26
– Roads		2,522	2,473
– Bridges		493	492
– Footpaths		27	27
– Stormwater drainage		27	26
– Water supply network		561	525
– Sewerage network		448	447
– Swimming pools		23	19
– Other open space/recreational assets		115	106
Other assets:			
– Other		55	55
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a),11	204	48
– Quarry assets	9(a),11	12	10
Total gross depreciation and amortisation costs		6,682	6,086
Total depreciation and amortisation costs		6,682	6,086
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Bridges		25	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		25	–
Amounts taken through revaluation reserve		(25)	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		6,682	6,086

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**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 10 for IPPE assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are 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

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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.

\$ '000	2019	2018
(e) Other expenses		
Advertising	67	53
Australia post stock / supplies	19	23
Bad and doubtful debts	13	8
Bank charges	37	41
Contributions/levies to other levels of government		
– Emergency services levy (SES)	16	13
– NSW fire brigade levy	25	31
– NSW rural fire service levy	404	414
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	105	105
Councillors' expenses (incl. mayor) – other (excluding fees above)	61	54
Donations, contributions and assistance to other organisations (Section 356)	80	74
Electricity and heating	336	386
Insurance	649	584
Postage	50	49
Printing and stationery	106	120
Street lighting	107	95
Subscriptions and publications	69	94
Telephone and communications	118	143
Tourism expenses (excluding employee costs)	17	17
Valuation fees	62	60
Water usage	181	166
Crookwell Library insurance claim	12	54
Gunning Showground insurance claim	33	–
Redground Road property insurance claim	90	–
RFS Control Centre insurance claim	11	–
Other	65	66
Total other expenses	2,759	2,675
TOTAL OTHER EXPENSES	2,759	2,675

Accounting policy for other expenses

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

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		418	245
Less: carrying amount of plant and equipment assets sold/written off		(373)	(280)
Net gain/(loss) on disposal		45	(35)
Infrastructure	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(247)	–
Net gain/(loss) on disposal		(247)	–
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		6,700	14,700
Less: carrying amount of investments sold/redeemed/matured		(6,700)	(14,700)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(202)	(35)

Accounting policy for disposal of assets

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

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.

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	639	605
Cash-equivalent assets		
– Deposits at call	1,225	1,200
– Short-term deposits	4,400	8,900
Total cash and cash equivalents	6,264	10,705

Accounting policy for cash and cash equivalents

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.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	18,900	3,400	19,300	–
Total Investments	18,900	3,400	19,300	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	25,164	3,400	30,005	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	18,900	3,400	19,300	–
Total	18,900	3,400	19,300	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

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for the year ended 30 June 2019

Note 6(b). Investments (continued)

- 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 and cash and cash equivalents in the Statement of Financial Position.

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

Interest income, impairment and gains or loss on de-recognition are recognised in 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 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 in FRNs and NCDs in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

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Note 6(b). Investments (continued)

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Note 6(c). Restricted cash, cash equivalents and investments – details

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	25,164	3,400	30,005	–
attributable to:				
External restrictions	9,912	3,400	15,032	–
Internal restrictions	12,822	–	12,526	–
Unrestricted	2,430	–	2,447	–
	25,164	3,400	30,005	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	3,426	3,616
Developer contributions – water fund	79	117
Developer contributions – sewer fund	227	113
RMS contributions	–	845
Specific purpose unexpended grants	780	1,625
Water supplies	2,472	2,412
Sewerage services	4,544	4,237
Domestic waste management	1,498	1,776
Stormwater management	247	283
Wind farms community fund	33	(8)
Trust fund	6	16

External restrictions – other

13,312 15,032

Total external restrictions

13,312 15,032

Internal restrictions

Employees leave entitlement	2,018	1,917
Carry over works	2,311	2,496
Deposits, retentions and bonds	283	161
Buildings and infrastructure improvements	1,159	1,360
Community projects	12	12
Council houses capital works	63	61
Financial Assistance Grant prepayment Q1 and Q2	2,475	2,289
Garbage / waste disposal	37	37

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(c). Restricted cash, cash equivalents and investments – details (continued)

\$ '000	2019	2018
Gravel pit restoration	353	333
Information technology and equipment	220	269
Library cooperative	71	71
Plant and equipment replacement	1,667	1,445
Public halls capital improvements	39	39
Rubbish tips remediation	1,500	1,809
State Road works contingencies	582	195
Upper Lachlan tourist association	32	32
Total internal restrictions	12,822	12,526
TOTAL RESTRICTIONS	26,134	27,558

Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	207	45	260	39
Interest and extra charges	6	10	12	6
User charges and fees	2,320	114	2,437	77
Accrued revenues				
– Interest on investments	232	–	228	–
Net GST receivable	248	–	33	–
Other debtors	135	–	37	–
Total	3,148	169	3,007	122
Less: provision of impairment				
Rates and annual charges	(6)	–	(6)	–
User charges and fees	(30)	–	(30)	–
Total provision for impairment – receivables	(36)	–	(36)	–
TOTAL NET RECEIVABLES	3,112	169	2,971	122

Externally restricted receivables

Water supply

– Rates and availability charges	56	5	57	1
– Other	39	65	59	17

Sewerage services

– Rates and availability charges	69	8	63	6
– Other	28	8	–	–

Domestic waste management

	90	5	70	4
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Total external restrictions	282	91	249	28
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Unrestricted receivables	2,830	78	2,722	94
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TOTAL NET RECEIVABLES	3,112	169	2,971	122
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\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	36	36
Balance at the end of the period	36	36

Accounting policy for receivables

Recognition and measurement

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

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

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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.

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.

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

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

Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	346	–	284	–
Stores and materials – gravel	415	–	427	–
Trading stock – Australia post agency	22	–	16	–
Trading stock – tourist information centres	12	–	11	–
Loose tools	182	–	178	–
Total inventories at cost	977	–	916	–
TOTAL INVENTORIES	977	–	916	–

(b) Other assets

Prepayments	46	–	106	–
TOTAL OTHER ASSETS	46	–	106	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,023	–	1,022	–
TOTAL INVENTORIES AND OTHER ASSETS	1,023	–	1,022	–

(i) Other disclosures

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

Accounting policy for inventories and other assets

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.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Land held for resale/capitalisation of borrowing costs

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

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

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period					as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	–	–	–	3,601	–	–	–	–	3,601	–	3,601
Plant and equipment	13,856	(6,765)	7,091	2,050	(374)	(1,192)	–	–	14,901	(7,326)	7,575
Office equipment	2,178	(1,341)	837	310	–	(196)	–	–	2,488	(1,537)	951
Furniture and fittings	205	(142)	63	3	–	(7)	–	–	209	(150)	59
Land:											
– Operational land	4,595	–	4,595	6	–	–	–	–	4,601	–	4,601
– Community land	3,289	–	3,289	–	–	–	–	–	3,289	–	3,289
Land improvements – depreciable	281	(171)	110	–	–	(9)	–	–	282	(180)	102
Infrastructure:											
– Buildings – non-specialised	4,651	(2,345)	2,306	45	–	(63)	–	–	4,696	(2,408)	2,288
– Buildings – specialised	45,820	(21,247)	24,573	482	(247)	(697)	–	–	45,472	(21,361)	24,111
– Other structures	1,632	(641)	991	44	–	(31)	–	–	1,676	(672)	1,004
– Roads	122,531	(46,656)	75,875	2,854	–	(2,522)	–	–	125,385	(49,178)	76,207
– Bridges	48,034	(22,913)	25,121	192	–	(493)	(25)	–	48,063	(23,268)	24,795
– Footpaths	2,122	(552)	1,570	90	–	(27)	–	–	2,213	(578)	1,635
– Bulk earthworks (non-depreciable)	214,476	–	214,476	1,134	–	–	–	–	215,610	–	215,610
– Stormwater drainage	2,745	(1,139)	1,606	110	–	(27)	–	–	2,855	(1,165)	1,690
– Water supply network	37,808	(13,416)	24,392	371	–	(561)	–	387	38,791	(14,200)	24,591
– Sewerage network	22,302	(8,037)	14,265	211	–	(448)	–	224	22,872	(8,621)	14,251
– Swimming pools	1,684	(906)	778	13	–	(23)	–	–	1,697	(929)	768
– Other open space/recreational assets	3,046	(1,158)	1,888	92	–	(115)	–	–	3,137	(1,273)	1,864
Other assets:											
– Other	934	(503)	431	–	–	(55)	–	–	934	(558)	376
Reinstatement, rehabilitation and restoration assets (refer Note 14):											
– Tip assets	3,025	(94)	2,931	74	–	(204)	–	–	3,099	(298)	2,801
– Quarry assets	333	–	333	–	–	(12)	–	–	333	(12)	321
Total Infrastructure, property, plant and equipment	535,547	(128,026)	407,521	11,682	(621)	(6,682)	(25)	611	546,204	(133,714)	412,490

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Plant and equipment	13,808	(6,264)	7,544	935	(280)	(1,108)	–	–	–	13,856	(6,765)	7,091
Office equipment	1,747	(1,217)	530	431	–	(124)	–	–	–	2,178	(1,341)	837
Furniture and fittings	205	(133)	72	–	–	(9)	–	–	–	205	(142)	63
Land:												
– Operational land	4,416	–	4,416	277	–	–	–	(98)	–	4,595	–	4,595
– Community land	3,231	–	3,231	58	–	–	–	–	–	3,289	–	3,289
Land improvements – depreciable	281	(162)	119	–	–	(9)	–	–	–	281	(171)	110
Infrastructure:												
– Buildings – non-specialised	3,976	(2,147)	1,829	–	–	(48)	–	–	524	4,651	(2,345)	2,306
– Buildings – specialised	39,938	(19,919)	20,019	869	–	(534)	–	–	4,219	45,820	(21,247)	24,573
– Other structures	1,455	(546)	909	40	–	(26)	–	–	68	1,632	(641)	991
– Roads	116,985	(44,182)	72,803	5,546	–	(2,473)	–	–	–	122,531	(46,656)	75,875
– Bridges	47,598	(22,421)	25,177	437	–	(492)	–	–	–	48,034	(22,913)	25,121
– Footpaths	2,017	(525)	1,492	105	–	(27)	–	–	–	2,122	(552)	1,570
– Bulk earthworks (non-depreciable)	212,276	–	212,276	2,200	–	–	–	–	–	214,476	–	214,476
– Stormwater drainage	2,557	(1,112)	1,445	187	–	(26)	–	–	–	2,745	(1,139)	1,606
– Water supply network	35,591	(12,615)	22,976	1,576	–	(525)	–	–	365	37,808	(13,416)	24,392
– Sewerage network	21,711	(7,424)	14,287	132	–	(447)	–	–	293	22,302	(8,037)	14,265
– Swimming pools	1,490	(1,001)	489	16	–	(19)	–	–	292	1,684	(906)	778
– Other open space/recreational assets	2,720	(1,340)	1,380	45	–	(106)	–	–	569	3,046	(1,158)	1,888
Other assets:												
– Other	921	(449)	472	14	–	(55)	–	–	–	934	(503)	431
Reinstatement, rehabilitation and restoration assets (refer Note 14):												
– Tip assets	740	(213)	527	206	–	(48)	1,901	–	346	3,025	(94)	2,931
– Quarry assets	346	(48)	298	–	–	(10)	(36)	–	81	333	–	333
Total Infrastructure, property, plant and equipment	514,009	(121,718)	392,291	13,074	(280)	(6,086)	1,865	(98)	6,757	535,547	(128,026)	407,521

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

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Notes to the Financial Statements

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Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset 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 revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	15
Office furniture	5 to 20		
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
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100 to 120	Drains	100
Bores	25 to 50	Flood control structures	100
Reticulation pipes	80		
Pump stations	25 to 70		
Telemetry	15		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	25	Roads pavement: sub base	indefinite
Sealed roads: pavement base	100	Other road structures	100
Unsealed roads: pavement base	30	Swimming pools	50
Bridge: concrete	100	Other open space/recreational assets	15 to 50
Bridge: timber	40 to 100	Other structures	15 to 50
Road pavements	60		
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.

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 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

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Notes to the Financial Statements

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Note 9(a). Infrastructure, property, plant and equipment (continued)

Crown reserves

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

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

Rural Fire Service assets

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

Note 9(b). Infrastructure, property, plant and equipment – current year impairments

Council has recognised an impairment loss during the reporting period as a result of the closure of Harley Rd Crookwell River Bridge (Infrastructure Assets).

Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services	1,429	–	1,774	–
Accrued expenses:				
– Salaries and wages	195	–	193	–
– Other expenditure accruals	104	–	23	–
Security bonds, deposits and retentions	282	–	158	–
Community enhancement programs	17	–	–	–
Other	10	–	9	–
Total payables	2,037	–	2,157	–
Income received in advance				
Payments received in advance	–	–	846	–
Total income received in advance	–	–	846	–
Borrowings				
Loans – secured ⁽¹⁾	341	2,314	235	1,655
Total borrowings	341	2,314	235	1,655
TOTAL PAYABLES AND BORROWINGS	2,378	2,314	3,238	1,655

⁽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.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	88	557	84	631
Sewer	46	184	44	225
Payables and borrowings relating to externally restricted assets	134	741	128	856
Total payables and borrowings relating to restricted assets	134	741	128	856
Total payables and borrowings relating to unrestricted assets	2,244	1,573	3,110	799
TOTAL PAYABLES AND BORROWINGS	2,378	2,314	3,238	1,655

\$ '000	2019	2018
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(b) Current payables and borrowings 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.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
Total payables and borrowings	–	–

(c) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	1,890	765	–	–	–	2,655
TOTAL	1,890	765	–	–	–	2,655

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	2,107	(217)	–	–	–	1,890
TOTAL	2,107	(217)	–	–	–	1,890

\$ '000	2019	2018
---------	------	------

(d) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	30	30
Total financing arrangements	330	330

Undrawn facilities as at balance date:

– 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 for payables and borrowings

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.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

Borrowings

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.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	809	–	781	–
Long service leave	3,463	–	3,449	–
Other leave – time in lieu	12	–	12	–
Sub-total – aggregate employee benefits	4,284	–	4,242	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,783	2,366	333
Sub-total – asset remediation/restoration	–	2,783	2,366	333
TOTAL PROVISIONS	4,284	2,783	6,608	333

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	158	–	144	–
Sewer	152	–	132	–
Domestic waste management	101	–	74	–
Provisions relating to externally restricted assets	411	–	350	–
Total provisions relating to restricted assets	411	–	350	–
Total provisions relating to unrestricted assets	3,873	2,783	6,258	333
TOTAL PROVISIONS	4,284	2,783	6,608	333

\$ '000	2019	2018
---------	------	------

(b) 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.

Provisions – employees benefits	2,398	3,070
	2,398	3,070

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	781	3,449	12	4,242
Other	28	14	–	42
Total ELE provisions at end of period	809	3,463	12	4,284

2018

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	772	3,342	16	4,130
Additional provisions	9	107	(4)	112
Total ELE provisions at end of period	781	3,449	12	4,242

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	2,699	2,699
Other	84	84
Total other provisions at end of period	2,783	2,783
2018		
At beginning of year	817	817
– Revised costs	1,866	1,866
Unwinding of discount	16	16
Total other provisions at end of period	2,699	2,699

Nature and purpose of non-employee benefit 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).

Accounting policy for provisions

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 interest expense.

Employee benefits

Short-term obligations

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

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

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 costs are estimated on the basis of a closure plan. 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.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, 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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

Other reserves

Other reserves are retained to meet the needs of Council.

(b) Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

Provide details of the accounting estimate change/s here and the dollar effect/s on the current year.

Nature and effect of changes in accounting estimates on future years

Provide details of the accounting estimate change/s impact/s on future years.

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	6,264	10,705
Balance as per the Statement of Cash Flows		6,264	10,705
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,206	7,512
Adjust for non-cash items:			
Depreciation and amortisation		6,682	6,086
Net losses/(gains) on disposal of assets		202	35
Unwinding of discount rates on reinstatement provisions		–	16
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(188)	(746)
Decrease/(increase) in inventories		(61)	103
Decrease/(increase) in other current assets		60	(20)
Increase/(decrease) in payables		(345)	(971)
Increase/(decrease) in other accrued expenses payable		83	(8)
Increase/(decrease) in other liabilities		(704)	608
Increase/(decrease) in provision for employee benefits		42	112
Increase/(decrease) in other provisions		84	1,866
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,061	14,593

Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	700	–
Plant and equipment	648	–
Total commitments	1,348	–

These expenditures are payable as follows:

Within the next year	1,348	–
Total payable	1,348	–

Sources for funding of capital commitments:

Unrestricted general funds	253	–
Future grants and contributions	1,095	–
Total sources of funding	1,348	–

Details of capital commitments

Council has capital commitments as at 30 June 2019. Major capital commitments are - Crookwell Memorial Oval building construction - \$666k and Abercrombie Bridge construction - \$297k.

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	21	21
Later than one year and not later than 5 years	40	61
Total non-cancellable operating lease commitments	61	82

b. Non-cancellable operating leases include the following assets:

Office equipment leases

Conditions relating to finance and operating leases:

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised

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 Defined Benefit Multi-Employer Plan as defined by 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 set out 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).

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. 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.

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$400,409. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

Council's expected contribution to the plan for the next annual reporting period is \$328,404.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1798.7	
Past Service Liabilities	1784.2	100.8%
Vested Benefits	1792.0	100.4%

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

(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.

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.

(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

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised (continued)

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 resolved on 18 May 2017 'that Council places on public exhibition the draft Crookwell 2 and 3 Wind Farm voluntary planning agreement...' 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. Section 5 of the agreement, 'Payment of the Monetary Contribution', states 'The company must pay to the Council the Monetary Contribution (\$2,500 per turbine) in arrears on 1 July each year' to be indexed by CPI annually commencing at the June 2011 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.

(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.

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,264	10,705	6,264	10,705
Receivables	3,281	3,093	3,242	3,093
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	22,300	19,300	22,300	19,300
Total financial assets	31,845	33,098	31,806	33,098
Financial liabilities				
Payables	2,037	2,157	2,053	2,157
Loans/advances	2,655	1,890	2,655	1,890
Total financial liabilities	4,692	4,047	4,708	4,047

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 held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt 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) 'available-for-sale' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

(a) Market risk – price risk and interest rate risk

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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	19	19	(19)	(19)
2018				
Possible impact of a 1% movement in interest rates	18	18	(18)	(18)

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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 secure a charge over the land relating to the debts – 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 the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	207	45	–	–	252
2018						
Gross carrying amount	–	260	39	–	–	299

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 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
2019						
Gross carrying amount	2,909	40	2	114	–	3,065
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	2,387	99	129	138	77	2,830
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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Note 16. Financial risk management (continued)

Payables and borrowings are both subject to liquidity risk – 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 maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. 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 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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	282	1,755	–	–	2,037	2,037
Loans and advances	5.99%	–	489	1,622	1,341	3,452	2,655
Total financial liabilities		282	2,244	1,622	1,341	5,489	4,692
2018							
Trade/other payables	0.00%	158	1,999	–	–	2,157	2,157
Loans and advances	7.61%	–	376	1,317	977	2,670	1,890
Total financial liabilities		158	2,375	1,317	977	4,827	4,047

Loan agreement breaches

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

Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 20/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	10,596	10,580	(16)	0% U
User charges and fees	5,028	8,037	3,009	60% F
Major private works project (Woodhouslee Rd) - \$1.1m, additional RMCC works - \$638k, engineering plan checking fees - \$188k.				
Interest and investment revenue	681	772	91	13% F
Cash holdings were higher than anticipated resulting in increased income.				
Other revenues	731	948	217	30% F
Income from insurance claims - \$288k.				
Operating grants and contributions	8,735	8,777	42	0% F
Capital grants and contributions	3,568	2,993	(575)	(16)% U
Kiamma Creek grant funded timber bridge replacement deferred - \$1.06m, Gundaroo Road rehabilitation grant funded not budgeted for - \$448k.				
EXPENSES				
Employee benefits and on-costs	10,287	11,105	(818)	(8)% U
Organisational realignment undertaken resulting in increased employee costs including voluntary redundancy of 2 managers. Acting General Manager (4 months) assignment. Workers Compensation costs increased.				
Borrowing costs	179	223	(44)	(25)% U
Increase in remediation provision - \$44k.				
Materials and contracts	5,752	7,930	(2,178)	(38)% U
Major private works project (Woodhouslee Rd) - \$1.1m, additional RMCC works - \$638k, additional consultancies (Asbestos Register, building control)- \$315k.				
Depreciation and amortisation	6,606	6,682	(76)	(1)% U
Other expenses	2,533	2,759	(226)	(9)% U
Increase in insurance claims - \$159k.				
Net losses from disposal of assets	104	202	(98)	(94)% U

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Note 17. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----
Demolition of replaced buildings (Crookwell Memorial Oval) - \$247k.			

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	10,828	9,061	(1,767)	(16)%	U
Increase in employment costs (employee costs) - \$974k, reduction in grants received - \$533k.					
Net cash provided from (used in) investing activities	(15,072)	(14,267)	805	(5)%	F
Net cash provided from (used in) financing activities	739	765	26	4%	F

Upper Lachlan Shire Council

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for the year ended 30 June 2019

Note 18. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

		Fair value measurement hierarchy			
	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs
2019					Total
Recurring fair value measurements					
– Cash and cash equivalents		30/06/19	–	6,264	–
– Term deposits		30/06/19	–	22,300	–
Total financial assets			–	28,564	–
Financial liabilities					
	10				
Payables		30/06/19	–	2,037	–
Loans and borrowings		30/06/19	–	2,655	–
Total financial liabilities			–	4,692	–
Infrastructure, property, plant and equipment					
	9(a)				
Plant and equipment		30/06/18	–	–	7,575
Office equipment		30/06/18	–	–	951
Furniture and fittings		30/06/18	–	–	59
Operational land		30/06/18	–	–	4,601
Community land		30/06/16	–	–	3,289
Land Improvements – depreciable		30/06/16	–	–	102
Buildings – non-specialised		30/06/16	–	–	2,288
Buildings – specialised		30/06/16	–	–	24,111
Other structures		30/06/16	–	–	1,004
Roads		30/06/15	–	–	291,817
Bridges		30/06/15	–	–	24,795
Footpaths		30/06/15	–	–	1,635
Stormwater drainage		30/06/15	–	–	1,690
Water supply network		30/06/17	–	–	24,591
Sewerage network		30/06/17	–	–	14,251
Swimming pools		30/06/18	–	–	768
Other open space/recreational assets		30/06/18	–	–	1,864
Other assets		30/06/18	–	–	376
Rehabilitation assets		30/06/18	–	–	3,122
Total infrastructure, property, plant and equipment			–	–	408,889

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Note 18. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
Recurring fair value measurements						
– Cash and cash equivalents		30/06/18	–	10,705	–	10,705
– Term deposits		30/06/18	–	19,300	–	19,300
Total financial assets			–	30,005	–	30,005
Financial liabilities						
	10					
Payables		30/06/18	–	2,157	–	2,157
Loans and borrowings		30/06/18	–	1,890	–	1,890
Income received in advance			–	846	–	846
Total financial liabilities			–	4,893	–	4,893
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/18	–	–	7,091	7,091
Office equipment		30/06/18	–	–	837	837
Furniture and fittings		30/06/18	–	–	63	63
Operational land		30/06/18	–	–	4,595	4,595
Community land		30/06/16	–	–	3,289	3,289
Land Improvements – depreciable		30/06/16	–	–	110	110
Buildings – non-specialised		30/06/18	–	–	2,306	2,306
Buildings – specialised		30/06/18	–	–	24,573	24,573
Other structures		30/06/18	–	–	991	991
Roads		30/06/15	–	–	290,351	290,351
Bridges		30/06/15	–	–	25,121	25,121
Footpaths		30/06/15	–	–	1,570	1,570
Stormwater drainage		30/06/15	–	–	1,606	1,606
Water supply network		30/06/17	–	–	24,392	24,392
Sewerage network		30/06/17	–	–	14,265	14,265
Swimming pools		30/06/18	–	–	778	778
Other open space/recreational assets		30/06/18	–	–	1,888	1,888
Other assets		30/06/16	–	–	431	431
Rehabilitation assets		30/06/18	–	–	3,264	3,264
Total infrastructure, property, plant and equipment			–	–	407,521	407,521

Note that capital WIP is not included above since it is carried at cost.

(2) Transfers between level 1 and level 2 fair value hierarchies

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

	2019 Level 1 Quoted prices in active mkts	2019 Level 2 Significant observable inputs	2018 Level 1 Quoted prices in active mkts	2018 Level 2 Significant observable inputs
\$ '000				

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Council's policy for determining transfers between fair value hierarchies is:

– at the end of the reporting period.

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for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

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. The Office of Local Government, Department of Premier and Cabinet, have determined that all asset classes are required to be re-valued at least every five years, at their fair value. The standard valuation schedule set as follows:

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

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.
 2019/2020 - Roads, Bridges, Footpaths, Stormwater, and Drainage assets.
 2020/2021 - Community Land, Land Improvements and Other assets.
 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 (IPP&E)

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.

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Note 18. Fair Value Measurement (continued)

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
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 initially valued at Fair Value as per AASB 116 by external independent valuer Scott Fullarton Valuations Pty Ltd during the reporting period ended 30 June 2007. Desktop updates were provided as at 30 June 2008 and these values were recognised at fair value as at 30 June 2008.

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 valued at Fair Value as per AASB 116 by external independent valuer Scott Fullarton Valuations Pty Ltd during the reporting period ended 30 June 2007. Desktop updates were provided as at 30 June 2008 and these values were recognised at fair value as at 30 June 2011. All new Community Land acquired after the current valuation date is recorded at the initial cost of acquisition.

Community land was required to be re-valued as at 30 June 2016. In line with the prescribed manner of attributing a valuation to Community Land, the land values as supplied by the Valuer General's Office have been used.

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

Land Improvements - Depreciable

Land Improvements - Depreciable were initially valued at Fair Value under AASB 116 from 30 June 2011 using the depreciated historical cost method. A review of these assets was undertaken for 30 June 2016 and the same valuation methodology was retained.

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.

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for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

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 initially valued at Fair Value as per AASB 116 by external independent valuer Scott Fullarton Pty Ltd during the reporting period ended 30 June 2007. Desktop updates were provided as at 30 June 2008 and these values were recognised at fair value as at 30 June 2008.

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.

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

Other Structures were initially valued at Fair Value as per AASB 116 by external independent valuer Scott Fullarton Valuations Pty Ltd during the reporting period ended 30 June 2007. Desktop updates were provided as at 30 June 2008 and these values were recognised at fair value as at 30 June 2011.

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

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Note 18. Fair Value Measurement (continued)

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

Roads were initially componentised by formation, pavement, surface and structures including kerb & gutter. This asset class was valued at Fair Value by an internal valuation undertaken by Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2010. The Cost Approach using Level 3 inputs was used to value this asset class.

The Roads asset class was re-valued as at 30 June 2015 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 Jeff Roorda & Associates and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2015. 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	100 years
Unsealed Roads – Pavement Base	30 years
Roads Pavement Sub-base	Infinite
Other Road Structures	100 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

Bridge assets are classified as concrete, timber or drainage structures. This asset class was valued at Fair Value by an internal valuation undertaken by Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2010. The Cost Approach using Level 3 inputs was used to value this asset class.

The Bridges asset class was re-valued as at 30 June 2015 classified as concrete, timber or drainage structures. This asset class was re-valued at Fair Value by external consultants Jeff Roorda & Associates and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2015. 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.

Bridges - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Bridges – Concrete	100 years
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Note 18. Fair Value Measurement (continued)

Bridges – Timber	40 - 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 valued in-house by Council's Engineering Department in June 2010 and were based on professional judgement incorporating historical cost per square metre of works carried out previously. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

Footpaths were re-valued as at 30 June 2015 at Fair Value by external consultants Jeff Roorda & Associates and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2015. 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	80 years
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Asset capitalisation thresholds include:-

Footpaths	\$5,000
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Stormwater Drainage Assets

The Stormwater Drainage asset class was valued at Fair Value by an internal valuation undertaken by Upper Lachlan Shire Council professional engineering staff and recognised at fair value from 30 June 2010.

Stormwater Drainage assets were re-valued as at 30 June 2015 at Fair Value by external consultants Jeff Roorda & Associates 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	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

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Note 18. Fair Value Measurement (continued)

Water Supply and Sewerage infrastructure assets were initially valued by Andrew Nock Valuers Pty Ltd, an independent plant, equipment and infrastructure Valuer at Fair Value according to AASB 116 using the gross restatement method during the reporting period ended 30 June 2007.

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. 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

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Note 18. Fair Value Measurement (continued)

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.

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

Asset capitalisation thresholds include:-

Playground Equipment and Park Furniture \$1,000

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.

(4) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
2018					
Opening balance	7,544	530	72	4,416	3,231
Purchases (GBV)	935	431	—	277	58
Disposals (WDV)	(280)	—	—	—	—
Depreciation and impairment	(1,108)	(124)	(9)	—	—
FV gains – other comprehensive income	—	—	—	(98)	—
Closing balance	7,091	837	63	4,595	3,289
2019					
Opening balance	7,091	837	63	4,595	3,289
Purchases (GBV)	2,050	310	3	6	—
Disposals (WDV)	(374)	—	—	—	—
Depreciation and impairment	(1,192)	(196)	(7)	—	—
Closing balance	7,575	951	59	4,601	3,289

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

\$ '000	Land improvement s	Buildings non-specialis ed	Buildings specialised	Other structures	Roads
\$ '000	Land improvement s	Buildings non-specialis ed	Buildings specialised	Other structures	Roads
2018					
Opening balance	119	1,829	20,019	909	285,079
Purchases (GBV)	—	—	869	40	7,746
Depreciation and impairment	(9)	(48)	(534)	(26)	(2,473)
FV gains – other comprehensive income	—	525	4,219	68	—
Closing balance	110	2,306	24,573	991	290,352
2019					
Opening balance	110	2,306	24,573	991	290,352
Purchases (GBV)	—	45	482	44	3,988
Depreciation and impairment	(8)	(63)	(247)	(31)	(2,523)
FV gains – other comprehensive income	—	—	(697)	—	—
Closing balance	102	2,288	24,111	1,004	291,817

\$ '000	Bridges	Footpaths	Stormwater drainage	Water supply network	Sewerage network
2018					
Opening balance	25,177	1,492	1,445	22,976	14,287
Purchases (GBV)	436	105	187	1,576	132
Depreciation and impairment	(492)	(27)	(26)	(525)	(447)
FV gains – other comprehensive income	—	—	—	365	293
Closing balance	25,121	1,570	1,606	24,392	14,265
2019					
Opening balance	25,121	1,570	1,606	24,392	14,265
Purchases (GBV)	192	92	111	373	210
Depreciation and impairment	(493)	(27)	(27)	(561)	(448)
FV gains – other comprehensive income	(25)	—	—	387	224
Closing balance	24,795	1,635	1,690	24,591	14,251

\$ '000	Swimming pools	Other open space/recreati onal	Other assets	Rehabilitation assets	Total
2018					
Opening balance	489	1,380	472	825	392,291
Purchases (GBV)	16	45	14	206	13,073
Disposals (WDV)	—	—	—	(58)	(338)
Depreciation and impairment	(19)	(106)	(55)	(36)	(6,064)
FV gains – other comprehensive income	292	569	—	427	6,660
Adjustments	—	—	—	1,901	1,901
Closing balance	778	1,888	431	3,265	407,523

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

\$ '000	Swimming pools	Other open space/recreational	Other assets	Rehabilitation assets	Total
2019					
Opening balance	778	1,888	431	3,265	407,523
Purchases (GBV)	13	91	—	73	8,083
Depreciation and impairment	(23)	(115)	(55)	(216)	(6,232)
Closing balance	768	1,864	376	3,122	408,889

c. 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.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	7,575	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Office equipment	951	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Furniture and fittings	59	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Operational Land	4,601	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Community Land	3,289	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Land improvements	102	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Buildings non-specialised	2,288	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Buildings specialised	24,111	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other structures	1,004	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Roads	76,207	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Bridges	24,795	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Footpaths	1,635	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Stormwater drainage	1,690	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Water supply network	24,591	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Sewerage network	14,251	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Swimming pools	768	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other open space/recreational	1,864	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other assets	376	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Rehabilitation assets	3,122	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Discount Rate • CPI

(5) Highest and best use

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

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Related Party Transactions

Key management personnel

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	2019	2018
Compensation:		
Short-term benefits	1,067	1,072
Termination benefits	377	75
Total	1,444	1,147

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Statement of developer contributions

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.

Summary of contributions and levies

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	2,169	461	–	56	(324)	–	2,362	–
Open space	266	22	–	7	–	–	295	–
Community facilities	438	68	–	11	(10)	–	507	–
Other	78	5	–	2	–	–	85	–
Bushfire	194	27	–	4	(49)	–	176	–
Waste management	295	27	–	8	(329)	–	1	–
S7.11 contributions – under a plan	3,440	610	–	88	(712)	–	3,426	–
S7.12 levies – under a plan	176	–	–	–	(176)	–	–	–
Total S7.11 and S7.12 revenue under plans	3,616	610	–	88	(888)	–	3,426	–
S64 contributions	230	216	–	8	(148)	–	306	–
Total contributions	3,846	826	–	96	(1,036)	–	3,732	–

S7.11 Contributions – under a plan

Upper Lachlan Development Contributions Plan 2007 (previously Section 94)

Bushfire	194	27	–	4	(49)	–	176	–
Roads	2,169	461	–	56	(324)	–	2,362	–
Waste management	295	27	–	8	(329)	–	1	–
Open space	266	22	–	7	–	–	295	–

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Upper Lachlan Shire Council

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
		Contributions received during the year						
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Community facilities	438	68	–	11	(10)	–	507	–
Other	78	5	–	2	–	–	85	–
Total	3,440	610	–	88	(712)	–	3,426	–

S7.12 Levies – under a plan

Upper Lachlan Section 94A Development Contributions Plan - Gullen Range Solar Farm/Bannister lane (previously Section 94A)

Public facilities	176	–	–	–	(176)	–	–	–
Total	176	–	–	–	(176)	–	–	–

S64 contributions

Upper Lachlan Development Servicing Plan for Water & Sewer

Water supply	117	73	–	4	(115)	–	79	–
Sewerage services	113	143	–	4	(33)	–	227	–
Total	230	216	–	8	(148)	–	306	–

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	8,624	840	1,116
User charges and fees	6,735	1,038	264
Interest and investment revenue	583	68	121
Other revenues	948	–	–
Grants and contributions provided for operating purposes	8,743	18	16
Grants and contributions provided for capital purposes	2,841	9	143
Total income from continuing operations	28,474	1,973	1,660
Expenses from continuing operations			
Employee benefits and on-costs	10,149	584	372
Borrowing costs	161	45	17
Materials and contracts	6,928	640	362
Depreciation and amortisation	5,631	575	476
Other expenses	2,370	216	173
Net losses from the disposal of assets	204	–	(2)
Total expenses from continuing operations	25,443	2,060	1,398
Operating result from continuing operations	3,031	(87)	262
Net operating result for the year	3,031	(87)	262
Net operating result attributable to each council fund	3,031	(87)	262
Net operating result for the year before grants and contributions provided for capital purposes	190	(96)	119

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Statement of Financial Position by fund

ASSETS**Current assets**

Cash and cash equivalents	6,264	–	–
Investments	11,578	2,551	4,771
Receivables	2,877	130	105
Inventories	977	–	–
Other	46	–	–
Total current assets	21,742	2,681	4,876

Non-current assets

Investments	3,400	–	–
Receivables	126	35	8
Infrastructure, property, plant and equipment	371,896	25,236	15,358
Total non-current assets	375,422	25,271	15,366
TOTAL ASSETS	397,164	27,952	20,242

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
LIABILITIES			
Current liabilities			
Payables	2,019	14	4
Borrowings	225	74	42
Provisions	3,974	158	152
Total current liabilities	6,218	246	198
Non-current liabilities			
Borrowings	1,573	557	184
Provisions	2,783	–	–
Total non-current liabilities	4,356	557	184
TOTAL LIABILITIES	10,574	803	382
Net assets	386,590	27,149	19,860
EQUITY			
Accumulated surplus	260,442	25,495	15,354
Revaluation reserves	126,148	1,654	4,506
Council equity interest	386,590	27,149	19,860
Total equity	386,590	27,149	19,860

NB. All amounts disclosed above are gross – that is, they include 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.

Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	415	1.43%	5.29%	16.47%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	29,114				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	20,224	62.99%	56.37%	52.13%	>60.00%
Total continuing operating revenue ¹	32,107				
3. Unrestricted current ratio					
Current assets less all external restrictions	19,105	5.14x	2.97x	5.14x	>1.50x
Current liabilities less specific purpose liabilities	3,719				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,320	15.98x	19.85x	25.52x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	458				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	262	2.42%	2.94%	3.35%	<10.00%
Rates, annual and extra charges collectible	10,832				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	28,564	15.32	18.48	19.30	>3.00
Monthly payments from cash flow of operating and financing activities	1,864	mths	mths	mths	mths

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates.

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1.53%	5.17%	(4.89)%	1.40%	7.84%	12.27%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	58.92%	54.31%	98.63%	55.77%	90.42%	96.17%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.14x	2.97x	10.58x	11.08x	23.48x	24.43x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15.62x	29.34x	11.64x	5.46x	36.00x	12.05x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	1.09%	2.13%	7.24%	6.89%	9.28%	6.23%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.84 mths	16.20 mths	19.70 mths	21.48 mths	59.51 mths	59.03 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 28a above.

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

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Upper Lachlan Shire Council

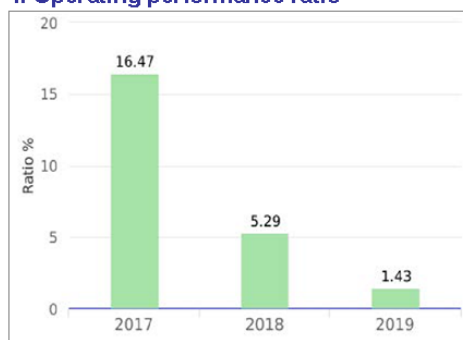
Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Purpose of operating performance ratio

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

Commentary on 2018/19 result

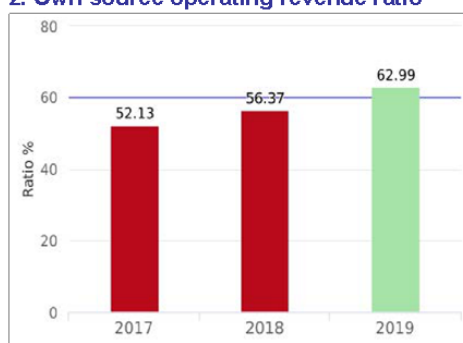
2018/19 ratio 1.43%

The net operating result for the year was in accordance with the Operational Plan budget forecast. Council has managed cash outflows on operating expenses while supplementing operating revenues.

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

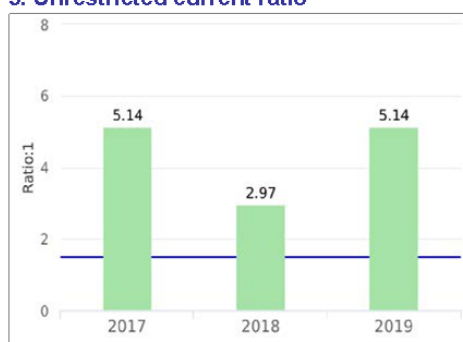
2018/19 ratio 62.99%

Council own source income increased (e.g. additional private works for a wind farm - \$1.1m). This resulted in Council achieving the benchmark of greater than 60% own source revenue.

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 5.14x

Council has been above benchmark for the past 5 years. Adequate working funds are retained to meet short term liabilities.

Ratio achieves benchmark

Ratio is outside benchmark

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Upper Lachlan Shire Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 15.98x

Council has maintained low debt/borrowing levels by successfully securing external funding to carry out substantial capital infrastructure projects.

Ratio achieves benchmark

Ratio is outside benchmark

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



Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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

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

Commentary on 2018/19 result

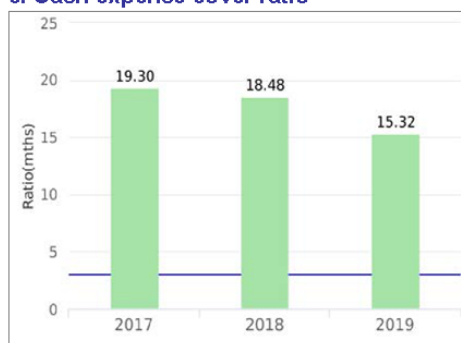
2018/19 ratio 2.42%

Council's debt recovery management practices and dedicated revenue staff have achieved impressive and consistent results in rates and debt recovery over the past 10 years keeping rates and charges outstanding levels well below the Upper Lachlan Shire Council's benchmark of 5%.

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 15.32 mths

Performance is above benchmark for the past 5 years and Council currently has liquidity with the capacity to fund the works program detailed in the 4 year delivery program 2019/2020 to 2022/2023. It also allows Council the ability to meet unforeseen expenses such as emergency repairs and also to capitalise on short notice matching grant funding opportunities.

Ratio achieves benchmark

Ratio is outside benchmark

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Upper Lachlan Shire Council

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

Independent Auditor's Report

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

Upper Lachlan Shire Council

Financial Statements 2019

General Purpose Financial Statements

for the year ended 30 June 2019

Independent Auditor's Report

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

Upper Lachlan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2019



Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

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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 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

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 10 October 2019.

John Stafford
Mayor
10 October 2019

John Searl
Councillor
10 October 2019

Andrew Croke
Acting General Manager
10 October 2019

Daniel Cooper
Responsible Accounting Officer
10 October 2019

Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	840	839
User charges	1,025	995
Fees	13	–
Interest	68	63
Grants and contributions provided for non-capital purposes	18	18
Other income	–	7
Total income from continuing operations	1,964	1,922
Expenses from continuing operations		
Employee benefits and on-costs	584	477
Borrowing costs	45	50
Materials and contracts	640	627
Depreciation, amortisation and impairment	575	546
Other expenses	216	195
Total expenses from continuing operations	2,060	1,895
Surplus (deficit) from continuing operations before capital amounts	(96)	27
Grants and contributions provided for capital purposes	9	1,492
Surplus (deficit) from continuing operations after capital amounts	(87)	1,519
Surplus (deficit) from all operations before tax	(87)	1,519
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(7)
SURPLUS (DEFICIT) AFTER TAX	(87)	1,512
Plus accumulated surplus	25,582	24,063
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	7
Closing accumulated surplus	25,495	25,582
Return on capital %	(0.2)%	0.3%
Subsidy from Council	384	582
Calculation of dividend payable:		
Surplus (deficit) after tax	(87)	1,512
Less: capital grants and contributions (excluding developer contributions)	(9)	(1,428)
Surplus for dividend calculation purposes	–	84
Potential dividend calculated from surplus	–	42

Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,116	1,102
User charges	260	261
Fees	4	–
Interest	121	104
Grants and contributions provided for non-capital purposes	16	–
Profit from the sale of assets	–	16
Total income from continuing operations	1,517	1,483
Expenses from continuing operations		
Employee benefits and on-costs	372	304
Borrowing costs	17	20
Materials and contracts	362	332
Depreciation, amortisation and impairment	476	473
Loss on sale of assets	(2)	–
Other expenses	173	172
Total expenses from continuing operations	1,398	1,301
Surplus (deficit) from continuing operations before capital amounts	119	182
Grants and contributions provided for capital purposes	143	59
Surplus (deficit) from continuing operations after capital amounts	262	241
Surplus (deficit) from all operations before tax	262	241
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(33)	(50)
SURPLUS (DEFICIT) AFTER TAX	229	191
Plus accumulated surplus	15,092	14,851
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	33	50
Closing accumulated surplus	15,354	15,092
Return on capital %	0.9%	1.3%
Subsidy from Council	67	202
Calculation of dividend payable:		
Surplus (deficit) after tax	229	191
Less: capital grants and contributions (excluding developer contributions)	(143)	–
Surplus for dividend calculation purposes	86	191
Potential dividend calculated from surplus	43	95

Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Income Statement – Domestic Waste Management
for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Access charges	1,092	1,058
User charges	1	1
Interest	62	52
Grants and contributions provided for non-capital purposes	61	36
Total income from continuing operations	1,216	1,147
Expenses from continuing operations		
Employee benefits and on-costs	234	177
Materials and contracts	791	571
Depreciation, amortisation and impairment	132	141
Loss on sale of assets	–	107
Other expenses	12	6
Total expenses from continuing operations	1,169	1,002
Surplus (deficit) from continuing operations before capital amounts	47	145
Grants and contributions provided for capital purposes	27	28
Surplus (deficit) from continuing operations after capital amounts	74	173
Surplus (deficit) from all operations before tax	74	173
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(13)	(40)
SURPLUS (DEFICIT) AFTER TAX	61	133
Plus accumulated surplus	2,955	2,783
Plus/less: other adjustments	–	(1)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	13	40
Closing accumulated surplus	3,029	2,955
Return on capital %	3.3%	19.0%

Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	2,551	2,529
Receivables	130	116
Total current assets	2,681	2,645
Non-current assets		
Receivables	35	18
Infrastructure, property, plant and equipment	25,236	25,045
Total non-current assets	25,271	25,063
TOTAL ASSETS	27,952	27,708
LIABILITIES		
Current liabilities		
Payables	14	15
Borrowings	74	69
Provisions	158	144
Total current liabilities	246	228
Non-current liabilities		
Borrowings	557	631
Total non-current liabilities	557	631
TOTAL LIABILITIES	803	859
NET ASSETS	27,149	26,849
EQUITY		
Accumulated surplus	25,495	25,582
Revaluation reserves	1,654	1,267
TOTAL EQUITY	27,149	26,849

Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	4,771	4,350
Receivables	105	63
Total current assets	4,876	4,413
Non-current assets		
Receivables	8	6
Infrastructure, property, plant and equipment	15,358	15,355
Total non-current assets	15,366	15,361
TOTAL ASSETS	20,242	19,774
LIABILITIES		
Current liabilities		
Payables	4	5
Borrowings	42	39
Provisions	152	132
Total current liabilities	198	176
Non-current liabilities		
Borrowings	184	225
Total non-current liabilities	184	225
TOTAL LIABILITIES	382	401
NET ASSETS	19,860	19,373
EQUITY		
Accumulated surplus	15,354	15,092
Revaluation reserves	4,506	4,281
TOTAL EQUITY	19,860	19,373

Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Statement of Financial Position –
for the year ended 30 June 2019

\$ '000	2019	2018
<u>TOTAL EQUITY</u>	<u>—</u>	<u>—</u>

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Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Domestic Waste Management

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Investments	1,498	2,071
Receivables	90	69
Total current assets	1,588	2,140
Non-current assets		
Receivables	5	5
Infrastructure, property, plant and equipment	1,419	765
Total non-current assets	1,424	770
TOTAL ASSETS	3,012	2,910
LIABILITIES		
Current liabilities		
Provisions	101	74
Total current liabilities	101	74
TOTAL LIABILITIES	101	74
NET ASSETS	2,911	2,836
EQUITY		
Accumulated surplus	3,029	2,955
Revaluation reserves	(119)	(119)
TOTAL EQUITY	2,910	2,836

Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. 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

continued on next page ...

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Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

(i) 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 – 27.5%

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

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

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

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

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

Income tax

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

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

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

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Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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.

(ii) Subsidies

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

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

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

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

(iii) 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.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) 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 2019 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.

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Upper Lachlan Shire Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).